

8 Week Reading Course: Financial Issues for Underserved Communities

Syllabus

Course objectives:

- Understand key issues related to credit access, savings, borrowing and financial services for traditionally underserved markets
- Explore current applied research in the personal finance field
- Apply concepts from economics and behavioral finance to issues facing low-income communities and households

Course Overview:

This course is designed for advanced undergraduate students to provide an overview of major issues in household finance, financial literacy/capability and programs and strategies designed to better serve families in the financial sector.

Required Books

- *Handbook of Consumer Finance Research* by Jing J. Xiao, 2007
- *Assets and the Poor: A New American Welfare Policy* by Michael Sherraden (1991)
- *Building Assets, Building Credit: Creating Wealth in Low-income Communities* by Nicolas P. Retsinas; Eric S. Belsky (2005)
- *Nudge: Improving Decisions About Health, Wealth, and Happiness* by Richard H. Thaler and Cass R. Sunstein (2009)

Assignments

- Each week a 2 page written response to the discussion questions is required to be turned in at the meeting. After the discussion the student has the option to revise the essay by the following meeting.
- In Week 8 a project proposal is required. The proposal should have a standard research title, abstract, 1-3 key research questions and proposed plan of work. The instructor and student will meet and discuss the proposal and then the student has the remainder of the semester to complete the paper. Regular communication and/or meetings are encouraged.
- Projects are not required to use data analysis, but the use of the FINRA Financial Capability Survey is encouraged (see <http://www.usfinancialcapability.org/>). Final papers are due at the end of the semester (last day of class, 5 pm). Papers should be no more than 20 pages double spaced, not including figures, tables and references. Use the Chicago 5th Manual of Style. Make sure your paper has a title page, Abstract, Introduction, main body (literature review, hypothesis, research questions, data/evidence, findings) and conclusion. Put all figures and references at the end. Short footnotes are ok.

Weekly Topics/Reading

Theory

Xiao, Ch 5-6

ANGELA C. LYONS and URVI NEELAKANTAN Potential and Pitfalls of Applying Theory to the Practice of Financial Education *Journal of Consumer Affairs* Volume 42 Issue 1, Pages 106 - 112

- Discussion: What are prevailing theories in personal finance? What are the problems with each? Why has a standard theory not emerged?

Behavioral Models

Thaler, Ch 1-5

- Discussion: How does behavioral finance differ from traditional models? How can we apply this to personal finance?

Financial Literacy

Xiao, Ch 4

Annamaria Lusardi, Household Saving Behavior: The Role of Financial Literacy, Information, and Financial Education NBER Working Paper No. 13824 Issued in February 2008

- Discussion: What is financial literacy? Who decides what is “literate”? How does behavior differ from knowledge or literacy?

Credit Access

Retsinas, Ch 2, 7

- Discussion: Why does credit matter? What role does it play? How does credit access differ across populations and why?

Issues of Cultural Communities

Xiao, Ch 16, 17, 18

- Discussion: How do perceptions or behaviors vary? Why? How might culture matter for policy or for practice?

Issues of Low-Income Communities

Xiao, Ch 13

Retsinas, Ch 13

Sherraden, Ch 6, 7

- Discussion: What structural barriers might exist to fuller access to financial products and services? How can policies address them? What can firms do? What incentives are there for changes?

Financial Policy and Regulation

Xiao, Ch 24

Retsinas, Ch 10, 12

Sherraden, Ch 4, 8, 9

Thaler, Ch 6-9

- Discussion: What are the policies that affect personal finance? How are these evolving? How should they evolve?

Grading Policy:

In this class we will adhere to University grading standards and policies of academic misconduct. See students.wisc.edu. Key for such a writing-intensive course, students must be cautious to avoid plagiarism defined in the UW bylaws as 'using another person's ideas, words, or research and presenting it as one's own by not properly crediting the originator.' For more information on what is considered plagiarism and how to avoid it, see The Writing Center's handout at students.wisc.edu.

Accommodations:

Your success in this class is important to me. If there are circumstances that may affect your performance in this class, please let me know as soon as possible so that we may work together to develop strategies for adapting assignments to meet both your needs and the requirements of the course. The McBurney Disability Resource Center provides resources for students with disabilities. You will need to provide documentation of disability to them in order to receive official university services and accommodations. 263-2741 and location of McBurney Center, 702 W. Johnson, Suite 2104, <http://www.mcburney.wisc.edu/>. Let me know during office hours if you require assistance or accommodations.