

Chapter 13 Trustees Do Their Part for Financial Education Outreach

By Lawrence Friedman, Director, Executive Office for U.S. Trustees;
The Honorable John C. Ninfo, II, Chief Bankruptcy Judge, Western District of New York;
and Marion "Al" Olson, Jr., Chapter 13 Trustee, San Antonio

In recent years, a number of Chapter 13 trustees have provided debtors with training on the Chapter 13 process and the fundamentals of personal financial management. The common sense rationale for this training is that providing debtors with an understanding of the Chapter 13 requirements and procedures, as well as with basic skills in money management, may help debtors complete their repayment plans and may reduce future financial distress caused by lack of financial acumen. The United States Trustee Program has facilitated this training through Chapter 13 trustee budgets.

Encouraging financial education for Chapter 13 debtors is just one aspect of the Program's outreach effort to encourage financial literacy education for all consumers. The Program launched its National Civil Enforcement Initiative nearly three years ago. One element of the Initiative is the protection of consumer debtors through civil enforcement actions to address misconduct by attorneys, bankruptcy petition preparers, creditors, and others who seek to take advantage of debtors' financial difficulties. The Initiative's consumer protection activity also includes voluntary financial education outreach efforts that help consumers understand how to manage their money and perhaps avoid the financial distress that can lead to bankruptcy.

The Program embraces and encourages financial education programs that help consumers improve their money management skills. We work with judges, bankruptcy trustees, lawyers, and others to encourage educational programs for consumers. We also form partnerships with other government agencies and community groups to promote financial management education.

Governmental Efforts

In December 2003, President Bush signed into law the Fair and Accurate Credit Transactions Act, establishing the Financial Literacy and Education Commission (Commission) to encourage government and private sector efforts to promote financial literacy, coordinate the federal government's financial education efforts, develop a national strategy to promote financial literacy, and establish a web site and a toll-free number for financial literacy information. The Commission draws upon the expertise of approximately 20 governmental entities that offer consumer education and educational materials, including the Treasury Department, Federal Reserve, Federal Trade Commission, Social Security Administration, and Small Business Administration. The Commission met in January and May, and plans to meet again in September.

In addition, the Judicial Conference Committee on the Administration of the Bankruptcy System has endorsed judicial public outreach to improve consumers' understanding of financial management, noting that these efforts may reduce demands on the bankruptcy system. The Office of

Public Affairs for the Administrative Office of the U.S. Courts (AOUSC) has consulted with judges, teachers, and others to develop a financial education initiative that includes participation by bankruptcy judges and court personnel.

Examples of Financial Education Outreach

Two examples of successful outreach are the Credit Abuse Resistance Program (CARE) spearheaded by the Honorable John C. Ninfo, II, Chief Bankruptcy Judge, Western District of New York, and the “Personal Financial Choices” curriculum of the Trustees’ Education Network, founded by Chapter 13 trustees including Marion “Al” Olson, Jr.

In 2002, Judge Ninfo launched the CARE Program in the Rochester, N.Y., area in partnership with the Bankruptcy Committee of the Monroe County Bar. Judge Ninfo and fellow volunteers—including Chapter 13 trustees, Chapter 7 trustees, the Assistant U.S. Trustee, and practitioners—visit local high schools, colleges, and universities to talk about the basics of personal finance. The CARE Program emphasizes the wise use of credit, which is particularly important for college and university students on their own for the first time. With their professional knowledge of the pitfalls of unwise money management, the CARE volunteers have made a significant impression on the community, reaching over 10,000 students in the past two years.

Materials that are available for free on the Internet at www.careprogram.us include regularly updated CARE presentation materials; important financial information to supplement the live CARE presentations, including links to other web sites, articles, and a recommended reading list; and detailed information on how to bring the CARE Program to your community. Interested bankruptcy judges, Chapter 13 and Chapter 7 trustees, Assistant U.S. Trustees, attorneys, bar associations, and court staff members are bringing elements of the CARE Program to cities like Baltimore, Boston, Cleveland, Kansas City, Mo., Pittsburgh, Reno, San Antonio, and San Diego, and throughout New York, Connecticut, and Vermont.

In Judge Ninfo’s view, “involvement in a financial literacy program for students, like the CARE Program, is an important public and pro bono service that affords the rewarding opportunity to make a real difference in the lives of young people, too many of whom are financially illiterate. Volunteers are in a unique position to deliver a ‘counter-message’ to balance the ubiquitous messages urging consumption. Volunteers can share the knowledge and personal experiences gained from being a part of the bankruptcy system, and can teach students the practical lessons, tactics, and techniques needed to lead a debt-free life rather than a debt-filled one. By sharing their perspectives, members of the bankruptcy community can be part of the solution, rather than simply dealing with the problems of overspending and credit abuse after it is too late.”

TEN’s educational program focuses upon Chapter 13 debtors, typically providing a two- or three-hour presentation that addresses Chapter 13 case administration as well as basic personal money

management. The TEN program addresses not only the fundamentals of saving, budgeting, credit use, and other money management skills, but also the emotional aspects of personal financial management, such as separating wants from needs and setting life goals. More information on TEN is available at www.nactt.com.

According to Al Olson, “as a standing Chapter 13 trustee who has provided a debtor education program for many years and as president of the Trustees’ Education Network, I have a deep belief in the importance of financial literacy education. A three-hour, information-filled class may not make an immediate change in a debtor’s life, but it does provide the impetus for positive change. Comments from debtors who take the class in San Antonio are overwhelmingly positive and appreciative, with many stating that an earlier opportunity to learn better personal financial management skills might have helped them avoid a financial crisis. Another affirmation of the San Antonio program is an apparent higher-than-average plan completion rate and a low rate of repeat filings for debtors who have successfully completed a Chapter 13 plan. From my perspective, providing financial literacy education yields positive results for debtors, creditors, and the community at large.”

The U.S. Trustee Program has produced a financial education brochure for potential use at Section 341 meetings and consumer financial education outreach events. The brochure briefly explains the importance of financial education and Program outreach efforts, provides key money management tips, and lists web site addresses for some of the government agencies that offer information on consumer money management. The brochure and other materials will be posted on the Program’s Internet site at www.usdoj.gov/ust.

There are many avenues for financial education outreach, and we urge you to consider participating, whether through bringing the CARE Program to your community, establishing a Chapter 13 debtor education program such as the TEN program, periodically volunteering in the schools, or pursuing other promising approaches and opportunities available in your community.