

The Freedman's Savings Bank and Financial Literacy Education



Historical Marker Database

Financial Literacy Education

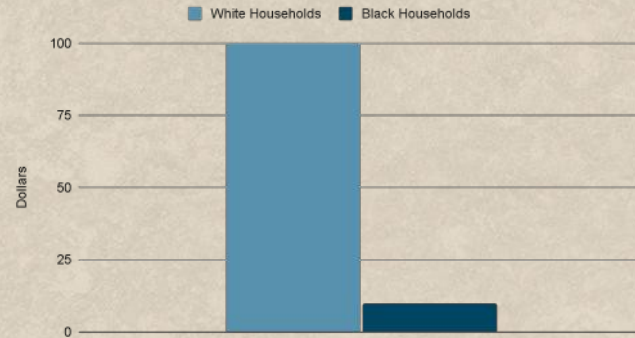
35 states require high school students to take a personal finance course before graduation.

- Programs meant to alleviate unequal access to financial resources
- Post-legislation, the number of Black and Hispanic students taking a financial literacy course increased

Virginia has one of the oldest legislative requirements (2005)

However, the racial wealth gap continues to increase

Household Wealth Comparison



(Brookings 2022)

How can these programs be used to help combat the racial wealth gap?

The Freedman's Savings Bank

The first legislative effort to bring financial education to Black and newly- emancipated people

- Chartered on March 3, 1865 by act of the 38th Congress
- Goal was to promote access to banking, “benevolence,” and “thrift and industry”
- Provided jobs
- Closely tied to education
 - Education and Improvement Committee

Wide Expansion

- 37 branches across 17 states
- 1872: \$31.2 Million in deposits (\$774.6 mil today)
- The Richmond, VA; Norfolk, VA, and Washington branches were especially successful

However, the bank failed in 1874.



University of Chicago News (2020)

Thesis

The rise and fall of the Freedman's Savings Bank highlights the role financial literacy education should have in Virginia today by:

1.

Illustrating the historical attempt to alleviate inequality through financial literacy

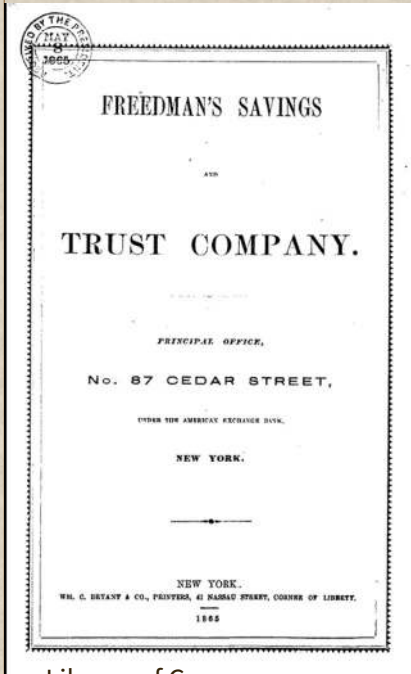
2.

Providing a more comprehensive understanding of the cause of the wealth gap still facing marginalized groups, and

3.

Demonstrating the need to address *systemic* inequities faced by racial minorities rather than merely promoting safe-spending.

The Freedman's Savings Bank: A Historical Attempt to Alleviate Inequality



Library of Congress

Positive impact of expanding financial education and access

- Account holders were more likely to be literate, have an education, an occupation, and own real estates.

Similarities with modern financial literacy programs and legislation:

- Both focus on safe-spending and investment strategies
- Not focused on external factors that make investment and wealth accrual difficult
 - Ex. Discriminatory lending, mismanagement, bank failure etc.

Knowledge and safe-spending relies on trust in the financial institution and proper bank management

- Other policies must be in place to protect financial investments of marginalized groups

The Bank's Failure and the Racial Wealth Gap

The Bank closed its doors in June of 1874

- Direct impact on the racial wealth gap by loss of wealth and exacerbated distrust in financial institutions
- Inability to repay all depositors

Causes of the Collapse

- Mismanagement and risky investments by bank leadership
 - “Black Man’s Cow but the White Man’s Milk”
 - Lack of government oversight
 - Few-to-no other banks for Blacks to invest in

Richmond Dispatch.

THE CIRCULATION OF THE DISPATCH IS LARGER THAN THE COMBINED CIRCULATION OF ALL THE OTHER DAILY NEWSPAPERS OF THE CITY.

FRIDAY.....JULY 3, 1874

LOCAL MATTERS.

THE WEATHER TO-DAY.--Clear or clearing weather, with lower temperature and variable winds, is reported as probable to-day.

THE FREEDMAN'S SAVINGS BANK.--The cashier of the Richmond branch of the Freedman's Savings Bank and Trust Company has received no intelligence from Washington concerning the orders sent him to "pay or receive no deposits." The depositors are exceedingly desirous to hear something authentic about the financial condition of the institution. Nearly every colored society in Richmond had something to its credit in the bank here, and hundreds of colored depositors had in it the savings of years of five years.

According to the charter of the bank, every dollar beyond what was necessary for daily business was forwarded from Richmond to Washington to join the common fund for investment. It ought to have been invested one-half in Government securities and one-half in real estate, but the late investigation developed the fact that the managers of the company had frequently violated its charter, and in many instances investments were made where it was notorious that the security was wholly insufficient.

The parent bank at Washington did not close its doors until Wednesday, although it instructed Mr. Spencer, the cashier here, to stop business Tuesday morning.

The Wealth Gap post-Freedman's Bank

Black Banks help meet financial needs in the short term, but frequently lacked long-term stability due to the lack of investment going back into Black communities

- Unless every buyer / seller deposits back into the Black community and a Black bank, money will shift out into the mainstream white economy
- Similar to Freedman's Bank's investment money going back into the white mainstream economy

Other Causes:

- Black Codes
- Red-lining and Economic Segregation
 - Impact on property values and homeownership, unequal access to health care, and other government resources → Discriminatory Lending
- Mass Incarceration



The Atlantic (From Nat. Park Service)

Lessons from the Bank: Implementation within Virginia's Financial Literacy Programing

Instructing marginalized groups on safe-spending, smart investments, and financial management helps generate wealth in the short-term.

- But wealth inequality is embedded in other discriminatory policies that inhibit wealth accumulation



Vecteezy.com

Solutions include:

- CRT Lens
- Community Centric Approach
- Advocacy for “Bank Black” could foster community growth
- Advocating for other policies that decrease the racial wealth gap

This is a chance to improve not only short-term financial management techniques, but motivate students to advocate for policy change that helps uplift Black communities and alleviate the racial wealth gap.

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