To: Chairman Paul Clymer and Members of the House Education Committee
From: Joseph R. Staub, member of the Pennsylvania Task Force on Economic Education and Personal Financial Literacy Education
Date: September 30, 2014
Re: Synopsis of 10/6/14 presentation for the task force

Please allow me to introduce myself. I am a member of the above referenced task force. I was requested to serve with the group as I represent two interested parties. The first is as a School Director for the Exeter Township School District in Berks County. The second is as a businessman who has been in the consumer finance and mortgage industry since 1987. I am the Vice President of Sales for Tidewater Mortgage Services and a licensed loan officer. Tidewater is a correspondent mortgage banker with direct approval to Fannie Mae and Freddie Mac.

I will be focusing on a few items. The first is the skyrocketing student loan debt issue. A recent U.S. Department of Education report tells us we have over 1.3 trillion dollars in outstanding student loan debt. Delinquency rates vary, but one statistic has over 17% at 31 days or more delinquent (3.3% for loans and leases per the Federal Reserve Board) and for Direct loans (686 billion dollar portfolio). A number quoted by the department states 51% have fallen behind or are not making their expected payments. These figures are simply staggering!

Simply put, the amount of debt is a noose around the neck of many potential future home buyers and this debt affects their ability to buy homes and automobiles. A 2012 survey by the Project on Student Debt indicated we have the third highest student loan debt at nearly 32k per person in Pennsylvania (and growing). Also, a 2014 survey by H&R Block found that 97% of respondents planned on continuing their education, but 78% of them are concerned about the financing aspect of their higher education goals.

The student loan debt also affects parents and grandparents who have helped subsidize their children and grandchildren's education costs. An article written by Steve Rosen of the *Kansas City Star* on September 29, 2014 referenced findings made by the Federal Reserve Bank of New York where the number of borrowers over the age of 50 has almost tripled since the year 2005. This additional debt load can adversely affect their retirement and also lead to reduced social security benefits if the loans are government backed and in serious arrears.

Second is the desire of parents to provide this education. Ninety percent of the parents when surveyed by the College Savings Foundation in 2010 indicated that they want financial literacy taught and 82% want the curriculum started at the elementary level. What is as worrisome is that over 40% of adults gave themselves a grade of C-F for their individual knowledge.

Third, as someone that has been accessing credit reports and applications for 27 years, I am amazed at the lack of perspective and knowledge of the most basic principles of finance. I cannot tell you how many borrowers with deferred student loans are unaware of WHEN they will become due and HOW MUCH their payment is. A recent survey of 2000 recently completed by Wells Fargo indicated that 27% of borrowers required a gift to finance the down payment for their pending purchase. Even more disturbing is that a large majority of prospective borrowers thought they needed 20% down and perfect credit to buy a home. Borrowers need to know that there are numerous government backed no and low down payment purchase programs (VA, USDA, FHA) along with various state bond programs that can assist with down payments. All of the programs just mentioned have a less stringent credit score requirement than a traditional conventional mortgage loan. An estimate is that 16% of our population ages 25-34 are still living at home. Simply put, many of these individuals simply cannot afford to be on their own or do not understand they have options to buy a home with little or no down payment or closing cost money.

As our world changes, education needs to change with it. We need to educate our youth on finance, credit, insurance, retirement, savings, investments, discretionary income, mortgages, budgeting, etc. Though this will not be the end all and eliminate problems, it may be the only true education our students get. Considering a majority of parents do not understand these subjects themselves and that many students have one or no parent households, it is imperative that we create a cycle of educating our youth starting now.

My oldest daughter recently started a doctoral program at Duquesne University. Together with my wife, we spent months helping her prepare for her move. Apartment search, utility connections, service provider choices, rental applications, parking plans, phone plans, banking choices and most important, preparing a budget. These functions seem basic and simple, but I thought of the many children that have not had exposure to some of these basics or do not have someone to help steer them in the right direction. This example alone is an example of how financial literacy exposure can help our students.

I look forward to meeting with you on the 6th.

Best wishes, Joseph Staub