

Chapter 7 Trustees Have Unique Role in Financial Education Outreach

By Debera Conlon, Acting Assistant Director, Review and Oversight
Executive Office for U.S. Trustees,
and Steven Dillingham, Assistant Director, Research and Planning,
Executive Office for U.S. Trustees

Both the *Wall Street Journal* and *BusinessWeek* recently reported that last year, for the first time, plastic—credit cards, debit cards, and similar products—outranked cash as the favored form of payment in American retail transactions (*Wall Street Journal*, 7/23/04; *BusinessWeek*, 8/9/04). These and other technological developments in consumer finance make it more important than ever to understand the basic principles of personal money management.

One element of the U.S. Trustee Program’s National Civil Enforcement Initiative is the protection of consumer debtors through vigorous prosecution of misconduct by attorneys, bankruptcy petition preparers, creditors, and others seeking to take advantage of debtors’ financial difficulties. Much of this consumer protection activity is accomplished through enforcement actions under Bankruptcy Code Sections 110 and 329, referrals to courts and state disciplinary panels, and coordination with Chapter 7 and Chapter 13 trustees in actions to avoid liens, object to improper claims, and pursue other unlawful conduct.

Another aspect of the Initiative’s consumer protection activity, however, is the promotion of financial education outreach efforts that help consumers understand how to manage their money and perhaps avoid the financial distress that leads 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.

Trustees’ Unique Role

For years, the Program has supported financial education programs provided by a number of Chapter 13 trustees. These programs provide a helpful overview of the financial management skills necessary to successfully emerge from Chapter 13 bankruptcy.

Financial education outreach is of growing interest to Chapter 7 trustees. Today, there are trustees who make print and video materials available for consumer debtors and/or participate in local outreach efforts to students and others. Chapter 7 trustees have a unique perspective on the need for consumer personal finance education, and can make a unique contribution. Trustees are “tuned in” to the local community. They are familiar with the local bench and bar, educational institutions, non-profit organizations, and other entities that could support an outreach program.

In the Summer 2004 issue of *NABTalk*, Chief Bankruptcy Judge John C. Ninfo, II, of the Western District of New York urged Chapter 7 trustees to become involved in financial education outreach. As Judge Ninfo described it, the problem of financial illiteracy is “your everyday reality as a bankruptcy trustee.” Judge Ninfo described the Credit Abuse Resistance Education (CARE) Program he launched in the Rochester, N.Y., area in partnership with the Bankruptcy Committee of the Monroe County Bar. Judge Ninfo said that CARE presenters in the Rochester area include most of the Chapter 7 trustees, the two Chapter 13 trustees, the Assistant U.S. Trustee, the clerk of court, and many practitioners.

Judge Ninfo recently addressed, via teleconference, a U.S. Trustee meeting convened in Kansas City, Mo. Other presenters included Chapter 13 trustee Marion “Al” Olson Jr. and debtors’ attorney Paul Rosenbaum, both of San Antonio. Mr. Olson described how debtor education has evolved and how the Trustee Education Network (TEN) has expanded in recent years. Mr. Rosenbaum explained how education may improve the lives of those most in need of better financial knowledge and skills.

Members of the bankruptcy community can provide first-hand examples of the dangers of failing to understand proper money management. Judge Ninfo has explained that he regularly incorporates stories from his case load (with debtors not named, of course) into the talks he gives to high school and college students. The impact of this brush with reality cannot be over-stated. Financial distress often arises from very common-place practices—the frequent use of credit cards for dinners and nights out, the failure to set aside a savings cushion. Listeners can imagine their own conduct resulting in the same unfortunate outcome.

Governmental Efforts

In December 2003, President Bush signed into law the Fair and Accurate Credit Transactions Act, establishing the Financial Literacy and Education 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 Federal Reserve, Federal Trade Commission, Social Security Administration, Treasury Department, Small Business Administration, Cooperative Extension System, National Credit Union Administration, and Federal Citizens Information Center. 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 has consulted with judges, teachers, and

others to develop a financial education initiative that includes participation by bankruptcy judges and court personnel.

The Program supports these and other outreach efforts, and we encourage you to consider participating in—or even spearheading—a local program. We have 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, sets forth a few key money management tips, and lists the web site addresses for some of the government agencies that offer information on consumer money management. The brochure and other outreach information will be posted on the Program’s Internet site at www.usdoj.gov/ust.

You may request copies of the brochure from your field office for distribution at Section 341 meetings or elsewhere. If you wish to provide volunteer outreach in your community, you may consult the web sites listed on the brochure for additional free materials and programs.

By working together to help consumers manage their financial affairs in today’s complex consumer economy, we may be able to help a significant number avoid the financial distress that leads to bankruptcy.