

Statement of Congressman Michael N. Castle

*Financial Institutions Subcommittee Hearing on
"Financial Services Issues: A Consumer's Perspective"*

September 15, 2004

Thank you Chairman Bachus and Ranking Member Sanders for holding this hearing before the Financial Institutions and Consumer Credit Subcommittee today.

Now more than ever, we live in a world that has become increasingly complicated when it comes to personal financial matters. A generation ago, a basic knowledge of balancing a checkbook and maintaining a savings account was adequate. However, in today's complex world many Americans are faced with difficult decisions such as determining what type of loan they need; whether to invest in stocks or bonds; how to best manage credit; and how soon to start planning for family education needs and their retirement. There are approximately 40,000 different credit card products available, an intimidating thought for the most educated consumer.

Unfortunately, large numbers of consumers never learn the basics of maintaining their personal finances and may struggle unnecessarily with choices leading to financial freedom. Today, our nation's youth are bombarded with a multitude of financial options at an increasingly young age. Yet many are ill-equipped to make informed decisions about financial matters. According to a 2001 Teenage Research Unlimited survey, teenagers spend rather than save 98 percent of their money, a total of \$172 billion in 2002.

Various public and private organizations have developed programs to promote public knowledge of basic finances. Many of these organizations are working with elementary and secondary students to provide them with a strong education in money management and provide teacher training on how to integrate basic financial education principles into curricula.

For example, in my home state of Delaware, MBNA opened the Financial Advisory Service (FAS) over ten years ago, which offers professional advice to MBNA people and their immediate family members. Since the service was established, MBNA has extended the service into the community and into the local school systems through the facilitation of basic credit and money management curriculum to all grade levels in elementary, high schools, and colleges throughout the country. FAS has educated nearly 1,500 students in Delaware 14,000 students throughout the country since 1995. I think all of the organizations offering financial literacy programs to our communities should be applauded.

Although some consumers view the large number of credit options to be daunting, the strong national credit system in the United States has been a driving force that has helped sustain our economy in recent years. That system is supported by the Fair Credit Reporting Act, which this committee reauthorized last year, and ensures that factual information is available on which to base the extension of credit, employment or insurance. Virtually every business in this nation, and every consumer that has ever used credit, depends on this system. Without this strong national system, consumers would pay higher costs for credit.

Educating consumers and enabling individuals to understand all of their financial options and opportunities is a daunting task, the review by this Subcommittee today will help us better understand how consumers and the financial services industry can have a more symbiotic relationship. Mr. Chairman, I thank you for holding this hearing today and I look forward to hearing from each of our witnesses.