



Financial Literacy and Education Commission Meeting

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The American Institute of Architects

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Boardroom

Meeting Transcript

The Commission met in the Board Room at The American Institute of Architects, 1735 New York Avenue, N.W., Washington, D.C., at 8:00 a.m., Dan Iannicola, U.S. Department of Treasury, presiding.

PRESENT

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THE HONORABLE JUDY BIGGERT

U.S. Representative

THE HONORABLE RUBEN HINOJOSA

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Department of Defense

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Federal Reserve Board

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Commodity Futures Trade Commission

JAMES O'CONNOR

Small Business Administration

M.J. PIZZELLA

General Services Administration

COLLEEN TRESSLER

Federal Trade Commission

SUSAN WYDERKO

Securities and Exchange Commission

C-O-N-T-E-N-T-S

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PROCEEDINGS

8:07 a.m.

MR. IANNICOLA:

Welcome to the Financial Literacy and Education Commission. Our focus today is on efforts to assist those who were displaced by Hurricane Katrina. We will be starting today with opening remarks from M.J. Pizzella of the GSA. I want to thank her for helping to host this meeting. And I will turn it over to M.J. right now.

MS. PIZZELLA:

Thanks. I appreciate everybody being here today and behalf of GSA and the Administrator, I want to thank you for coming. It's appropriate that we're meeting here today to talk about Hurricane Katrina and our efforts on that because we're on the grounds of the Octagon House is where President Madison and Ms. Madison moved to after the burning in 1812 of the British of the White House. So it's an interesting place and to be our first time off of the Treasury Campus.

We are happy to be a part of FLEC and we -- Dan has asked me to start by talking about what we've done at GSA with regard to Hurricane Katrina. GSA's job in national emergencies, is quite what we do everyday throughout the Government and just faster and quicker. Our traditional resources, I'll talk about them for a minute and also some non-traditional things that we do that really effect things we do with FLEC.

Traditionally, we provide emergency relief supplies. We provide facilities, space, office equipment, office supplies, telecommunications, contracting support, transportation, security services and personnel to provide immediate response and support.

Our non-traditional support has been in the way of providing information directly to citizens through the web, through phone, through publications. We mobilize personnel, supplies and services. Some examples of that in terms of supplies are we have --

since Katrina, we have supplied 35 million ready to eat meals, 800,000 gallons of jet fuel, gasoline and diesel gas, 1,000 rental cars, 42 vans and 30 all terrain vehicles and just about everything you can think of from diapers to satellite phones, soap, cables, portable toilets, anything really you can think of, GSA is there to provide that.

And we've also contracted for services in the way of contract labor in states with joint field offices in the recovery centers, states for temporary quarters even for evacuees and we've even done things like put up cell power for first responders and for citizens to use. And so we do that in our traditional role in GSA which GSA was originally created to help other agencies better serve citizens and through a more cost effective way in doing it in math, if you will. But under the Bush Administration there's going to be another mission at GSA that's been added and that is really to work directly with citizens in terms of getting information and that's what we do really at my office, which it's the Office of Citizen Services and Communication.

And so we have accomplished that through a number of things that we've gotten involved in and, of course, Hurricane Katrina and the need is just enormous that we're all going through. It's just been incredible how it stressed the system but we've been able to contribute in our way through supporting the 1-800-621-FEMA line, which everybody knows that's been publicized out there for disaster relief. Very quickly FEMA, you know, of course cannot handle the volume, not because FEMA was not prepared, but frankly, just because the volume was enormous. There was no way that anyone was prepared for that amount of phone calls and we were able to ramp up and through a contracting vehicle which I want to mention in case anyone else has any need for any -- at any other time of quick turnaround, if you should need a call center laid down very quickly, we, last year, through USA Services, the President initiative created a contracting vehicle that has five pre-cleared, if you will, through the procurement process, five contact centers. And so we're able to, if there's a need in

the Government, lay in a call center, lay in a telephone agent, train them very quickly, get them up and within three days of FEMA signing the paperwork which you know, is very minimal, which is a matter of them saying they want to do it, we were able to get the process started.

And so we're able to provide some support and FEMA also, of course, has you know, their cost centers and they have a number throughout, you know, the country that they've been manning that line and even with all of that, it's still a very difficult task. In fact, they even asked at one point to have some call center facilities laid up in terms of the facility and they asked for government employees as volunteers to man the phones and so GSA, in our traditional role, we were able to get buildings and get phone lines in there and get stations for agents to call. So in terms of our direct hit with FEMA we, right now, have 2,000 agents answering and we -- as of October, let's see, I think October 2nd, we'll have 4,000 agents and so that's just our piece of it. That tells you something about the volume from the public.

As well, an interesting development which only happens in the time of crisis is a number got reported that was incorrect. I will not repeat the number and it's a fund in FEMA which was basically a staff line and CNN reported it as a donation line, that donations could be accept at FEMA, which FEMA does not accept donations. And so all of a sudden the phone started ringing off the hook. And so we are now manning that line for them to basically say, "FEMA doesn't accept donations but let me tell you where you can go", and then have rolled that back into the Americorps, President Clinton, President Bush, you know, and the many different ways we've been asked by the White House to send people who want to donate.

And then another way that we have pitched in and helped is we have a 1-800-FED-INFO line which many of you, I'm sure are familiar with, which has been in existence since the Federal Citizen Information Center under Nixon, under President

Nixon. And we have ramped up that line as a line that people can call for benefits from other direct disaster relief because you have people who have lost their passports, people who've lost, you know, everything, vital records. They don't know where to go and so we are trying to help out by putting that line in existence. It's publicized and it's stable and we'll go on after so that people can always go to and call there and help to find their way. And, of course, the challenge there is every time there are new programs, they're announced in the Government making sure our agents are aware of them, so that we're getting correct and timely information and that's going to appeal to everybody here in the Government, as you have new programs, please make sure we know about them so that we can pass that onto to people, because there is a great deal of frustration in the general public because something is announced and they can't get the information.

So we -- in total we've answered 160,000 phone calls related to Katrina. And then the last thing I would say is we're also trying to support, you know, FLEC, of course, by answering the phone line for FLEC and the 888 number and also I understand that we are going to have a publication very shortly, a brochure that is going to be able to be available to the public and we'll make sure that we distribute that. And our goal is, if we get that today, to have that up on the website tonight. And if you have any questions, I'll be happy to answer, but that's a general summary of the kinds of things in a sketch of what we've been doing at GSA. Thank you.

MR. IANNICOLA:

Great, thank you. That was a very good overview and a good welcome for us. I wanted to move now to the presentation portion of our program. These are brief presentations by agencies as to what they are doing related to Katrina and financial education. Presentations will be three to five minutes. We'll be having a few special guests as we proceed, and we'll have to keep a tight schedule so I'm going to ask that, without objection, we keep everything today focused on financial education as it relates to Katrina relief.

And our first presentation in that regard is by Sandy Braunstein of the Federal Reserve Board.

MS. BRAUNSTEIN:

Thank you, Dan. Our efforts on Katrina have been along several fronts and the first thing, obviously, that we needed to do as the Federal Reserve, is to put some focus on restoring the function of financial institutions in the region and we wanted to make sure that consumers had access to their bank accounts and their funds. So we did a number of things. We, you know, immediately got in touch with our financial institutions. We also put a lot of effort into increasing cash flow. As you may know the FED handles distribution of cash throughout the banking system and we wanted to make sure that there was adequate cash available at ATMs and other facilities and this was beyond the actual impacted area but where people, the evacuees were being taken because there was obviously, more strain in the banking system in places like Houston and other cities in the area where large numbers of evacuees had come.

So we had to increase the flow, the liquidity to that system greatly. So we've put a lot of effort on that. We also worked on restoring the check clearing process in that area. We made sure our discount window was up and operating to also hope insure liquidity and continued operations of financial institutions. And we looked for ways to provide regulatory relief for institutions working to serve customers without diminishing consumer protections. And that's always a fine line.

You want to roll back some of the regulations but you also want to make sure especially in this case you have people who are quite vulnerable already, many of them having lost everything and unfortunately, we hate to say this but this kind of situation often brings out the worst elements in society and brings out the people who are predators and looking to take advantage of people who already are in a bad situation. So we wanted to make sure that whatever regulatory relief we provided was not going to diminish consumer protections for those people.

So we were able to remind people that they do have the right to waive recession, which means that they can get their funds more quickly in a bonafide emergency. We also reminded everybody that we would give favorable consideration to CRA activities that banks undertook in the effected regions and even in the areas where evacuees came when it comes to providing affordable housing and other kinds of activities that we would look favorably with CRA.

We issued -- in the supervisory guidance that we put out very quickly, we did these things. We also talked about the fact that we would take into consideration for banks in the effected areas, certainly a reduced exam schedule and a revamped examination schedule. We also have been working closely with our fellow agencies, our colleagues at the other regulatory agencies and established an ad hoc working group to look further at regulatory relief and other kinds of actions that we can take.

We're also monitoring phone activity at the agencies. We've been in touch constantly to find out what kinds of calls we're getting, especially from consumers, what kinds of questions, which will help guide us as to where the problems are and what kinds -- how we should prioritize our actions in terms of addressing those situations.

Our community affairs staff at the Federal Reserve Board here in Washington and out in the system at the reserve banks, have acted as a clearing house for information and one of the things we did at the Board very quickly after the storm, was put up a website that was dedicated to Hurricane Katrina resources and information which would take people to -- we have our supervisory information up there but we also have a number of links to good resources and information for people and that went up very quickly.

And we, as I say, are acting as a clearing house for information, keeping on top of the needs. In terms of financial education directly, we have been coordinating and working with Operation Hope. I

sit on their advisory board and have had numerous conversations with John Bryan and his staff and I seen Jena Roscoe is here. And we are coordinating with them and we're talking to them about volunteers. And I know that their staff from the Dallas Fed who are volunteering to go in on the ground into the Astro Dome and work with folks on helping to repair their financial records and information and they'll be working with Operation Hope on that. And basically, we're doing whatever we can to get information out to people and looking for opportunities to do further work in this area.

MR. IANNICOLA:

Okay, thank you very much. Our next presenter is Susan Wyderko from the Securities and Exchange Commission. Susan.

MS. WYDERKO:

Thank you, Dan. At the Securities and Exchange Commission we have a number of different constituent groups that we need to reach all of whom are directly related to consumers. First of all, I want to talk a little bit about the regulatory relief that we have been working on. We want to make sure that the red tape of the Government bureaucracy does not strangle the ability of businesses in the effected area to resume operations, so we have suspended and eased some filing requirements and we have also reached out to every single registered entity that we regulate in that area.

I have to tell you they're quite surprised to hear from the Securities and Exchange Commission. We're tracking them down by cell phones and home addresses and relative's addresses and things like that. They're shocked silly to hear from us but the message is two-fold; one, we're concerned about the safety of their employees, and second, we want to know what state they're in and what help they need from us to get their public company up and running again. That's good for shareholders and it's good for employees.

We immediately put up a website to serve as a clearing house for a lot of financial related information. One problem we immediately saw was that people had trouble getting in contact with their

financial professionals who were located in the effected area. So we have a page dedicated to putting people in touch with their financial advisors. We have cell phone numbers, alternative addresses, things like that so that people can get in touch with the folks who know where their money is, very important.

We are tracking all of the phone calls that we receive; the content of the phone calls. That's helping us understand what it is that we can provide to investors of America to help them. I will be honest with you, a lot of what we are hearing are Katrina related scams, stock scams. This is a huge and growing problem. We are, of course, part of an inter-governmental task force on fraud, but we are also putting out publications and going on radio and television to try and eliminate the pool of potential victims. Who are they? They're everyone in America who thinks they can get rich really, really quickly investing in a tiny company whose fortunes are suddenly glowing because of the aftermath of Hurricane Katrina. The crooks are very clever and this is going to be a long-term issue that we are working on.

We have also published on our website helpful information for investors who are part -- who are not in the effected area. That means that they're not getting their mail and the post office and people working with the post office said they have stopped mail deliveries to a number of zip codes and that's important because it means that people are not getting their brokerage account statements. And so we are concerned. We're trying to help people figure out how to safely access their account information electronically and those of you who are familiar with the ID theft, Colleen knows that this is not a trivial matter when you're using someone's computer that is not your computer, one that you may not be positive whether it's infected with viruses or not.

And so we're trying to help people get a hold of their account information. Why is that important? Because if you're not getting your brokerage

account statements for a period of two or three months, mischief can occur and by the time you look at your account statements, you may find that it is too late. So we're trying to get in that process and help people learn what they need to know.

We're putting out live information on how to protect yourself against fraud and make sure that your account balances are intact. Thank you, Dan.

MR. IANNICOLA:

Thank you. Our next presentation will be from the Federal Trade Commission; Colleen Tressler will do the honors for us. Good morning, Colleen.

MS. TRESSLER:

Thank you, Dan. The Federal Trade Commission, the nation's consumer protection agency, took an immediate and active role in responding to consumer protection issues relating to Hurricane Katrina. Those displaced by the hurricane have suffered immeasurable harm yet remained vulnerable to continued financial devastation. With no access to their homes, financial documents, or computers, and sometimes lacking any proof of identification, the displaced must rebuild their financial lives. Scam artists will seek to prey on the vulnerability of the already victimized, and Americans responding generously may find their donations going to line the pockets of the unscrupulous.

Therefore, the Federal Trade Commission has committed its expertise and resources to help assist victims of Katrina regain control of their financial lives and avoid scams and to ensure that Americans' generous charitable donations are not siphoned off by bogus charities. The agency is using its extensive media and partnership networks to get information and materials to the victims and to those that want to lend a helping hand.

The following is a summary of our efforts to date. In the days following the disaster, the FTC issued the Consumer Alert, "Helping Victims of Hurricane Katrina, Your Guide to Giving Wisely," to advise consumers on the best way to provide immediate assistance to those in need after the hurricane. A

second Alert, “After a Disaster: "Spam May Scam," was issued to convey important information about spam scams consumers may encounter when trying to help victims of the hurricane.

The FTC launched a Hurricane Recovery web site to provide important information to families and businesses affected by Katrina. This is front and center on the FTC's home page. The information, available in English and Spanish focuses on the steps that displaced victims can take to safeguard their credit, prevent identity theft, and recreate their financial records.

Of course, the FTC recognizes that information posted on a website may have no value to people that have little more than the clothes on their backs, let alone reliable Internet access. Therefore, we are actively reaching out to the U.S. Postal Service, FEMA, and the Red Cross to arrange to have printed copies of these materials placed in locations where persons displaced by Katrina will see them, such as Red Cross-operated shelters and FEMA outposts. We've also conducted outreach to other federal and state agencies, to Congressional offices, and the consumer community to alert them to the resources on our website.

In addition, the FTC is providing 750 sets of materials for two “People's Law Schools” sponsored by the University of Houston's Consumer Law Center for Katrina evacuees. An FTC attorney will be on hand to answer consumer-related questions.

The FTC's Office of Congressional Relations has notified 650 congressional staff members about the FTC's efforts, and explained how to link to the Hurricane Recovery Web site. The FTC's hurricane-related information and publications also are being made available for supporting congressional outreach programs.

The Office of Consumer and Business Education (OCBE) sent scripts to radio stations in Louisiana,

Alabama, and Mississippi alerting consumers of possible home repair and identify theft scams in the wake of the hurricane. OCBE also sent scripts to radio stations throughout the nation that urge consumers to be cautious when making donations to help the victims of the disaster.

The FTC's Division of Financial Practices is working with the consumer reporting agencies, encouraging industry practices that will make it easier for hurricane victims to get copies of their credit reports. Credit reports list creditors and their contact information, to help consumers assure that all creditors are paid, to make arrangements for a new billing address, or to ask for assistance with unpaid debts. A consumer's report also lists anyone who has reviewed the report. Consumers are urged to carefully review this list to be sure that no one has applied for credit in their name since the disaster.

Lastly, the FTC is participating in the Hurricane Katrina Fraud Task Force, which includes members from around the Department of Justice, the FBI, the Postal Inspector's Office, and the Executive Office of the United States Attorneys. The Task Force has been directed by the Attorney General to track referrals of potential cases and complaints, coordinate with law enforcement agencies to initiate investigations, match referrals with the appropriate U.S. Attorney's offices, and ensure timely and effective prosecution of Katrina fraud cases. A critical element of the Task Force's work is the consumer complaint data collected, maintained and analyzed by the FTC in its Consumer Sentinel database — a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

The FTC's Division of Planning and Information has developed a code for Katrina related complaints in Sentinel to make it easy for FTC staff, other Task Force members, and other Sentinel users to identify the post-hurricane scam data. Division staff has tailored Sentinel to create weekly reports that encompass post-hurricane charity scams, ID theft,

advance fee and other post-disaster frauds, and posting the reports directly on Sentinel. Data analysts from the Division also will retrieve complaints from outside data contributors, such as local offices of the BBB, and the FBI's Internet Crime Complaint Center, and include relevant complaints from those sources into reports. With these reports, Sentinel users can click in the link and be directed to the complete list of hurricane-related complaints, easing their use of the system and ensuring that all users see all relevant data. These reports also can be generated to identify complaints by state, so the appropriate U.S. Attorney's offices as well as state and local law enforcement, can focus their enforcement efforts. Thank you.

MR. IANNICOLA:

Thank you, Colleen. The next presentation will be from the Commodities Futures Trading Commission. Greg Kuserk will be presenting for the Commission.

MR. KUSERK:

Thank you, Dan, for the opportunity to address the Commission here today. As we've all seen over the last couple of weeks, Hurricane Katrina has caused a great deal of damage to the infrastructure of the gas and oil industry in the Gulf Coast Region. The particular location of the storm's destruction makes it -- unfortunately, makes it a perfect vehicle for con artists. To alert the public about potential for commodity fraud, the Commodity Futures Trading Commission issued a consumer advisory cautioning people not to be deceived by scams in the aftermath of Hurricane Katrina.

The advisory, which is also on our website, CFTC.gov, is entitled, "Beware of Claims that the Damage Caused by Hurricane Katrina will Increase the Profitability of Trading in Crude Oil, Unleaded Gasoline, Heating Oil, Natural Gas or Other Commodity Futures or Options." Because the hurricane struck the Gulf of Mexico Region with its numerous oil drilling rigs, refineries, and gas pipelines, oil and gas prices hit record highs in the wake of the storm.

In the advisory, we caution individuals that any claims made of potential profits from trading in the futures and options on energy products or other commodities based on the effects of Hurricane Katrina are probably fraudulent, since any price effects of the storm will already have been incorporated by the markets. We caution the public to be aware that whatever effect Hurricane Katrina might have on the price of physical commodities, it does not necessarily mean that making profits in commodity futures or options trades on these energy products are more likely or that the risk in such trades is any less.

While the Commission has not received complaints from anyone saying they have been approached with such offers, we issued the warning as a proactive measure since we have seen such activity following other similar market events. Timely information on the potential for fraud in the aftermath of Hurricane Katrina will help us prevent fraud from occurring in the first place. We ask that investors who may be targets of such schemes forward suspicious solicitations to our Division of Enforcement and we assure everyone that any Katrina related commodity scams will be vigorously prosecuted.

In closing, we at the CFTC as I am sure the members of the Financial Literacy Education Commission along with our federal, state and local partners, want to support the efforts to protect the citizens of the Gulf Coast Region during this stressful period and help them get back to a sense of normalcy soon. Thank you.

MR. IANNICOLA:

Thanks, Greg. The next presentation is from Marcus Beauregard from the Department of Defense. Marcus.

MR. BEAUREGARD:

Good morning, everyone, and thank you for allowing me the opportunity to present what we're doing in the Department of Defense. I will basically cover what we're doing in terms of financial education and assistance to Service members and their families. This includes National

Guard, Reserve, and Active Duty members and their families who have been impacted by the hurricane. In terms of active duty Service members and their families, the hurricane primarily impacted units in the Air Force in Biloxi, Mississippi; the Navy in New Orleans, Louisiana, Pascagoula, Louisiana, and Gulfport, Mississippi; and the Marine Corps in New Orleans, Louisiana. Assistance for active duty directly impacted active duty as well as reserves and guard is being accomplished primarily through the existing family support infrastructure augmented with family support personnel from other military installations and contract employees.

The evacuees have been told to find alternative accommodations outside of the impacted area, and the Military Services are supporting wherever they are located. Systems have been set in place to streamline compensation, entitlements, and family support through web-based resources, and support already available throughout the country. We are using the Defenselink web site to communicate how to contact these resources. Additionally we have an employee assistance program that we call Military One Source, that provides telephonic assistance, not only in financial education but whatever issue that they may have.

We've sent counselors to what we call "safe havens" or "safe harbors" locations, which are concentrations of military service members who were evacuated, so that we can provide assistance. We have also partnered with the National Endowment for Financial Education and their Project for Financial Independence to provide financial planners to assist service members and their families in these safe harbor and safe haven locations.

So as we proceed, we are making full use of the existing infrastructure in order to be able to provide the necessary information for financial education for service members and families. Thank you.

MR. IANNICOLA:

Thank you very much, Marcus. Our next presenter is with the National Credit Union Administration and representing NCUA is Holly Herman. Holly, welcome.

MS. HERMAN:

Thank you, Dan. I'll just highlight a few things that that the National Credit Union Administration has been working on that might be a little unique to credit unions. We had 139 credit unions and over 600,000 members effected in the effected areas. I'm proud to say that all 139 credit unions are operational. When I say "operational", members are able to access their funds through various means throughout the United States, whether it's through shared service centers or ATMs, they are able to access their funds.

We also immediately after the tragedy, we sent out information to the credit unions regarding their ability to serve its members as well as non-members in all their facilities. We, too, have looked at the examination schedule and have deployed our employees, really to assist credit unions to get back on their feet to be able to serve their members. We also have a lot of information on the website as well as the hotline where members and credit unions can call in to find out where they can access their accounts or get various information on services.

We're also partnering with Operation Hope as well as the National Endowment for Financial Education and will continue to work with those agencies to -- or those groups to provide whether it's volunteers or getting their message across to the consumer.

Thank you, Dan.

MR. IANNICOLA:

Thank you very much. Our next presentation is from the FDIC and representing the FDIC is Arleas Upton Kea.

MS. UPTON KEA:

Good morning to all of you and, Dan, thank you for this opportunity. I'd like to take a few minutes to highlight our Katrina hotline and website information services that we've been operating at the FDIC. Soon after Katrina hit, we recognized the immediate need to make information on general

banking and consumer services available. To meet that need, we established a toll-free information hotline and a companion website to provide the public with information on a variety of different issues including deposit insurance, the status of banks in the region, and then on related banking and consumer information generally.

Our FDIC Chairman, Donald Powell, first announced our 1-877-ASK-FDIC hurricane hotline number on CNBC soon after the hurricane hit and then we began immediately to handle phone calls and website inquiries around the clock, 24 hours. To staff our hurricane hotline, we used an existing call center and we supplemented that in the beginning, in the evening and on weekends by our many FDIC volunteers. Several hundred of our employees responded to our request for volunteers to answer the incoming phone calls. We operated our hotline in-house for about a week before we saw such a significant increase in the call volume and then we decided as M.J. suggested, the support of a call center contractor and that worked very well. The contractor was trained quickly, put in place and has handled most of our calling since then.

Certain of our technical consumer issue calls are referred to our FDIC subject matter experts which we house in our Kansas City Office. We now have run the hotline for approximately three weeks and we have received a total of over 7,000 banking related calls. To help insure that we're providing accurate consistent information to our callers, we set up a team and we prepared scripts of anticipated questions and answers. In addition, we do have a hurricane related website with extensive information on the status of banks in the region. It also has consumer information, links to other disaster web sources, many of you here in the room and many other referral telephone numbers.

We are continuously updating our scripts and the website to insure that we continue to have and offer the most recent and up to date information. Our bank examiners in the Gulf Coast Region have been

extremely proactive in contacting all of the banks in the area, determining their operational status and verifying the appropriate phone numbers for their customers to use to contact them.

The vast majority of the calls that have come into our hotline thus far have involved matters of access, access to banks, access to accounts and access to records. We've also received many calls about matters ranging from direct deposits, fund transfers and ATM machines, but we do find that we are serving as a clearing house for general banking and consumer information.

Going forward, we expect that the caller questions will shift from matters of access and bank closures to inquiries about re-establishing financial identity and funding loan programs. We've strongly encouraged all of our insured institutions to be as flexible as possible in extending loan payment deadlines, waiving late fees and generally relaxing penalties for those without the means to meet their financial obligations immediately.

Our web page is a very comprehensive resource. We've made it widely available to the public. It contains information on consumer topics, such as identity theft, rebuilding financial records, helpful banking tips and a searchable data base of all of the banks and the bank branches.

In addition to all of the services already described, we also have a number of internal initiatives where we are providing assistance to our own displaced employees and family members. Thank you very much, Dan.

MR. IANNICOLA:

Thank you for the report.

I'm going to ask Jim Courtney of the Social Security Administration to bear with us for a moment. We're going to take a departure from our program. Before I introduce our next speaker, I'd like to acknowledge Congresswoman Biggert and Congressman Hinojosa who are with us today. We'll be hearing from them shortly. Right now, I'd

like to introduce the Chair of the Financial Literacy and Education Commission, the 73rd Secretary of the Treasury, John W. Snow. Secretary Snow, welcome to the Financial Literacy and Education Commission Meeting.

SECRETARY SNOW:

Thanks, thank you very much and thank all of you for the important role you're playing in helping people pick themselves up and recover from the recent, devastating storms. Recovery has become the top national priority at this time, hasn't it? Nobody could really have foreseen this and the full dimensions of it. And now, we have this critically important task ahead of us of helping people to rebuild their lives and communities to rebuild. And the President's hope, as you know, his goal, as you know, isn't just that we rebuild but that we rebuild better, we rebuild higher.

And Congressman Hinojosa and Congresswoman Biggert, you're going to be there to help get that done, I know that, and thanks very much for being here and thanks for your important role in supporting the work of the Commission. The task ahead of us is really a large one. It's going to take the best of all of us here as we move forward. I've really been struck by the generosity of spirit that's part of the basic makeup of America, the outstretched arms that we see everywhere around this country to the victims of Katrina.

We've been hit by devastating things before and we've always picked ourselves up. We've always gone on to do better, 9/11, most recently, and a country that has the strength of resources, the strength of character and the will, the resourcefulness and the commitment and the institutions that this country has will always prevail. We can meet any challenge. There's never a good time to get hit by something like this, is there?

You never want to see anything like this happen. It's terrible. But if it is going to happen, and bad things do happen from time to time, it's a lot better to have it happen when the economy is strong and growing and expanding because a strong, growing,

expanding economy creates resources to deal with problems. It creates the capabilities to deal with problems that otherwise wouldn't -- just wouldn't be there.

When I was down in the region, I toured it, met with a lot of the displaced people, it was interesting to see the employers coming to Houston, coming to Baton Rouge, coming to Mobile, going throughout the region, going to the centers, setting up employment booths, in effect. Major American companies like FedEx needing workers. Now, the reason they needed workers, of course, is the economy has been generating a lot of growth, creating a lot of jobs. And therefore, we'll be able to find employment, these people will be able to find employment much more readily than would be the case if the economy was in a descending mode. It underscores the need to always focus on keeping the economy strong.

Organizations like this, strong public/private partnerships, are part of the fabric of America that make us stronger and better, and they put us in a much better position to deal with problems. And as people come through this, and they will, as they begin to rebuild their lives, financial education is going to be important. Knowing how to use a debit card, knowing how to use a credit card, knowing how to use a checking account, knowing how to avoid identity theft, understanding interest rates and compound interest rates, understanding the basic drivers of one's personal economic well-being, the role of savings, the all-important role of savings, all of those things are much on our minds as we think about the victims and going forward.

And it was with that thought in mind that the Treasury Department, and I want to commend you and your team for this, put together a brochure that I think will be distributed later, entitled "Coming Back from Katrina, Financial Tips and Resources". And this is going to be handed out throughout these centers and throughout the region of the country, regions of the country now, because it's all over, where the victims of Katrina are found and lodged,

as a way to help them build back their financial lives.

It's a good, helpful piece that talks about how to get cash, how to get your Federal Government payments. Now, that's something that Treasury has really been focused on because we know that after getting rescued and getting shelter, and getting food and getting water and getting medicine, people need cash. Cash is essential. And there are -- in this brochure are the tips on how to make sure you get your unemployment compensation, how you get your railroad retirement benefits, how you get your veterans benefits, how you get your social security benefits and who to call to learn about the fact that the Social Security Administration has cut all sorts of new checks and we've talked to the banks and said, "These new checks look a little different but here's a number to call to verify the identity of the person seeking to cash the check. And to the banks, if you cash it after making that call, we're going to hold you harmless. You aren't at risk if you follow simple procedures here."

So getting people access to their entitlements is a start here. It also talks about what to do with your insurance; how to contact the insurance carriers and how to try and see that you get your insurance payments. It talks about unemployment insurance. There are an awful lot of people who now are unemployed. I think it's going to be short term and temporary but certainly there's going to be a spike in unemployment. This brochure helps people figure out how to deal with the unemployment insurance issues and on and on.

I won't take you through the whole brochure. You'll see it soon, but it also gives 10 tips for avoiding identity theft. This is a time when identity theft becomes an even bigger issue. This is a time when poorly principled, ill-principled criminals prey on the unsuspecting and we've seen some instances of that and the brochure will help people find ways to avoid theft of their own identity.

Again, I want to commend you and your Treasury staff for pulling this together and I want to

commend all of you for the efforts you're giving to financial education, particularly with its focus on young people. I'm always struck by the fact that young people are expected to get driver education before they get their car and get out on the highways because if they don't have a driver education, they're a threat to themselves and society. Well, if they don't have financial literacy, there's likely to be a wreck, too, isn't there. It's the wreck of their own personal lives and the lives of those they're close to. So the work of this Commission is awfully important and I thank you for your efforts and I'm confident that they will -- they will contribute greatly and bear great fruit now and in the years ahead. Thank you very much for the opportunity to be here.

(Applause)

MR. IANNICOLA:

Thank you very much, Mister Secretary, we appreciate your comments and we thank you for being here. We'd also like to hear from two distinguished members of Congress, who are taking time out of their busy schedules to be with us. I would first turn to Representative Judy Biggert and she can speak from there or the podium if she'd like and chat with us for a bit.

CONGRESSWOMAN BIGGERT: I don't usually get to testify. I usually sit on the other side of the -- thank you very much, Dan, and it was very nice that Secretary Snow could drop by and attend this meeting, but I'd like to thank you for convening this meeting and it's a pleasure to be here at the sunrise services --

(Laughter)

-- especially since my plane was delayed last night and I got in at 1:30 a.m. So it's nice to see bright sunshine. I really want to thank you mostly for your efforts. I think with having worked with all of your agencies in the past, I know that you and your colleagues share our goal of raising the level of financial and economic education among all of our citizens. And I think that's true of the private sector who might be here today, so I would thank them also.

Not unlike all of us on the Hill, you have spent the past weeks brainstorming with your colleagues on what you can do to help the victims of Katrina and you each know what piece of the challenge is yours and you all know what steps must be taken immediately and what steps will need to be in the future and we've just heard great presentations, but let's face it, not every Katrina victim knows what piece of the challenge belongs to the FDIC versus the CFTC, the SEC, the FTC, the FLEC, the Fed or the another agency and hurricane victims are not going to have the resources or the wherewithal to navigate their way through a maze of federal agencies to find the answers to their questions. And that's why we really asked you to convene this meeting today and that's why, in part that we created this Commission and Dan's office two years ago to streamline the process and to eliminate duplicative efforts, to fill in the gaps and to raise the level of financial literacy among all American, and certainly today one group of Americans that needs your help more than ever and that's the Katrina victims.

And based on the briefings this morning, I know that you're well on your way but let me just say, I was really impressed in just listening to all of you about your efforts, including those of you who have colleagues there on site and on the ground where many victims are relocated. I think that's very important. And I think that these presentations would really be informative for Congress and the staff. I'm also impressed that you are on the alert for fraud and scams and predators. So I think that I would have three or four things that I would like to -- then in the days to come you would focus on four key things.

One is to talk to each other and I think that's always been the basis of this Commission, because you might be considering similar problems. I heard various things that seem to be similar. You might be duplicating efforts and you might find a solution to a similar problem. And then, too, to consider using the Commission, its website and 1-800 number as maybe a one-stop shopping or clearing

house for the questions that Katrina victims have. I heard everybody has a website and, you know, it's really -- I do navigate the web and you can really check out all those, but maybe to have the link in and an explanation of what each of these groups does on the Commission website so that the people can go to the website and then automatically go to, you know, where they think they should be to do that.

Now maybe you have that, but I didn't hear that, but I think that's something that you know, we've got a website that we put all these things onto and then link them to, like to the Red Cross or wherever so that people can get on there if they have the website. And I was really excited to see the brochure that the Treasury Department will have because it has, you know, the information for those that are not quite up to speed on the Internet, and I think we just had a statistic that maybe 17 percent of the people use the Internet. I think that that has climbed dramatically since then, but we have to remember all those people that aren't -- don't have that ability and there probably are some that are in the real need of finding the information. And if you have ever been -- you know, been on the phone trying to call these numbers and don't get an answer immediately, just trying to change your airline tickets sometimes is a real -- especially when there's been a bad storm in your city, it makes it very difficult.

So I think really eliminating the duplication. There's 11 agencies of the 20 of the Commission that are represented here today and it sounds like you have, you know, this great website and important information for various different people, the victims, donors, businesses, investors and the military personnel, so if you can merge your information in one place, I think you'll get the benefit of you know, being able to find it even more. But make it easy for these relocated victims to go to one place and I just love the website anyway. It's mymoney.gov. I think that's been a great thing to get information.

And then three is to let us in Congress know what we can do and there are hundreds of rules and regulations that must be waived or amended temporarily to address the emergency and from allowing the Federal Courts to sit in drier chambers, on higher ground to allowing taxpayers to postpone their quarterly IRS estimated payments to getting children immediately enrolled in school, and I think we are responding, but we need help. In all the committees that I serve on, and I do serve on four, we're always saying, you know, "What do we have to do", and if we have any ideas to come up to how we -- what we need to do legislatively with -- to make it easier for all of you to work, we need to know that and particularly the financial services, I think is one. And I also serve on the education in the workplace. And so both of those are areas that we're working.

And then fourth is working closely with the private sector. Many of them were really quick to respond and eager to be cooperative in the weeks and months to come, so I think that they are a great resource and I heard how you had tie-ins with that. So there's plenty of work to go around and as for resources, we want to make sure that tax dollars -- that taxpayers' dollars are well spent and as members of Congress, we really do have a particular passion for financial literacy and education and we want to know that you're spending your money wisely, that you're not doubling each other's work, that you're talking to each other and sharing best practices and that you're getting the word out to those who need it and that you're raising the level of financial literacy among the one group of Americans that need it most right now. So I'm really very happy to be here and have the opportunity to hear what you're doing first-hand and also then to get a chance to talk to you. Thank you very much.

Now, I would like to introduce the Co-Chair of the Financial Literacy and Education Caucus, which we have actually started in February of 2005, '04. Has it been over a year? Well, anyway, we did it after the fact and once we found that the Federal

Agencies were going to do this, we really wanted to include the private sector and that's why we formed a caucus, so that we could work to kind of try and coordinate efforts between the public and private sector. And it's been a great honor to serve with Ruben Hinojosa, who is from Texas and has done a great job in putting together -- we had a financial literacy fair and then he's been working with the Hispanic caucus to make sure that that financial literacy and education has been addressed in that area.

CONGRESSMAN HINOJOSA: Thank you, Judy for your introduction. It's always a pleasure to work with you and with members of our financial literacy caucus because there is no doubt that those who have signed on which number something like 67, are truly interested in trying to be of help to those who are unbanked and having difficulties because of the Hurricane Katrina.

I was hoping that Secretary Snow would have stayed to listen to the members of the Commission as to what you all are doing and possibly some of the comments that Judy and I had to make but I'm sure that his schedule is very tight and was unable to stay. I want to thank all of you for holding this emergency meeting requested by the Financial and Economic Literacy Caucus which Judy Biggert and I co-founded and Co-chair. It's here that those affected by Hurricane Katrina need financial information and guidance which is why the meeting is of great importance.

As you are aware, many of those displaced by the storm still do not have access to their bank accounts and still do not know what to do about rent or mortgage payments and many aren't receiving payroll checks and generally lack information about what to do next. There's a need to establish a financial planning clearing house and toll-free number to help the survivors get back on their feet and recover from this traumatic event. And I believe that you can play a key role. Many financial agencies and financial institutions from across the country are working to provide financial relief and assistance to answer evacuees' questions.

However, today, this outreach has not been coordinated and has at times been duplicative and incomplete. I believe all financial related information should be collected onto one online resource to compliment one toll-free number. This would serve as a clearing house and would be accessible via FEMA's website.

The information should be comprehensive and should cover topics like how and where to cash FEMA issued checks, how to address mortgage payments, how to address their insurance concerns, credit card debts, identity theft, how to avoid financial scams and predators, and the basics such as banking inquiries and tax relief. Thus, this coordinated effort needs to be more than simply sending pamphlets to Katrina evacuees in Texas, New Mexico, Illinois, states from the Gulf Coast. For all we know, large numbers of those hurricane survivors are illiterate, unbanked and in need of one-on-one financial planning.

I come from Texas, Texas opened its arms and doors and have received over a quarter of a million evacuees. Listening to the news, as to the difficulties that those states of Mississippi, Alabama, and Louisiana are having in their public schools you can imagine how our problems in Texas have been further complicated. We haven't been able to pass an education finance package after having met three times in special session.

However, Texans are very warm and receptive and willing to help but they expect the Federal Government to be better organized. They expect your Commission to be there and be on that what we call one-on-one, and to make an effort to get folks who are bilingual, not only English and Spanish, but French and other languages that are necessary. Come to Houston, come to the Gulf Coast around Corpus Christi where we have over 6,000 evacuees and now even down to as far as where I was born and raised in South Texas, where we have many other students in our schools, and you'll see the frustration that they're going through.

So I want to reiterate the importance of second language. Don't think that you can cover all the needs in English, because there are many how have difficulty understanding English. So make an effort, even if you have to hire translators. I spoke to the Council of Mexico in Houston and down in my congressional district in McAllen, and they said that President Fox is willing to send teachers who spoke Spanish and others who could translate and be of assistance. Have we asked for them? No. They're waiting.

Coordinated efforts need to be made, as I said. I can assure you that not even Donald Trump Jr. could manage his finances if he didn't know what the Federal Government is doing on his behalf let alone make the kind of decisions that are crucial to recovery. It's a complete waste of time to establish websites if the survivors don't have access to the Internet. Manpower is an integral part of what is required and I believe you and the institutions you regulate have the ways and means at your disposal to provide it.

Judy said look at how difficult it is to change your airplane arrangements, and it is. So for them it's 10 times worse and more difficult. So not only does the Commission need to provide one toll-free number, and one website to serve as a clearing house, you need to continue to send your bilingual staff to those impacted by Katrina and provide them with that one-on-one financial planning that they need. After all, wouldn't we in this room, expect and appreciate this type of response if we were in their shoes? If the survivors were limited English speakers, do you have printed materials in their second language? I work with the Texas State Banking Commissioner Randall James and Steve Scurlock (phonetic) with the Independent Bankers Association of Texas on the Katrina relief efforts. We find that banks and financial institutions throughout Texas needed reassurance that they would receive regulatory relief and liquidity to address the predicted increase demand of those utilizing the propose FEMA issued 2,000 debit/credit cards -- or debit cards, I should say.

We heard them at a hearing last week and there is no need -- no question, forgive me, there is no question that they need to be assured that when they get audited a year or two from now, that they won't be socked with penalties because they went ahead and checked or cashed those checks or helped out with those debit cards without the required identification that we have in our regulations.

As we all know, the original issuance of those debit cards by both FEMA and the Red Cross was a complete fiasco. It was a total disaster and exposed the soft underbelly of our financial services assistance programs to the entire world. It was a complete embarrassment and disgrace to our nation. We can and we need to do better. As co-founder and Co-Chair of the Financial Economic Literacy Caucus with my friend, Judy Biggert, we work to see that individuals and households receiving those checks are given guidance on how to use the funds without interfering with their personal liberties.

In conclusion, I want to say that it's imperative that we provide them with some form of financial planning. Timing is everything. We let one door close when the debit card issuance failed and we cannot fail again. You have the information, the knowledge and the resources to help the victims. Use it, coordinate it. Collaborate. I do not want to learn that you have simply set up the website and 800 number. I want to take on the model of we can do more. Again, I commend you. I commend you and the entire Commission for finally holding this meeting. I thank you for inviting Judy and me to appear before you. However, I hope that you will act as expeditiously as possible and I know that my colleagues on the Hill will be ready to help you. Thank you.

(Applause)

MR. IANNICOLA:

Thank you, Congressman Hinojosa, Congresswoman Biggert, for your comments. We invite you to stay if you have time. We have a few more comments on the agenda before we close out. Our next presenter is Jim Courtney, Social Security

Administration. Thank you for waiting for us to hear from our special guests. Go ahead.

MR. COURTNEY:

Thank you, Dan. It's a tough act to follow, a Secretary and two members of Congress but I'll do my best. They say timing is everything and not just in the order of speakers. We're all well aware that Katrina came ashore on August 29th and I think the levee broke on the 30th. Well, September 1st and September 2nd, are the two biggest payment days for Social Security. We send out about 55 million payments every month and about 70 percent of them were scheduled to go out on September 1st and September 2nd, so obviously, our first concern was getting -- was insuring that people could get their Social Security check and their supplemental security income check on time, get access to it. We were talking about a potential universe of about 700,000 people in the effected areas, Louisiana, Mississippi and Alabama.

So our Commissioner instituted immediate payment procedures, which means anyone who could not get access to their check, either their paper check or having difficulty, if they had direct deposit, getting access to their account, that they could go to any Social Security office and receive an immediate payment. And so no matter where they were, whether they were, you know, in the disaster zone or if they had gotten out, they could go to any one of our 1300 offices and get an immediate payment.

We needed to get that word out, so obviously, we did what everybody would do, you know, we put information on the front page of our website. We created an icon but we were well aware that most of the people most effected by this were not going to have access to them. Without telephone service, without electricity, they were not going to have access to the Internet, so we used our network of public affairs specialists. We have about 150 across the country. And, indeed, this was a national message because people, depending on when you got out, you know, you got safely to Florida or to Atlanta or to your relatives, wherever they lived

across the country. So we wanted to let people know about the immediate payments.

We also went to where the people were. You know, disaster relief centers like the Astrodome in Houston, like the Convention Center in Baton Rouge, Social Security has and continues to have an onsite presence wherever the evacuees are.

I'm pleased to say that to date we have issued more than 50,000 immediate payments. Just to put that in perspective, the typical Social Security Office issued maybe eight or nine immediate payments per month. On a typical day, just one day, many of our offices are doing 25 and 30 times that amount in just one day, you know, what they would average in a month.

I was honored to go with my boss, the Commissioner of Social Security, one day to the Houston Astrodome. We set up an office. We commandeered one of the old tee shirt shops in the Astrodome and we had 10 computers, 16 people on site and on that one day that we were there, they issued almost 200 immediate payments, again, which is about 25 times what the average office would do in a month.

We didn't do this alone. We worked with our friends, the Treasury to make sure that people who get their money through direct deposit were able to get access and those payments were delivered on time and that was a big help. That took care of more than 500,000 people in the effected area. FDIC, and again, Treasury, was very helpful on the immediate payment front. Again, people who had the access getting -- who were having difficulty getting access to their payment via direct deposit come in and get an immediate payment, but our colleagues were very helpful in letting the banks and the credit unions know about the large number of third party government drafts that would be coming. We didn't realize any significant problems with people taking their immediate payments and cashing them at banks or grocery stores or other places.

We worked with the Postal Service. Again, we had a link on our site to the temporary mail delivery sites and more than 30,000 paper checks were able to be delivered to evacuees from the temporary sites. We're helping these evacuees in other ways. Obviously, payments are a big thing but a lot of the people might not contemplate this but it makes perfect sense. A lot of people who lost everything may not remember their Social Security number or they may have lost their proof of their Social Security number to get either some kind of assistance or to apply for a job. So again, at our Social Security offices and our temporary onsite ones, we're helping people. We're getting people proof of their Social Security number. A lot of people also need proof of their benefit if they're applying to get an apartment or again, they're applying for some other assistance and they need proof of their income and were able to give people benefit verification letters that they could use to do that.

As we get away from the immediate aftermath of Katrina, we're going to continue to assist the beneficiaries. One of our messages at Social Security for a long time has been Social Security, we're more than just retirement and so we're using our website portal and again, our network of agency communicators to get the message out. If a family member died as a result of Katrina, you may now be eligible for survivor benefits. If you or a family member were injured as a result of the storm, you may now be eligible for disability benefits. If you are elderly or disabled or blind and have limited income and limited resources, you may now be eligible for supplemental security income.

So we're going to continue to be there both through our website and through our network of agency communicators to continue to get the word out about the assistance that Social Security can be to them.

MR. IANNICOLA:

Thank you. The Secretary covered the major points of Treasury's report, but, I'll add a couple of postscripts. The first is something M.J. mentioned

generally about the role of GSA in maintaining the My Money website and toll-free number. For those of you who haven't visited the mymoney site lately I wanted to let you know that there is a special page with Katrina related links to many of your agencies. We would certainly like to add to that list, so please let GSA know if they are missing any important links.

Also, I wanted to take a moment and discuss on-the-ground efforts. I know a lot of organizations have volunteers in the Gulf Coast States. My team and I at Treasury recently were in the Houston Astrodome complex and we were giving people financial counseling. We spoke with folks, helped them solve their money problems, answered questions and gave them advice on how best to spend the money FEMA had given them. We emphasized the importance of getting an account with a financial institution. We also provided them with basic materials in English and Spanish. Some of the materials we created, but other materials were existing pieces from FLEC agencies, since we wanted to avoid recreating the wheel.

In a similar way we tried to take advantage of existing content in putting together the new hurricane relief brochure the Secretary referenced.

Those of you from the FDIC, FTC and NCUA will find information in the brochure that you will recognize because we've pulled some of it together from your organizations. It's important that we continue to work together and use the expertise that we've already built up so we can get information to the folks who need it most and get it to them quickly.

So with that, I will close out Treasury's remarks. I will now conclude the meeting, if there is –

MR CAMPBELL:

If I may just make two brief points.

DAN IANNICOLA:

Yes, please go ahead.

MR CAMPBELL:

“I’m Bradford Campbell, Deputy Assistant Secretary for Policy from the Department of Labor, Employee Benefits Security Administration. I just want to say, we had two significant events that I would like to submit to this meeting and highlight briefly. First, we worked with the IRS to facilitate hardship distributions and loans from 401(k) and other similar retirement accounts to help folks in the effected regions gain access to funds if needed. And secondly, along with Treasury, we've extended a number of deadlines related to health plan coverage, providing affected workers more time to make critical decisions regarding health coverage and giving affected employers more time to comply with certain notice requirements. And I'd also like to ask unanimous consent to submit for the record the summary of those and a few other proposals.”

MR. IANNICOLA:

Sure, we have the one-page presentation and we can certainly put that as part of the record after the fact. Also we have a transcript of today's proceedings and your comments will make it in there as well.

MR. CAMPBELL:

Great, thank you very much.

MR. IANNICOLA:

Thank you very much. Without any further comments, we will adjourn the meeting. Thank you for your participation.

(Whereupon, at 9:24 a.m. the above entitled matter concluded.)