

FINANCIAL FOCUS

SPRING 2008

ADDRESSING THE ISSUES

NFI's 5th annual
insurance summit
held in DC



NETWORKS FINANCIAL
INSTITUTE
At Indiana State University



Networks Financial Institute at Indiana State University was founded in 2003 through a grant from Lilly Endowment Inc. and strives to facilitate broad, collaborative thinking, dialogue and progress in the evolving financial services marketplace, focusing on the areas of education, outreach and research. NFI is a leader in preparing students for careers in the financial services industry. NFI connects Indiana State's financial, business and educational expertise and resources with today's needs in the financial services marketplace. NFI is a primary source for objective and applied research within the financial services industry. For more, visit NFI online at networksfinancialinstitute.org.



Indiana State University, established in 1865, is a four-year public university that embraces its mission to educate the leaders of tomorrow with focus on research, experiential learning and civic engagement. Its five colleges and the School of Graduate Studies offer courses leading to undergraduate and graduate degrees and certificates in arts and sciences, business, education, health and human performance, nursing and technology. Financial services is one of many distinctive programs you'll find at Indiana State. It was one of two programs designated Programs of National Distinction for achieving a national reputation for the quality of their work and reflecting the values of Indiana State while meeting state and national needs. To learn more, visit www.indstate.edu or call 800-GO-TO-ISU.

FEATURES

5 WHERE DO THEY STAND ON CONSUMER FINANCIAL TOPICS?

B&D Consulting reviewed the campaign positions of the current presidential candidates, Senators Hillary Clinton, Barack Obama and John McCain. Read some of the candidates' stances on credit card reform, pay day lending reform, housing, the economy and taxes, financial literacy, bankruptcy law reform and insurance reform.

14 LEARNING LIFE'S LESSONS WHILE STUDYING ABROAD

Thirteen Indiana State University business students studied abroad last semester with the Networks Professional Development Program. From Australia to Finland, these students experienced new cultures, foreign economies and prepared for future international business travels.

18 PRACTICE MAKES PERFECT

Network Scholars participate in career preparation workshops, including: mock interviews and a resume seminar.



Junior Scott Koresel networks with his mentor, Patrick Sedlak, who is a director at Aon Risk Services.

20 NATIONAL MENTORING MONTH

NFI paired Networks Scholars with industry mentors so they could explore career opportunities and develop corporate connections. Mentors also benefit from the experience by being exposed to new energy, potential interns and possible future employees.

22 ADDRESSING THE ISSUES

NFI hosted the 5th Annual Insurance Reform Summit. Members of Congress, the insurance community and academia discussed pivotal issues impacting the industry, such as: a potential optional federal charter, climate change and the upcoming 2008 presidential election.

10 EDUCATION QUICKTAKES

NFI sponsored a certificate program to focus on leadership development that reached across the ISU campus. Also, the Networks Scholars will take their second annual white water rafting trip this summer.

11 Q&A: MEET KATHLEEN

Kathleen Parish is NFI's new Career Development Specialist who works on developing internships and mentorships for the Networks Scholars.

12 Q&A: MEET LUANA

Luana Nissan is NFI's new Curriculum Specialist and was hired to assist with the completion of the Kids Count board game and virtual curriculum.

13 FINANCIAL LITERACY QUICKTAKES

Learn how the Money Bus and the SMART Program are working together. Also, NFI is working across the country to improve financial literacy.

28 CHECKING THE WEATHER

Climate change and its impact on the financial services sector: both negative effects on business and consumers, and positive opportunities implied for the financial industry.

30 DOLLARS & SENSE

NFI creates the Kids Count board game to expand the ways to teach financial literacy to students.



FINANCIAL FOCUS

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Networks Financial Institute at Indiana State University was founded in 2003 with a grant from Lilly Endowment, Inc. The non-profit organization strives to facilitate a more effective national and international financial services marketplace through education, outreach and research. Networks Financial Institute is headquartered in Indianapolis with offices on the campus of Indiana State University in Terre Haute and outreach in Washington, DC and internationally. For more information about Networks Financial Institute, visit www.networksfinancialinstitute.org.



More From day one.



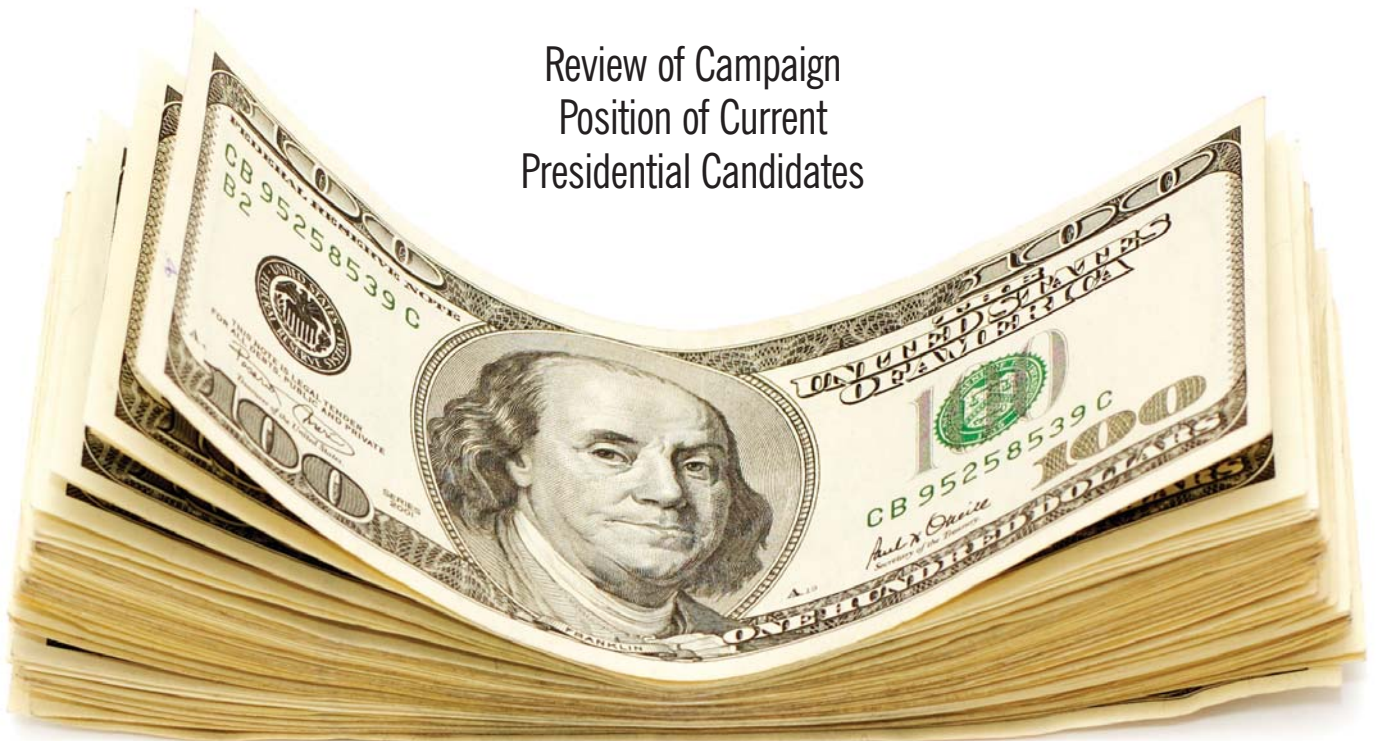
At Indiana State University

Where Do They Stand

on Consumer Financial Topics?

BY B&D CONSULTING

Review of Campaign
Position of Current
Presidential Candidates



CREDIT CARD REFORM

PAYDAY LENDING REFORM

ECONOMY/TAXES

HOUSING

FINANCIAL LITERACY AND
BETTER BORROWING



SENATOR HILLARY CLINTON

Senator Clinton, a democratic candidate for president, proposes a comprehensive economic plan on several issues, including credit card reform and the foreclosure crisis. In addition, she specifically promotes financial literacy programs.

CREDIT CARD REFORM

- Proposes a plan that will immediately impose a national annual interest rate cap of 30 percent on all credit cards. She would then direct the Office of the Comptroller of the Currency to make recommendations on a lower interest rate cap linked to a standard benchmark, plus a margin to provide for a reasonable profit. This cap would not preempt lower state law caps.
- Proposes the creation of a Financial Product Safety Commission (FPSC) to oversee lending banks and financial institutions, establish a set of fair rules and guidelines for financial products (including disclosure and reporting rules) and develop new protections against predatory and abusive lending practices. In addition, Clinton would give states concurrent enforcement authority against national banks for violations of federal law.
- Notes that she will work with the new FPSC to prevent credit card companies from unfairly increasing interest rates or charging interest in unreasonable ways. Specifically, she claims that she would stop credit card companies from: (1) raising interest rates because of an unrelated change in the consumer's credit score or because of a missed payment to a different creditor; (2) raising interest rates without the consumer's affirmative

written consent; (3) applying new interest rates to old transactions; 4) using "double-cycle billing" to charge consumers for balances that have already been paid off.

- Establish uniform rules for credit card payment deadlines. For example, she believes that customers should not be penalized if their payments are postmarked by the due date the lender provides. She also supports a grace period before penalty rates apply, and she will direct the FPSC to create fair and reasonable rules for when over-limit fees apply.
- Supports requiring clear disclosures of credit card terms, including the consequences of making only minimum payments. She supports an easy-to-read table spelling out exactly how much it will cost and how long it will take to pay off the balance by making minimum payments in each credit card bill.

PAYDAY LENDING REFORM

- Supports a 30 percent interest rate cap on all payday loans in accordance with the national rate cap.
- Supports stricter limits on refund anticipation loans (RAL). She would require a clear disclosure on these loans so consumers are not misled by a list of unbundled fees. She would also prohibit tax preparers from charging RAL application or account initiation fees for Earned Income Tax Credit recipients.

ECONOMY/TAXES

- Prior to Congress passing the economic stimulus bill, Clinton proposed a \$110 billion stimulus plan, which included \$40 billion in tax rebates of \$250 for low-and middle-income taxpayers.

HOUSING

Clinton will challenge lenders and financial institutions to take three immediate steps regarding the foreclosure crisis: 1) Voluntarily support a moratorium of at least 90 days on home foreclosures so that a rate freeze can take effect and at-risk homeowners can get financial counseling to help them transition to affordable loans; 2) Freeze the fluctuating rates on subprime loans for at least 5 years until they can be converted into fixed rate loans; and 3) Require regular status reports on their progress with converting unworkable mortgages into loans families can afford.

- **The Save Our Homes Program.** The Save Our Homes program would temporarily use Fannie Mae, Freddie Mac, and the state housing finance agencies to help reduce foreclosures. The program would be in effect for 2 years. First, Clinton would temporarily increase Fannie Mae and Freddie Mac's portfolio caps by 5 percent to give the companies approximately \$70 billion in incremental mortgage purchasing capacity. With the caps lifted, the two companies will be directed to work with state housing agencies and private lenders to help at-risk homeowners replace their unworkable mortgages (mostly adjustable rate mortgages) with stable, fixed-rate loans. Second, she would temporarily modify the Mortgage Revenue Bond (MRB) program by: 1) permitting state agencies to use MRBs to refinance mortgages (under current law, MRB funds can only be used for original mortgages); and 2) increasing the federal cap on the MRB program by roughly 25 percent to provide an additional \$2.5 billion in refinancing capacity.
- **The Realizing the Dream Program.** Clinton notes that banks are currently reluctant to write new mortgages, and they are especially reluctant to write mortgages that exceed the loan size (\$417,000) that Fannie and Freddie purchase. To increase mortgage credit availability, she would temporarily introduce a separate GSE loan limit for high cost areas. The loan limit would be indexed to median area home prices and capped at \$650,000. She would also direct Fannie and Freddie to make immediate use of their increased purchasing capacity to add liquidity to the mortgage markets.
- **The Foreclosure Rescue Fraud Act.** Clinton supports legislation that sets national, minimal standards of conduct for foreclosure consultants. The legislation would impose criminal penalties on violators, and allows victims to sue for damages. It would also make \$100 million available to states for prosecuting foreclosure rescue fraud and assisting homeowners who have been misled by foreclosure consultants.

FINANCIAL LITERACY AND BETTER BORROWING

- Proposes the creation of a competitive federal grant program to encourage states to design model curricula and to develop

successful public-private partnerships that incorporate financial literacy courses into the basic curriculum of area high schools.

- Supports the expansion of funding to promote adult financial literacy and debt counseling programs for middle and low-income families. Her campaign website notes that, by 2007, over 800,000 people had participated in financial education classes based on the FDIC's Money Smart curriculum. A majority of participants who were surveyed reported an increase in personal savings and a decrease in debt.
- Specifically notes on her campaign website that she will help "unbanked" Americans access safe and affordable banking services. Specifically, she proposes to:
 - Commit federal agencies to help guide and coordinate ongoing efforts by city and state governments, which have already begun to form regional alliances and public-private partnerships, to assist the unbanked enter the financial mainstream.
 - Provide \$50 million in funding to strengthen the First Accounts pilot programs in all fifty states. She notes that the Treasury Department launched a pilot initiative to expand access to mainstream financial services during the Clinton administration. Early results were encouraging, but the Bush administration ceased funding the program in 2002.
- Promote fair, low-interest lending through community banks and support accredited non-profit debt settlement services to help struggling families deal with existing debt.

SENATOR BARACK OBAMA

Senator Obama, a democratic candidate for president, through his campaign website, speeches and statements related to economic issues mainly focuses on credit card reform, bankruptcy law reform, taxes and housing issues.

CREDIT CARD REFORM

- Proposes the creation of a credit card rating system, modeled on five-star systems used for other consumer products, to provide consumers with an identifiable ranking of credit cards, based on the card's features. Under this plan, the Federal Trade Commission (FTC) would assess the degree to which credit cards meet consumer-friendly standards. The FTC would test for a set of credit card features that are deemed the most dangerous for consumers, including the underwriting standards used to issue the card, the card's interest rate spread between the introductory rate and the maximum rate allowed, and transaction fees. The FTC would then assign ratings with the goal of consumers being able to quickly understand all of the major

CREDIT CARD REFORM

PAYDAY LENDING REFORM

BANKRUPTCY LAW REFORM

ECONOMY/TAXES

HOUSING



provisions of a credit card without having to rely exclusively on fine print in lengthy documents.

- Proposes the creation of a Credit Card Bill of Rights that would: (1) ban unilateral changes in credit card agreements unless companies have obtained written consent from consumers and have followed the rules and terms of the agreement; (2) require increased interest rates to apply only to future credit card debt, and not to debt incurred prior to the increase; (3) prohibit interest on transaction fees, such as late fees or paying a bill by telephone; (4) prohibit “universal defaults,” a practice in which a credit card company raises an individual’s interest rate based on failure to pay a different creditor on time; and (5) require credit card issuers to apply payments first to the credit card balance with the highest rate of interest and to minimize finance charges.

PAYDAY LENDING REFORM

- Supports implementing a 36 percent interest rate cap on payday loans and requiring payday lenders to provide clear and simplified information about loan fees, payments and penalties during the application process. He also would encourage banks, credit unions, and Community Development Financial Institutions to provide affordable short-term and small dollar loans to consumers, with the intent of driving unscrupulous lenders out of business.

BANKRUPTCY LAW REFORM

- Supports an exemption in bankruptcy law for individuals who

can prove they filed because of medical expenses. The exemption would create a process that forgives the individual’s debt.

ECONOMY/TAXES

- Proposes to work with community and business leaders to identify and address the unique economic development barriers of every major metropolitan area. He specifically notes that he will provide additional resources to the federal Community Development Financial Institution Fund, the Small Business Administration and other federal agencies, especially to their local branch offices, to address community needs.
- Proposes to invest \$1 billion over five years in transitional jobs and career pathway programs that implement “proven methods” of helping low-income Americans succeed in the workforce.
- Prior to Congress passing the economic stimulus bill, Obama spoke on the campaign trail of his support for providing each “working family” with a \$500 tax cut and each senior with a \$250 supplement to their Social Security check.
- Reforming the Child and Dependent Care Tax Credit by making it refundable and allowing low-income families to receive up to a 50 percent credit for child care expenses.
- Proposes a \$500 “Making Work Pay” tax credit for all low and middle-income workers in order to offset the payroll tax. Supports eliminating taxes for seniors making less than \$50,000 per year.
- Proposes to simplify tax filings for the middle-class by having the IRS use information it currently receives from banks and employers to give taxpayers the option of pre-filled tax forms to

verify, sign and return. According to the Obama campaign, experts estimate that the proposal would save Americans up to 200 million total hours of work and up to \$2 billion in tax preparer fees.

HOUSING

- Introduced the STOP FRAUD Act to provide the first federal definition of mortgage fraud, increase funding for federal and state law enforcement programs, create new criminal penalties for mortgage professionals found guilty of fraud, and require industry insiders to report suspicious activity.
- Proposes the creation of a Homeowner Obligation Made Explicit (HOME) score, which would provide potential borrowers with a simplified, standardized borrower metric for home mortgages (similar to APR). He claims that the HOME score would allow individuals to easily compare various mortgage products and understand the full cost of the loan.
- Proposes the creation of a fund to help people refinance their mortgages and provide comprehensive supports to innocent homeowners. The fund would be partially paid for by Obama's increased penalties on lenders who commit fraud.

SENATOR JOHN MCCAIN

Senator McCain, republican candidate for president, has not yet provided a detailed economic plan. He is primarily focused on

lowering taxes or extending current tax cuts. He has also commented on the subprime mortgage crisis and insurance reform.

ECONOMY/TAXES

- Supports lower Medicare premiums. He notes that senior citizens face a growing threat from high Medicare premiums that tax away their Social Security and retirement savings.
- Supports permanently repealing the Alternative Minimum Tax (AMT), which he claims would save middle class families nearly \$60 billion in a single year. Under his plan, a middle class family with children set to pay the AMT will save an average of over \$2,700.
- Supports the current, low taxes on dividends and capital gains.

HOUSING

- McCain has said that he is open to helping homeowners facing foreclosure if they are "legitimate borrowers" and not speculators. He has not revealed any details of a specific plan.

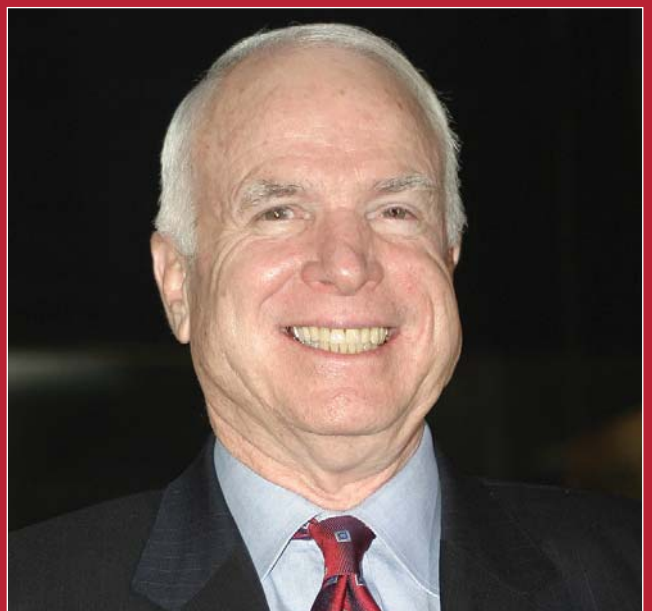
INSURANCE REFORM

- McCain has proposed reforms to make private insurance less costly. These include creating an optional federal charter to enable insurance companies to easily operate across state lines. He said he would like to prevent insurance companies from "cherry-picking" low-risk areas, but later reverted and said a federal disaster fund would simply cost taxpayers too much.

ECONOMY/TAXES

HOUSING

INSURANCE REFORM



Leadership development reaches across ISU campus

For the second year, NFI sponsored a certificate program to focus on helping Indiana State University students develop the personal techniques and inter-personal skills needed for effective problem-solving leadership. Art Sherwood, PhD, Senior Fellow for Leadership Development with NFI and Associate Professor of Management, and Priscilla Wolfe, PhD, Senior Education Associate with NFI and Director of the Leadership Development Institute, conducted two sessions titled *Problem Solving Leadership: Fresh Approaches to Managing Diversity and Leading Change*, on February 20th and March 5th. The program reached out to students beyond those already involved in the Networks Professional Development Program, extending into the broader student community at ISU.



Sherwood



Wolfe

Faculty and staff at Indiana State were asked to nominate “intelligent and intellectually curious” juniors and seniors seeking to improve their knowledge and skills related to leadership, effective team performance and problem solving. The majority of the participants were students majoring in the College of Business.

Team training and leadership outside the classroom



This summer will mark the second annual Networks Scholars trip to New River Gorge in West Virginia. During this three-day adventure, students will have the opportunity to experience white water rafting and rock climbing, in addition to custom team-building activities led by Dr. Art Sherwood, NFI Senior Fellow for Leadership in Financial Services. NFI makes this type of activity available to allow for additional leadership and team training in a setting outside the classroom.

Look for a recap in the next edition of *Financial Focus*.

Meet NFI's new employee Kathleen Parish

Kathleen Parish is NFI's Career Development Specialist; she works mainly on developing and enhancing financial services internships and mentorships for Networks Scholars.

Q&A

What were you doing prior to joining NFI?

I have spent about 20 years in various career development related activities – as a career counselor in public schools, working with business partnerships, diversity training and public relations.

What is your role at NFI? What drew you to NFI?

I am the NFI Career Development Specialist, and my primary focus is developing and monitoring high quality national and local financial services internships for Networks Scholars. I will also be working on connecting the junior and senior scholars with corporate mentors in their chosen fields throughout the financial services market.

I was very interested in NFI for a couple of reasons – one is because I believe in the mission of improving financial literacy and financial services decision making. The second reason is more personal – I have always loved working with young people and with business, helping to educate both about the other for mutual benefit. Helping NFI to develop future financial services leaders through the Networks Scholars program allows me to do that in a very dynamic, personal way.

You are passionate about career development in education. Can you talk a bit about what originally drew you to that topic?

My first summer job in college was in the mechanical department of a paper mill in Maine. While gaining a profound respect for the personal sacrifices people in that mill made to make a living for their families, I also began to think a lot about how many people end up in lifelong jobs and careers by default rather than by choice. It seemed to me that the more people were aware about both themselves and the vast array of career paths, the more empowered they would be to choose careers where they would be happier, more successful, and more productive. And so, I have made a very satisfying career of helping individuals and businesses come together.

How are the Networks Scholars different than other students with whom you've worked? How are they similar?

I have been very impressed with the maturity and focus of the Networks Scholars. Having met the

stringent academic standards to become a Networks Scholar, excelling in the College of Business at ISU and participating in NFI's Professional Development Program, these young people are far ahead of other students I have known in terms of knowledge of the financial services world, and how they fit as professionals. On the other hand, they are very much like other students – a diverse group of individuals, with a wide range of interests and backgrounds.

Can you talk about how the Networks Scholars program plays into the larger mission of NFI?

Investing in the next generation of financial services professionals supports NFI's mission in a very direct way. Demanding high academic rigor and achievement, providing exceptional professional development activities and resources, emphasizing inquiry into ethical business practices, and connecting students with experienced business professionals will reap certain rewards in the financial services industry – new, creative, purposeful, well-prepared and ethical people to help grow the industry while being stewards of good financial practice.

What are your goals for the program? How will it be different in five years?

In five years, I want the program to be the “go to” resource for both Indiana and national businesses who want to recruit the most highly qualified, experienced young professionals. Specifically, my goal is to establish strong two-way partnerships with a variety of financial institutions, particularly some which currently have no formal internships or mentoring programs within their organizations. From NFI, we can bring the research illustrating how these types of partnerships and programs can pay off for their businesses in employee recruitment, training and retention. We can provide expertise in structuring internships and mentoring projects that provide not only our students with significant experiences to help them prepare for professional roles, but provide the business with real added value.

What resources do you need to meet those goals? How can the community get involved?

The major resource I need is experienced people

in the financial services community who are committed to the future of their professions and their business – people who understand that, especially in extremely challenging times for the industry, investment of their personal time and experience in the development of the next generation of financial professionals is good for the bottom line. I am happy to assist both the financial professionals and their human resources departments to help structure these opportunities. In every sense of the word, this rising generation of financial services students really is their business!



Meet NFI's new employee **Luana Nissan**

Luana Nissan is NFI's Curriculum Specialist; she was recently hired to assist with the completion of the Kids Count board game and virtual curriculum

What were you doing prior to joining NFI?

For the past decade, I have been an independent writer and researcher in the fields of philanthropy and education. I've worked with schools interested in incorporating new educational methods and service learning into their school culture. As a consultant, I've also served as a grant writer for



a major university center as well as mid-size nonprofits. Previously, I worked in the youth philanthropy field as a project director, researcher, and trainer.

What is your role at NFI? What drew you to NFI?

I serve as NFI's curriculum specialist and was hired to assist with completing the development of the exciting Kids Count™ board game and a new Kids Count virtual curriculum. The online experience will translate the Money Bus® and Kids Count curriculum experiences into a fun, interactive educational experience for students across the country. That was the draw of NFI for me – to take a successful Indiana-based financial literacy program for kids (which incorporates giving and donating), and to help the team roll it out nationally.

You are passionate about youth philanthropy. Can you talk a bit about what originally drew you to that topic?

The possibility that, given certain influences and experiences – strategic K-12 curriculum lessons, effective service learning experiences, committed role models, philanthropic youth organization activities – a young person will become civically and philanthropically engaged and then watch out! The result is the kind of fire and idealism that have built the most honorable events of our democratic and human history – the consideration for the common good and potential for making the world better one action and one idea at a time. That's what continues to draw me to this work.

There are some obvious parallels between philanthropy and financial literacy.

Yes. The relationship is far greater than the opportunities for individuals of all socio-economic levels to include donations to causes in their monthly budgets and charities as beneficiaries in their wills. Both also deal with education (or lack of education), with intentionality, and with making choices that get to the heart of what you value.

Can you talk about the more subtle connections?

I believe that pairing education in financial literacy and philanthropy is a powerful tool to engaging young people and preparing them for their future

roles as citizens, as consumers, and as producers. Both financial literacy and philanthropy are learned behaviors whose roots begin at the youngest ages. Just as children learn about money (its purposes and how to handle or not handle it well), they learn about giving or not giving their money, time and talents. These lessons are in the context of culture – from ethnic group to regional location to socio-economic status of family. The influences are complex and numerous.

But, then there's education to level the playing field. If schools, youth groups, religious congregations, business partners and families have access to effective tools in these two key areas of children's education often missed in tradition K-12 education, our society will reap enormous benefits. The benefits will offset several problems about which we worry most (such as youth violence, disengagement, financial instability and bankruptcy).

What will NFI's financial literacy programming look like in five years?

NFI's youth financial literacy programs will have permeated the state of Indiana. NFI's programs will have been adopted and utilized in independent schools and pockets of public schools across the country. We will collaborate with national organizations that promote our programs with their affiliated youth institutions. NFI will do all of this with a menu of financial literacy options – the Money Bus (in Indiana), Family Counts activities, the Kids Count curriculum and game, the Kids Count online experience and professional development for teachers. NFI will reach in-school classrooms, after-school programs, youth groups, households and financial planners working with families of wealth.

What particular challenges do you anticipate in achieving your goals at NFI?

Developing educational resources that can be understood by students from the range of cultures and socio-economic backgrounds in our society is challenging. Further, translating successful written curriculum lessons and hands-on experiences into effective and stimulating online experiences will be the greatest challenge.

The Money Bus and the SMART Program

By Dr. Marylin Leinenbach, Director of the SMART program

“You mean we get to work with money?” was the comment we heard most in our first session of combining NFI’s Kids Count on the Money Bus™ curriculum with the SMART (Student Math After-school Thinking) Program (<http://coe.indstate.edu/cme/smart.htm>).

Sixteen pre-service teachers from Indiana State University’s Elementary, Early and Special Education Department delivered six lessons on financial literacy to elementary students at DeVaney Elementary School on Thursdays in January and February. These lessons prepare the children for the big arrival of the Money Bus®, which comes to DeVaney in March. Thanks go to Mrs. Christi Fenton, principal of DeVaney, and Paul Utterback and Kathy Spelman, DeVaney teachers, for sharing their students with us and to Deborah Flurkey, ISU program liaison for her help in organizing the program.

Data is being collected in the form of pre/post tests both with the elementary students and pre-service teachers. Plans are in the works to share the findings at an upcoming regional math conference.



NFI working across the country to improve financial literacy

David Godsted, director of financial literacy for NFI, testified before the Committee on Public Services and Consumer Affairs in support of Bill 17-0434, “The Financial Literacy Council Establishment Act of 2007,” which would establish a financial literacy program in the District’s schools.

“With each passing day, it becomes more apparent that the lack of sound financial literacy education has played a role in bringing about the current economic situation. Members should be commended for addressing this issue and for considering this bill which has potential for establishing the District as an urban financial literacy model for cities across the country,” Godsted said.

While supportive of the overall mission and goals of the program, Godsted and NFI will provide the Council with recommendations for further refinement.

“At NFI, we are a leader in developing age-appropriate financial literacy education that can be easily imbedded

in the curriculum. Like literacy itself, it is critical that financial literacy be viewed as a lifelong learning endeavor with age-appropriate curriculum that can be taught to students at every level,” Godsted said. Specific recommendations NFI will provide include:

- Develop a comprehensive financial literacy curriculum and standards across the elementary, middle and high school levels;
- Emphasize the necessary involvement of parents and guardians in the financial literacy program; and
- Institute professional development and program evaluation measures to ensure classroom teachers are well-trained to provide such instruction and to evaluate the overall success of the program.

“With the right refinements, NFI is confident this legislation will go from good to great and provide significant benefits,” Godsted said.