

November 23, 2020

The Honorable Larry Hogan
State House
100 State Circle
Annapolis, Maryland 21401

The Honorable Bill Ferguson
President
Senate of Maryland
State House, H-107
Annapolis MD 21401

The Honorable Adrienne A. Jones
Speaker
Maryland House of Delegates
State House, H-101
Annapolis MD 21401

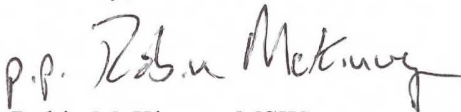
Re: Report required by State Government Article § 9-801 through 9-804 under Subtitle 8.
“Financial Education and Capability Commission.”

Dear President Ferguson and Speaker Jones:

This mailing contains the 2019 Financial Education and Capability Commission report. This report is submitted in accordance with State Government Article Section 9–801 through 9–804 under Subtitle 8. “Financial Education and Capability Commission.”

Please contact us with any questions. Thank you for considering our recommendations.

Sincerely,



Robin McKinney, MSW
Co-Founder & CEO
CASH Campaign of Maryland
Creating Assets, Savings, and Hope
575 S Charles Street
Suite 500
Baltimore, MD 21201

SF/sa

cc: Sarah Albert, Department of Legislative Services (5 copies)

Commission on Financial Education and Capability

2020 Annual Report to the Maryland General Assembly and the Governor

In accordance with State Government Article Section 9-801 through 9-804 under the subtitle “Subtitle 8. Financial Education and Capability Commission”

Submitted: November 24, 2020

Table of Contents

Financial Education and Capability Commission Members3
Executive Summary.....4
Commission Background4
 Legislative Response5
 Process5
2020 Recommendations6
Meeting Summaries.....10

**Appendix A: 2020 Legislative Wrap-up for the Maryland Financial Education & Capability
Commission**

Appendix B: 2020 Financial Education and Capability Award Winners

Financial Education and Capability Commission Members

Co-Chairs: Senator Katherine A. Klausmeier and Delegate Dana M. Stein

Senator Ronald N. Young
Maryland State Treasurer Nancy Kopp
Stuart Campbell (designee for DHCD Secretary)
Dr. Allen Cox (Maryland Coalition for Financial Literacy)
Lynne Durbin, Esq. (Maryland State Employees Supplemental Retirement Plans Board)
Jennifer Griffin (designee for State Superintendent)
Bill Gruhn (Office of Attorney General)
Erin Layton (Maryland 529)
Dr. Bruce Lubich (Maryland Association of CPAs)
Robin McKinney (CASH Campaign of Maryland)
Franklin McNeil (PNC Bank)
Lisa Norrington (Maryland State Education Association)
Antonio Salazar (Commissioner of Financial Regulation, Maryland Department of Labor)
Donna Thomas (designee for Maryland Higher Education Commission)
Ken Venick (Equity Mortgage Lending)
Jan Wagner (Central Scholarship)
Meg Woodside (The Woodside Foundation)
Maureen O'Prey (designee for the Comptroller)
Courtney Thomas (Allegany County Department of Social Services)

Vacancy: Credit Union Representative

Staff

The Commission is staffed by the CASH (Creating Assets, Savings, and Hope) Campaign of Maryland, a non-profit based in Baltimore dedicated to promoting the economic advancement of low- to moderate-income communities across Maryland. No state funds are provided for staffing of the Commission or its activities. Commission staff includes Sue Rogan, Director of Strategic Partnerships, at CASH Campaign of Maryland.

Executive Summary

The Financial Education and Capability Commission, which was created through legislation in 2012, holds a series of meetings each year to discuss recommendations for improving the financial capability of Marylanders. Each year, the Financial Education and Capability Commission is required to report to the Governor and the General Assembly on its recommendations to improve financial capability for Maryland's low-to-moderate income communities.

This year, the Commission chose to discuss two topics as they relate to financial capability: (1) higher education and (2) strengthening reentering citizens' connection to the workforce. The Commission agreed on the following recommendations, which will be discussed at length in this report.

- **Recommendation #1-** Create and fund an Elder Financial Abuse Unit within Maryland's Office of the Attorney General.
- **Recommendation #2-** Support legislation that curbs abuses within the Save4College program through changes to residency requirements, income calculations, age limits, and a lifetime max on state contributions. The Commission encourages the state to provide regulatory authority to Maryland 529 to make changes within the spirit of the legislative intent of the program to help low- and middle-income families to access post-secondary education.
- **Recommendation #3-** The Financial Education & Capability Commission endorses and supports the SPIN project, which seeks to create a comprehensive approach in providing financial education programs to post-secondary students.
- **Recommendation #4-** Create a taskforce to research the impact of current fines and fees in the criminal justice system.

Commission Background

The Financial Education and Capability Commission formed following the Great Recession of 2008. The Great Recession resulted in high foreclosure rates, job loss, increased credit card and student loan debt, and a lack of savings across Maryland. While some Maryland households have recovered from the crisis, many still experience economic insecurity. According to Prosperity Now's Scorecard, 22.3% of Maryland households are liquid asset poor, meaning that they do not have enough money in accessible savings to live at the poverty level for three months. Additionally, nearly half of Marylanders are using subprime credit, and 21% of Marylanders have accounts in collections.¹ This data shows that while Maryland is a state with a significant amount of wealth, more work is required to make sure all Maryland residents have access to education and opportunities that can help them reach financial security and independence.

¹ Prosperity Now (2020). Prosperity Now Scorecard.

Legislative Response

Maryland's General Assembly responded to the Great Recession of 2008 by bolstering consumer protection policies, providing relief for those with student loan debt, increasing oversight of predatory financial institutions, and increasing access to housing support. The momentum behind these efforts culminated in the creation of the Task Force to Study How to Improve Financial Literacy in the State, which released its final recommendations in 2010. Much of the Task Force's work focused on ways to expand financial education in public schools from grades K-12. Other recommendations focused on ways to integrate adult financial education into various state systems.

The General Assembly sought to build off the recommendations of the Task Force to Study Financial Literacy in the State by creating a standing commission in 2012 entitled the Financial Education and Capability Commission. The legislative purposes of the Commission are to:

1. Monitor the implementation of public and private initiatives to improve the financial education and capability of residents of the state;
2. Make recommendations on the coordination of financial education and capability efforts across state agencies;
3. Submit an annual report on or before December 1 to the Governor and the General Assembly on its recommendations and the status of efforts undertaken by state agencies or in partnership with state agencies; and
4. Include a comprehensive discussion of statewide efforts to improve the financial education and capability of residents in the report of the Commission every three years, including initiatives funded by the state or a local government and those undertaken in the private sector by nonprofit organizations, financial institutions, and other persons.

Process

The Commission organized its first seating from December 2012 - January 2013 and has maintained its operations to date. This year due to COVID-19, virtual meetings took place in July, September, October, and November. In order to determine its 2020 recommendations, the Commission decided during the July meeting to focus higher education and reentry problems.

During 2020, the Commission heard from representatives from:

- CASH Campaign of Maryland
- Job Opportunities Task Force (JOTF)
- Maryland 529
- Maryland Consumer Rights Coalition (MCRC)
- Maryland Department of Labor, Correctional Education
- Silver Canady & Associates

2020 Recommendations

Despite Maryland's position among the wealthiest states in the union, too many residents face barriers to prosperity and financial security. This year the Commission chose to focus its discussions on two of these barriers: higher education and reentry.

Higher Education

Governor Larry Hogan declared a State of Emergency on March 5 due to the growing threat of COVID-19². Chancellor of the University System of Maryland, Jay Perman, issued a statement for universities to prepare for off-campus learning³. The pandemic and its effects on higher education has created and exacerbated many issues for students, staff, and institutions.

Reentry

Recently incarcerated people have trouble accessing and maintaining connection to the workforce. Barriers to reentry can stem from a multitude of areas. Employment and high wages are positively associated with lower rates of reoffending and criminal activity⁴.

The Commission heard from experts in each of these fields and examined many possible recommendations. Based on these presentations and previously discussed Commission Priorities, the Commission selected the following recommendations as priority policies for Maryland's 2021 legislative session.

Recommendation #1 - Create and fund an elder financial abuse unit within Maryland's Office of the Attorney General.⁵

The elderly in Maryland face myriad financial risks. For example, caregiver fraud and financial scamming is rampant against this population. According to the Maryland Department of Aging, the top financial scams for older adults in 2017 included (1) debt collection, (2) identity theft, (3) imposter scams, and (4) predatory financial institutions. Older adults reported \$12.4 million in losses due to fraud in 2017 alone, and Maryland ranks 4th in the U.S. in identity theft and fraud for older adults⁶. Due to these alarming statistics, the Commission made the same recommendation in the 2019 report, and [SB 407](#) was introduced in the 2020 legislative session. The bill was vetoed by the Governor, because it called for an annual appropriation of \$250,000.

The scale of the problem outlined above requires a swift and focused response to protect and restore the financial stability of the elderly. A dedicated unit should be established and funded within the Office of the Attorney General to focus on recovering losses for elder victims of financial exploitation. The unit will bring civil actions against perpetrators, regardless of conviction status, to ensure that money is returned to victims.

² [Maryland Declares a State of Emergency](#)

³ [Statement from the Chancellor](#)

⁴ [Understanding the Challenges of Prisoner Reentry](#)

⁵ It should be noted that the Commission members representing the Secretary of Housing and Community Development and Commissioner of Financial Regulation abstained from voting.

⁶ Federal Trade Commission (2020). Consumer Sentinel Network Data Book 2020

Recommendation #2 - Support legislation that curbs abuses within the Save4College program through changes to residency requirements, income calculations, age limits, and a lifetime max on state contributions. The Commission encourages the state to provide regulatory authority to Maryland 529 to make changes within the spirit of the legislative intent of the program to help low- and middle-income families to access post-secondary education.⁷

The Save4College State Contribution Program was created through the College Affordability Act in 2016. It is also known as the Save4College Program or the State Contribution Program (SCP). SCP is implemented through Maryland 529. Maryland 529 provides the opportunity to save for future education costs which leads to more youth seeking post-secondary opportunities. There are two types of investment plans; however, only Maryland College Investment Plan accounts created after 2016 are eligible to receive the state contribution. There are three categories divided by income levels; depending on that level, the state will contribute between \$250-\$500 to eligible accounts.

Maryland Taxable Income for State Contribution Program			
Individual	Joint	Minimum Contribution	State Contribution
\$49,999 or less	\$74,999 or less	\$25	\$500
\$50,000 - \$87,499	\$75,000 - \$124,999	\$100	\$500
\$87,500 - \$112,500	\$125,000 - \$175,000	\$250	\$250

An unintended consequence of this legislation is that multiple accounts with the same beneficiary, whether held by the same or different account holders, can each receive a state contribution. This has led to a few extreme cases of one beneficiary receiving multiple state contributions annually (**Figure 1**). In the 2020 legislative session, the General Assembly passed budget language that clarified that the contribution is limited to two per beneficiary per application cycle (**Figure 2**). This change is temporary as it will expire with the budget.

⁷ It should be noted that the Commission member representing Maryland 529 abstained from voting.

Figure 1:

This is an example of how a family with one child, one set of parents/guardians, and two sets of grandparents can abuse the program *without any policy change*.

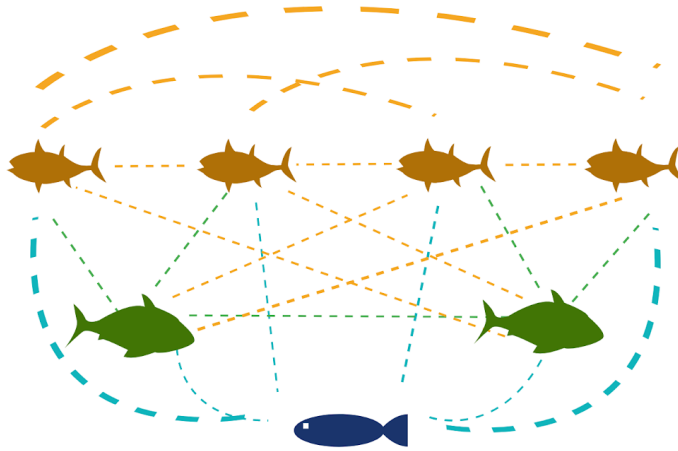
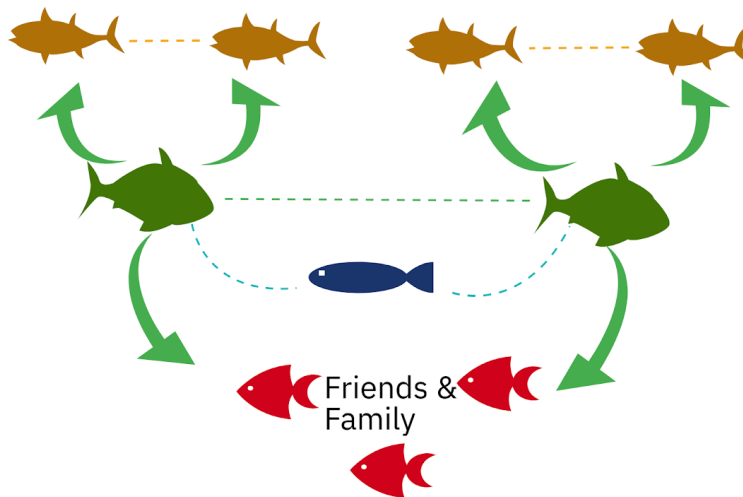


Figure 2:

This is an example of how a family with one child, one set of parents/guardians, and two sets of grandparents can abuse the program with the *clarification in the budget*.



The changes that the Commission endorses will help close important loopholes. Residency requirements and income calculations will ensure that all account holders are placed in the appropriate income categories. Age limits and a lifetime maximum on state contributions will lessen the abuse of the program. Providing regulatory authority to Maryland 529 will allow for them to make changes to the program within the spirit of the legislative intent. This will allow Maryland 529 to respond to trends that they are tracking, so they can ensure the program runs efficiently.

Recommendation #3- The Financial Education & Capability Commission endorses and supports the Survey of Postsecondary Institutions (SPIN) project, which seeks to create a comprehensive approach in providing financial education programs to post-secondary students.

Campus-Based Financial Education in Maryland: A Survey of Postsecondary Institutions (SPIN) was commissioned by The Woodside Foundation, written by Tisa Silver Canady, EdD, MBA and published in partnership with the CASH Campaign of Maryland. SPIN included a national scan for postsecondary financial education programs. The Phase 1 [report](#), published in 2019, provides detailed results of postsecondary institutions within Maryland. Given overwhelming interest in collaboration from campus-based administrators, the scope of work was expanded to focus on two recommendations included in the Phase 1 report: (1) Establish a statewide network of postsecondary financial education professionals and (2) Document and disseminate the most robust student financial education programs in the state. SPIN is an ongoing and evolving project. All efforts and activities are guided by a shared commitment to helping Maryland's postsecondary students achieve financial wellness through campus-based financial education programs.

One of the core tasks of the commission is to monitor the implementation of public and private initiatives to improve the financial education and capability of residents of the state. The SPIN project encompasses these core tasks by tracking, analyzing and encouraging financial education in postsecondary institutions in Maryland. The commission endorses the SPIN project and will receive regular updates about the project and its initiatives. In addition, the commission will also have an active role in progressing SPIN's goals.

Recommendation #4- Create a taskforce to research the impact of current fines and fees in the criminal justice system

According to the JOTF report, *The Criminalization of Poverty: How to Break the Cycle Through Policy Reform in Maryland*⁸, Maryland's criminal justice system often punishes people for being poor. The fines and fees that are assessed to individuals before sentencing, while serving their sentence, and after sentencing makes it difficult for people to maintain financial stability. This can lead to people being assessed more fines, negative credit reporting, and recidivism.

A task force is needed to discover the impact of the fines and fees assessed to indigent populations. The task force can explore the effect of:

⁸ [The Criminalization of Poverty: How to Break the Cycle Through Policy Reform in Maryland; 2018](#)

- Expungement fees
- Public defender application fees
- Fines and fees being assessed in multiple jurisdictions
- And other fines and fees connected to the criminal justice system

The task force should have multiple organizations that have been working with people who have come in contact with the criminal justice system. Its goal would be to examine the effects of fines and fees on indigent populations and discover alternatives for indigent populations besides fines and fees.

For Future Consideration:

As in years past, the Commission discussed a number of issues that did not necessarily result in a specific recommendation. The Commission is interested in supporting the Maryland Higher Education Committee (MHEC). However due to COVID-19, this past year presented unique challenges. The Commission looks forward to hearing from MHEC in 2021 and supporting them in their initiatives.

Meeting Summaries

July Meeting:

At the July meeting, the Commission discussed the 2020 legislative session. This included bills that were relevant to the 2019 recommendations produced by this commission last year. During the 2020 legislative session, the Commission supported bills related to higher education, and consumer protection. Due to the scope of response to COVID-19, time was dedicated for each representative to discuss how their organization was helping to ensure financial security. The Commission discussed future meeting topics and decided to focus on higher education and reentry topics.

September Meeting:

During the September meeting, the Commission focused on higher education. The Commission heard from the Maryland Consumer Rights Coalition (MCRC) about problems that current and past students are facing, and housing discrimination. The Commission also received an update from A Survey of Postsecondary Institutions (SPIN), and discussed possible recommendations.

COVID-19 significantly changed how higher education institutions operated during the summer and fall semesters. This has caused students to face many challenges. Students are becoming anxious about potential changes, and they have concerns over their safety. Many students are also concerned about their current and future financial wellbeing. The pandemic has changed their financial situation along with their families. Students close to graduation are concerned over the job market and job prospects.

Student borrowers are also having troubles due to COVID-19. Many are facing difficulties with paying their monthly balance on their student loans. Relief for federal student borrowers came from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In March, student borrowers that held a federal student loan received temporary relief through suspended student loan payments, paused debt collection on defaulted loans, and interest rates were set to 0% for [60](#)

[days](#). Relief through the CARES Act has been extended through [December 31, 2020](#). There were issues with the implementation of these changes. Borrowers were experiencing negative hits on their credit scores, listing accounts as defaulted, some borrowers had their wages garnished, among numerous other issues.

The federal Fair Housing Act includes race, color, sex, nation of origin, religion, familial status, and disability. Through the Home Act passed in the 2020 Maryland legislative session, Maryland added source of income as a protected class. This will protect people who have a source of income from government assistance, targeted places of employment and assets.

A Survey of Postsecondary Institutions (SPIN) created a report last year that produced six recommendations. This year, SPIN has moved to phase two which includes establishing a statewide network of postsecondary financial education professionals and documenting and disseminating the most robust student financial education programs in Maryland. There is an additional strain on financial education administrators due to extra funds granted to higher education institutions because of COVID-19. SPIN is continuing to research financial education efforts in out of state institutions and follow trends emerging from the effects of COVID-19.

October Meeting:

The October meeting covered problems returning citizens may face connecting to the workforce, fines and fees in the criminal justice system, and information about the Economic Impact Payments (EIP). We had presentations from the Department of Labor (DOL), Job Opportunities Task Force (JOTF).

Correctional education is an opportunity that currently incarcerated people have to strengthen their education and increase their success in transitioning into the workforce. Maryland's correctional education program has different levels of services. After completing their high school graduation requirements, they can move into a specific workforce program. There are 24 occupational training programs available for students. When an individual is within 24 months of their release date, they can take a transitional course. Four of these courses provide a financial education module. Reentry Navigators are available to help students remove barriers to employment once released.

Fines and fees in the criminal justice system are unexpected costs that usually become a burden to black and indigent people. In the report published by JOTF, [The Criminalization of Poverty: How to Break the Cycle Through Policy Reform in Maryland](#), the connection between the criminal justice system and poverty is explored. Criminal debt can be accrued before sentencing, during incarceration, and post incarceration. This debt can be outside of debt protection laws and can be transferred to civil debt. This can lead to additional fees, delays in expungement, and reincarceration.

Economic Impact Payments (EIP) also known as stimulus payments are provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Most people received their payment due to it being processed using 2018 or 2019 tax information or the non-filer tool. The date for non-filers was extended to November 21, 2020 to apply for their payment. This date did not apply for people who filed for an extension or needed to file taxes. Originally, the IRS stated that incarcerated people were not eligible for the EIP. On September 24, 2020, the court ruled

against the IRS siding with the plaintiffs which represents people incarcerated from March 27, 2020 to present.

November Meeting:

The November meeting focused on approving recommendations for the report. This year the commission approved four recommendations. The Commission approved the recommendation that an Elder Abuse Unit be created in the Attorney General's Office, which was also a recommendation in the 2019 report. The second recommendation in support of changes in the Save4College Program came from a work group formed with legislators and Maryland 529 and DLS staff. The third recommendation is an endorsement of the SPIN project. The fourth recommendation is in support of creating a task force to study the effect of fines and fees in the criminal justice system on indigent populations.

Appendix A

2020 Legislative Wrap-up for the Maryland Financial Education & Capability Commission

Successes

Check Cash Service Registration ([HB 1196](#)/[SB 939](#)): This bill targeted the estimated 500 businesses that were not registered as check cashing services with the State of Maryland. Under this new legislation, businesses must register with the Commissioner if check cashing is incidental to other business activities, cannot charge more than 1.5% of fees, must give a receipt, post fees, and how to report comments or complaints. This legislative win ensures consumer safety and that vulnerable populations do not pay more for financial access.

Temporary Clarification of State Contribution to Save4College Accounts ([HB 152](#)/[SB 192](#)): In lieu of separate legislation due to the shortened session, the state match contribution for Maryland 529 Save4College accounts has been clarified so that one beneficiary receives no more than two state matches in the state budget. This is a temporary solution that addresses the abuse of the state match program.

Protection from Driver License Suspensions ([HB 280](#)/[SB 234](#)): This bill was introduced at the request of the Office of Attorney General and builds on previous work with Del. Brooke Lierman. The bill repeals the authority of the Motor Vehicle Administration (MVA) to suspend a driver's license due to unpaid citations and judgements. The bill will maintain low income drivers' access to private transportation, which protects their access to employment, education, and other essential resources.

For Future Consideration

Financial Protections for Elders and Vulnerable Adults ([SB 407](#)): Older Marylanders are vulnerable to exploitation by means of predatory debt collectors, identity theft, imposter scams, and predatory financial institutions. The purpose of this unit is to address financial abuse of elders and vulnerable adults. This bill was vetoed by Governor Hogan.

Permanent Clarification of State Contribution to Save4College Accounts ([SB 615](#)): A temporary clarification about the number of beneficiaries that can receive a state match was passed with the state budget. This temporary solution was passed due to the 2020 legislative session ending early because of COVID-19.

Collection Practices for Unpaid Fees and Services ([HB 419](#)): This bill would have required higher education institutions to report information to the Higher Education Commission in regards to fees owed by students. Unpaid fees can alter a students ability to graduate or transfer credits. This bill would have created a centralized place for each schools separate fee structure and impacted populations.

Appendix B

2020 Financial Education and Capability Award Winners

Each year, the CASH Campaign of Maryland, Maryland Council of Economic Education, and the Maryland State Department of Education present Financial Education and Capability Awards to teachers and organizations that serve as leaders in financial education. Each award winner received a certificate and \$1,000 prize. Private funds were raised through OneMain Financial and The Woodside Foundation to provide five \$1,000 awards.

Elementary School Teacher or Program:

- **Florence Falatko**, Cromwell Valley Elementary Magnet School (Baltimore County)

Middle School Teacher or Program:

- **Charles Emerson**, Vanguard Collegiate Middle School (Baltimore City)

High School Teacher or Program:

- **Austin Hill**, Edgewood High School (Hartford County)

Community Champion Award (Individual Educator):

- **Ambus Hunter**, Community Champion (Baltimore County)

Outstanding Organization Award:

- **Bank On Gaithersburg**, Outstanding Organization (Montgomery County)

Woodside Award:

- **Marceline White**, Maryland Consumer Rights Coalition (Baltimore City)