

The Power of Knowledge in an Economic Recovery: A New Framework for Financial Literacy

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I am Tim Chrisman, chairman of the Federal Home Loan Bank of San Francisco. San Francisco is hometown to a host of extraordinary people, from Joe DiMaggio to Jack London to Gerry Garcia. From the world of business, there is Gordon Moore who also grew up in the Bay Area. He is the co-founder of the Intel Corporation and the author of "Moore's Law". Moore's Law speaks to the constant transformation of technology, which he estimated to take place roughly every two years.

In these past two years, it seems that Moore's Law has applied to the economy as well. It must be said that Moore's theory went to the idea of exponential *improvement* in technology. What we as a nation are going through today, for the most part, is anything but general improvement in the economy --- at least not just yet. But the sense is quite palpable that government structures and financial systems are going through rapid, tectonic transformations ---- almost it seems by the week.

Our topic for this forum is financial literacy. It is a field of practice that itself is evolving. The purpose of my remarks is to suggest that what we mean by financial literacy will change in the next few years --- and that financial literacy can play an important new role in helping rebuild the U.S. economy.

When we've spoken of financial literacy in recent years, it often has been in the context of underserved populations seeking homeownership, particularly minorities, new Americans and first-time homebuyers.

As a chairman of the Federal Home Loan Bank of San Francisco, I am proud to say that the Home Loan Bank System and the 12 individual Federal Home Loan Banks have a long history with organizations committed to financial education and homeownership counseling.

NeighborWorks, a preeminent advocate and provider of these initiatives nationally, began its life as part of the Home Loan Bank System in the 1970's. The Federal Home Loan Bank of San Francisco has supported the work of John Hope Bryant since the very formation of Operation Hope in 1990s.

Since 2006, the San Francisco Bank has hosted homebuyer fairs that include financial literacy workshops. Through our Bank's homeownership set-aside programs, we have promoted financial literacy by requiring that participants complete homeownership education courses. To date, more than \$17 million in grants have been made available to eligible first-time homebuyers. Through other funding programs, our Bank has awarded \$275,000 in grants to members supporting financial literacy projects targeting youths and adults.

Over the past decades, all 12 Federal Home Loan Banks have provided tens of millions of dollars toward financial education initiatives for hundreds of thousands of American in every region of the country. And these programs have only been one part of many, exceptional programs of government agencies, private institutions and non-profit organizations across the U.S.

As important as these efforts have been, and will continue to be, the notion of financial literacy will change as we work through the current recession. In addition to its generally accepted meaning, we will, in my view, begin to think of financial literacy more broadly. That is, a more sustainable economic recovery will be possible when we increase the availability knowledge of financial principles for all citizens.

Virtually everyone will benefit from the fundamentals of a new financial literacy framework --- because everyone has been affected by the collapse of the economy and the historic shifts in the nature of our financial structures and institutions. Millions of Americans have lost their jobs, their homes and their savings. And families who felt they had been smart about their money and played by the rules have been equally hurt by the economic downturn.

The net effect has been to create an environment of mistrust in the system that has not been seen in decades. More Americans have less confidence in those who they have looked to in the past for financial strength and guidance. It now will be an important goal for financial literacy to not only help families build wealth but to rebuild people's trust in the nation's financial structures.

Ultimately, the purpose of financial literacy is to promote social participation by everyone. With employment disappearing, financial giants falling and communities being devastated by foreclosures, it is no wonder that people's willingness to participate in the American Dream has been wounded. Such loss of hope is unacceptable. Financial literacy --- designed to fit the needs families and individuals facing today are challenges -- can and must play a role in restoring American's faith.

We must continue the fine, combined work of so many organizations around the nation which are committed to financial literacy. In today's world, the lessons and byproducts of this work will now be as much about creating self-sufficiency, stability and confidence for families and communities as it has been about building wealth and ownership.

In a time when more Americans have strong animosity towards Wall Street, banks and other financial institutions, we also would do well to reexamine how we help people understand the role of financial institutions in their lives and the life of their communities. At the policy level, it has become apparent that public hostility toward the financial sector, combined with a lack of knowledge on how the financial system really functions, has contributed greatly to confusion, anger and the loss of confidence in the system as a whole.

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At the Federal Home Loan Banks, we are working hard to make sure people understand what we do as an integral part of the financial system. That is important to us because – through our 8,000 member institutions --- it is our job to support housing, jobs and economic development in every corner of the nation. So our mission has never been more critical to Americans.

The Federal Home Loan Banks are 12 regional cooperative banks used by over 8000 lenders across the U.S. to finance housing and economic development in their communities. Created by Congress, the Home Loan Banks have been the largest source of funding for community lending for eight decades.

Financial institutions know they can rely on the Federal Home Loan Bank System as a stable source of funds through all market cycles. Each of the 12 cooperatives is regionally focused and controlled. This structure allows each Bank to be responsive to the specific community credit needs throughout its region. The FHLBanks collectively use their combined size and strength to obtain funding at the lowest possible cost for their members.

When more people understand our role --- and the roles of all important pieces to the system -- the better Americans will trust the system as we move through the nation's economic crisis. That kind of increased public awareness, including through new approaches to financial literacy, will help the country along the road to recovery.

Most importantly, as we continue and renew our commitment to financial literacy, we must do so in ways that address the needs of all the new realities. People who never anticipated financial hardship now face an uncertain future. We must make sure we provides the tools they need for coping with job loss, dealing with bankruptcy, struggling with health care and education costs, rethinking retirement, protecting against new forms of fraud, handling market volatility, and stretching their dollars.

We can no longer think only in terms of helping someone get their own piece of the Dream. It needs now also to mean helping people create financial sustainability for themselves and those around them. That will lead to an economy built to last.

Recovery will occur one worker, one business and one family at a time. Financial literacy can make a difference in each of these individual instances. Combined with economic growth and good public policies, the success in providing financial knowledge to millions of individuals will have lasting benefits for thousands of communities everywhere.

Labor leader and civil rights activist, Cesar Chavez believed in that multiplier effect. Chavez's birthday is celebrated in eight states, including Arizona, his birthplace --- which is one of the three states, by the way, served by the Federal Home Loan Bank of San Francisco. The state holiday promotes service to the community which was Chávez's life's work.

Awarded posthumously the Medal of Freedom, Chavez once said ... "It is not enough to teach people to be successful...so they can realize their ambitions, so they can earn good livings, so they can accumulate the material things that this society bestows. Those are worthwhile goals. But it is not enough to progress as individuals while our friends and neighbors are left behind."

Those words could well serve as guiding principles for how we create new initiatives in financial literacy for all Americans during a challenging economy and for the coming recovery.