

2016

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Recommended Citation

Leach, David M. . "Tying the Knot: The Importance of Financial Literacy Education in Maine." *Maine Policy Review* 25.2 (2016) : 66-69, <https://digitalcommons.library.umaine.edu/mpr/vol25/iss2/11>.

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Tying the Knot: The Importance of Financial Literacy Education in Maine

by David M. Leach

Did your parents announce that you could not go to kindergarten until you learned to tie your shoes? Mine certainly did. I remember it vividly because I could not tie my shoes, and the first day of school was only about a month away.

I grew up in a subdivision in the central Maine city of Hallowell, filled with modest homes, well-kept yards, and teeming with (baby boomer) kids. Being born in 1959, I was on the tail end of the baby boom, and most of the neighborhood kids were already attending the local elementary school. I certainly did not want to spend an extra year at home, missing all the excitement happening at that single-story brick school.

The shoe-tying lessons intensified: first my mother, then my father, then both of them. Frustration. Then sometime in the late summer of 1964, I was finally able to tie my shoes independently, earning the right to get on that yellow school bus and head off to kindergarten in September.

EARLY LESSONS

Because my parents grew up during the Great Depression and World War II, the shoe-tying tribulations were only the beginning of the trial-and-error lessons they patiently taught me. Throughout elementary and junior high school, my parents helped me with my spelling, reading, mathematics, science, and writing assignments and were always there to answer my numerous questions.

At the age of 16, I got my first full-time summer job at a local wholesale distribution warehouse. At 40 hours a week and \$2.50 an hour, I felt like a millionaire when I got my first paycheck. Now life's lessons went from math and science to personal money management. I suddenly had money in my bank account, and my parents were not going to let me spend it as fast as I made it. My parents led by example and by words in the area of personal finance.

To say I was fortunate to be the son of Phillip and Patricia Leach is a great understatement. They had carved out a successful middle-class existence in central Maine. Shortly after completing four years with the US Coast Guard in WWII, my father was hired by New England Telephone. He worked there and rose through the ranks until he was able to retire at the age of 52. My mother created and ran her own successful business. They never had, nor wanted, any loans. My mother would say, "The object is to earn interest on your money, not pay it out!"

My father built our family home in Hallowell stick by stick, one lumber truck delivery at a time, and with no credit. "Cash on the barrelhead," he explained. We had a new car every four years or so, which was also paid for in cash. Dad would say to me, "Well, you have to pay for the car anyway. Why take out a loan and pay more in interest? Save up until you can afford to own it free and clear, and you'll be further ahead in the long run."

JOB OPPORTUNITY

I had been working in a bank handling credit and collections for two years when I spotted a job opening with the Maine Bureau of Banking for a consumer outreach position. The job sounded interesting. I could take what I had learned from parents, my four years at the University of Maine, and my banking background, and create a dynamic consumer outreach program for Maine's citizens. And I could do it from scratch because it was a brand-new position, one that the Maine Legislature felt was important based on changes to the banking industry that were occurring in the mid-1980s.

Banking Superintendent H. Donald DeMatteis, still the longest-serving bank superintendent in the 189-year history of bank regulation in Maine, was my first boss. Fortunately, he shared my vision about the importance of consumer outreach and education. Current US Senator Susan M. Collins was our commissioner at the Department of Professional and Financial Regulation, and John McKernan was the governor. All three of those individuals understood the importance of a well-run financial literacy program offered by Maine's banking regulatory agency.

ESTABLISHING THE OUTREACH PROGRAM

During my time with the bureau (now called the Bureau of Financial Institutions), I had the opportunity to write two booklets—one about home mortgages and the other designed to help Maine merchants better understand commercial banking products. By far the most important publication I worked on during my bank regulatory

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years, however, was *A Student's Guide to Banking and Personal Money Management*, released in 1989. The guide was a how-to manual for Maine high school and college students on a variety of topics including checking and savings accounts, bank CDs, credit, and loans, along with personal money management and budgeting tips.

The booklet won a national award from the American Library Association, and we supplemented its release with several videos produced with the help of the Maine Photographic Services, as well as a statewide high school–speaking tour each year. The bureau also formed an effective, low-cost financial literacy program, and we spoke to students all over Maine. Over 90 percent of Maine high schools were using the free booklet and our financial literacy outreach program in the early 1990s. It was satisfying to see the recognition in the students' eyes when I told them my real-life stories about buying a car, using credit cards, and saving and investing for

the future. But like many good things, this program came to an end as administrations changed in the early 1990s.

CONTINUING THE PROGRAM

I was working on a master of public administration degree at the UMaine when I was offered a job in the Bureau of Consumer Credit Protection—the regulator of mortgage companies and other nonbank consumer financial services. I knew the superintendent, Will Lund, and believed that he, like Don DeMatteis, was a strong supporter of state-based consumer literacy education. In addition, I knew the agency had published many consumer information pamphlets in the late 1980s on topics such as debt collection, repossession, and credit reporting, and that those booklets were due for major makeovers.

For the past 15 years, I have been working to improve financial literacy on the topics of consumer credit and other areas of financial protection and to

create a new library of credit-related consumer guides. One of our primary jobs at the bureau is to disseminate information on credit matters to help Mainers make responsible borrowing decisions. To accomplish that mission over the past eight years, we have written 11 entirely new *Downeaster Consumer Guides* on a wide variety of topics: credit cards, debt collection, auto buying and financing, credit reports and scores, home buying and financing, consumer scams, student loans, consumer credit, elder financial protection, and high-interest loans. All publications are available free of charge to Maine consumers.¹

I have coauthored these booklets with a series of summer interns from the Maine Government Summer Internship Program, administered by the Margaret Chase Smith Policy Center at the University of Maine. All other employees of the bureau assist in the effort, from editing to producing the graphs and charts, which results in substantive, professional content and style. We

Maine Government Summer Internship Program

Established in 1967 by the 103rd Legislature, the Maine Government Summer Internship Program places talented college students in internship positions where they can contribute to state and local government and gain meaningful work experience.

The program is a full-time, paid work experience, and interns are considered temporary unclassified state employees. Most interns are placed in the Augusta area though some positions require travel.

To be eligible for the Maine Government Summer Internship Program, a student must currently be enrolled in a Maine college, or be a Maine resident enrolled elsewhere, and have successfully completed a minimum of two years of college. Students currently graduating from undergraduate and graduate programs also are eligible.

Recent Interns and Their Projects

2016: Kyrie Johnson, Farmingdale, ME, Wheaton College — Created and managed two new consumer booklets: *Downeaster Common Sense Guide to High Interest/High Cost Loans*, and *Downeaster Common Sense Guide: On the Money, a Young Person's Guide to Financial Success*.

2015: Arianna Castonguay, Augusta, ME, University of Maine, Economics — Cowrote a consumer's booklet about debt collection and the laws relating to it.

2014: Abigail Pratico, Falmouth, ME, University of Maine, Political Science and Psychology — Coauthored two booklets: *Downeaster Guide to Credit Bureaus and Credit Reports* and *Downeaster Common Sense Guide to Auto Buying and Financing*.

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publish the volumes in-house, permitting us to update information in response to developing trends or changes to state and federal law.

Our goal with these factual and unbiased booklets is to create a heightened sense of *economic situational awareness* the next time a consumer steps onto a car lot, shops for a mortgage loan, or receives a call from someone promising a loan consolidation or other financial opportunity that sounds too good to be true.

OUR LATEST AND BEST— ON THE MONEY

We'd like to think our newest publication, the *Downeaster Common Sense Guide: On the Money, A Guide to Personal Finance*, will help raise Maine consumers' financial literacy to levels exceeding those of residents in other states. The new *On the Money* guide is not just a reprint of 1989's *A Student's Guide to Banking and Personal Money Management*, and that's good!

In its compact format, the *Student's Guide* explained checking and savings accounts, bank CDs, shopping for consumer loans, responsible borrowing, and money management. Times were simpler in 1989—student loan and credit card debt had not exploded, and the costs of big-ticket items like autos and homes have increased substantially since then (higher than inflation). Today's young people are faced with staggering student debt, ballooning new home prices, the easy availability of credit cards, and maybe the next big bubble—new and used auto loans written with less-than-conservative credit-underwriting standards.

On the Money features sections on banking, securities, personal money

management and budgeting, consumer credit, recognizing and fighting back against financial scams, and evaluating insurance products. *On the Money*, along with the other *Downeaster Guides*, increases Maine consumers' (of all ages) economic situational awareness and helps them to make reasoned, educated choices in a variety of big-ticket or big-life-moment scenarios:

- Financing and purchasing a first home or first new car or truck
- Saving and investing (responsibly and knowledgeably) for the future
- Investing basics (stocks, bonds, mutual funds, real estate, exchange traded funds, bank CDs and savings accounts)
- Shopping (lowest APRs) for credit and remembering to think before borrowing
- Establishing and maintaining credit
- Understanding how credit scores work and can work for or against you
- Choosing a college you can afford, remembering that student loans must be paid back on the salary of the career you have chosen
- Understanding the basics of insurance (life, health, auto, and homeowners)
- Recognizing financial scams and knowing when to hang up

On the Money is an internet-age, multimedia publication as well. We are planning to add video links to each of the chapters, with experts in each area providing seasoned advice on the topic covered in that chapter.

Our goal is to incorporate *On the Money* into Maine's educational systems and to help increase young people's financial literacy, so they are comfortable discussing finances, confident in their abilities, and competent in their skills.

We began drafting *On the Money* after reading compelling statistics. For example, a *Biz Kid\$* survey (2008) found

- 52 percent of high school seniors did not know that paying off a credit card more slowly will result in higher finance charges;
- only 5 percent of adults learned about the vital life skill of money management in high school, middle/junior high school, or elementary school;
- over 80 percent of public school teachers think it's important to teach financial literacy in US classrooms; and
- 83 percent of high school seniors do not know that over the last century, stocks have yielded higher returns than savings bonds or bank savings accounts.

A survey by the National Foundation for Credit Counseling (NFCC 2015) found

- 60 percent of all adults do not have a budget and do not track their monthly expenses;
- nearly 30 percent of US adults do not set aside any portion of their household's annual income for retirement;
- 34 percent of adults do not have nonretirement savings on hand;
- 52 percent of adults have not reviewed their credit reports;
- 11 percent of adults carry credit

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card balances of \$2,500 or more each month; and

- 70 percent of adults report having “some sort of financial worry” (e.g., retirement or lack of emergency funds).

NEED FOR FINANCIAL LITERACY

In my opinion, we need improved financial literacy both in our households and in Washington, DC. The national debt is fast approaching \$20 trillion—a portion of which each of us owes and *owns*. This figure has doubled in size in the past decade, rising sharply since the financial crisis of 2007–2008. I believe that not only does the debt need to stop growing, it needs to shrink. We owe it to future generations of Americans to stop the growth of this national albatross and begin to pay it down.

It is my personal belief that the better we handle our personal and local finances, the more situationally aware we will become to mobilize against national fiscal mismanagement, to which both major parties have contributed. Left unchecked, the yearly federal deficit and cumulative debt could soon become so large that it will result in deep cuts to essential programs such as Social Security, defense, health care and education, programs we have counted on for decades.

We believe the principles found in the *Downeaster Guide: On the Money* constitute an important first step in improving Mainers’ financial literacy to a level that will help make us more financially secure. Armed with that knowledge, we will be ready to reduce improvident borrowing and spending in our homes. Then, we can extend those standards to Washington, DC, and work on stopping the growth of the national

debt and beginning to pay down that accumulated debt for the benefit of future generations. 🐋

ENDNOTES

- 1 Copies of the *Downeaster Common Sense Guides* may be downloaded from the Bureau of Consumer Credit Protection’s website (<http://www.maine.gov/pfr/consumercredit/publications.htm>) or printed copies may be ordered from Bureau of Consumer Credit Protection, 35 State House Station, Augusta, Maine 04333-0035; Tel: 800.332.8529 (in-state) or 207.624.8527.

REFERENCES

- Biz Kid\$. n.d. Is Financial Education Necessary? See the Statistics! http://wxxi.org/tv/bizkids/whyfinancialed_stats.pdf
- NFCC (National Foundation for Credit Counseling). 2015. The 2015 Consumer Financial Literacy Survey. NFCC, Washington, DC. https://www.nfcc.org/wp-content/uploads/2015/04/NFCC_2015_Financial_Literacy_Survey_FINAL.pdf



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is a principal examiner with the Bureau of Consumer Credit Protection. In his 29-year career in Maine state government, he

has authored or coauthored 16 consumer protection publications and presented over 1,000 seminars statewide on personal finance issues. Leach is entering his fifteenth year as an adjunct professor at the University of Maine in Augusta, teaching banking, investment, and marketing courses and has taught at the University of Maine Graduate School.