

## Why GAO Did This Study

Financial literacy plays an important role in helping ensure the financial health and stability of individuals and families, and efforts to improve consumers' financial literacy have grown in recent years. Currently, hundreds of nonprofit, private, and governmental entities provide some form of financial education to Americans. The federal government does not certify or approve organizations in general that provide financial literacy, although the U.S. Trustee Program and the Department of Housing and Urban Development (HUD) have approval processes for financial literacy providers for the purposes of meeting requirements of, respectively, the bankruptcy process and certain housing programs.

In response to a mandate in the Dodd-Frank Wall Street Reform and Consumer Protection Act, this report addresses (1) what is known about which methods and strategies are effective for improving financial literacy, and (2) the feasibility of a process for certifying financial literacy providers. To address these objectives, GAO reviewed relevant literature, focusing on evidence-based evaluations of financial literacy programs or approaches; conducted interviews in the federal, nonprofit, private, and academic sectors; and examined the lessons learned from the approval processes of the Trustee Program and HUD.

## FINANCIAL LITERACY

### A Federal Certification Process for Providers Would Pose Challenges

## What GAO Found

Relatively few evidence-based evaluations of financial literacy programs have been conducted, limiting what is known about which specific methods and strategies are most effective. Financial literacy program evaluations are most reliable and definitive when they track participants over time, include a control group, and measure the program's impact on consumers' behavior. However, such evaluations are typically expensive, time-consuming, and methodologically challenging. GAO's review of 29 evidence-based studies evaluating specific programs or approaches indicates that several have been effective in changing consumer knowledge or behavior. For example, several of these studies showed that individualized one-on-one credit counseling, employer-provided retirement seminars, and education provided in a classroom setting have had effective outcomes. However, the diversity of these programs and their evaluation methods makes drawing generalizable conclusions difficult. As a result, it appears that no one approach, delivery mechanism, or technology constitutes best practice, but there is some consensus on key common elements for successful financial education programs, such as timely and relevant content, accessibility, cultural sensitivity, and an evaluation component. In addition, several mechanisms and strategies other than financial education have also been shown to be effective in improving consumers' financial behavior, including financial incentives or changing default options, such as through automatic enrollment in employer retirement plans. The most effective approach may involve a mix of financial education and these other strategies.

While a federal process for certifying financial literacy providers appears to be feasible, doing so would pose challenges. Initiating and developing such a process would necessitate that Congress or federal agencies determine which entity would administer the certification, the types of providers that would be covered, the degree of oversight required, and other aspects of the process. Some financial literacy stakeholders with whom GAO spoke cited potential benefits to federal certification. For example, some noted that it might help improve the quality of financial education providers, help consumers identify competent providers, or create greater public awareness about financial education. However, as the experiences of the Trustee Program's and HUD's approval processes show, federal certification would require financial and staff resources for administering the process. Moreover, most financial literacy stakeholders with whom GAO spoke cited additional concerns, including the potential cost and administrative burden to certified entities, the challenge of creating a single process for certifying such a diverse field, and skepticism that certification would improve the quality of financial education providers. Further, the lack of consensus about which financial literacy strategies and approaches are most effective would make certification challenging.