

Commission on Financial Education and Capability

2021 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: December 1, 2021

Table of Contents

Financial Education and Capability Commission Member	3
Executive Summary	4
Commission Background.....	4
Legislative Response.....	4
Process.....	5
Part I: Commission Recommendations and Meeting Summaries	5
Commission 2021 Recommendations.....	5
Meeting Summaries.....	7
Part II: Financial Education & Capability Survey Results	10
Appendix A: 2021 Legislative Wrap-up for the Maryland Financial Education & Capability Commission	
Appendix B: 2021 Financial Education and Capability Award Winners	
Appendix C: Organizations Captured by the 2021 Financial Education & Capability Survey	

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)
Meg Woodside (The Woodside Foundation)
Maureen O'Prey (designee for the Comptroller)
Courtney Thomas (Allegany County Department of Social Services)
Jacqueline Turner (designee for the Executive Director of Family Investment, DHS)

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) housing and evictions and (2) fines and fees. Also, the Commission split into workgroups to focus on additional topics: Maryland's Save4College Program, Baby Bonds, and Public Banking. The Commission agreed on the following recommendations, which will be discussed at length in this report.

- **Recommendation #1**- Research the feasibility of a Baby Bond program in Maryland.
- **Recommendation #2** - Support Maryland 529 having the authority to close loopholes.

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% 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, 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.

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 Prosperity Now (2020). Prosperity Now Scorecard.

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 May, June, September, and November.

During 2021, the Commission heard from representatives from:

- CASH Campaign of Maryland
- Job Opportunities Task Force
- Maryland Consumer Rights Coalition
- Maryland's Department of Housing and Community Development
- Renter's Alliance
- Silver Canady & Associates

2021 Recommendations

This year the Commission split into workgroups to focus on specific topics: Save4College Program and Baby Bonds. The Commission heard from experts in each of these fields and examined various recommendations. Based on the work from the workgroups, the Commission selected the following recommendations as priority policies for Maryland's 2022 legislative session.

Recommendation #1- Research the feasibility of a Baby Bond program in Maryland.

The goal of Baby Bond programs is to provide capital at age 18 to begin wealth building activities like pursuing higher education, purchasing a home, starting a small business, and saving for retirement. This is accomplished by the government setting aside money at birth in a pooled trust account until eligible participants claim their share at age 18. The Commission researched Baby Bonds in a small workgroup consisting of Commission members and experts from Prosperity Now. The workgroup discussed the difference between Children Savings Accounts and Baby Bonds. Through this research and examples from other states, the Commission has decided that additional research should be conducted by the State. Each Baby Bond program is specialized, and there are aspects that should be explored. There also needs to be a larger conversation with more stakeholders to create the best program.

Baby Bond programs provides resources to children whose households have the lowest amount of wealth; therefore, they are a pathway to closing the racial wealth divide and providing an equitable start for lower-income populations. The Commission encourages the State to explore the options for a Baby Bonds program in Maryland to use as a tool to break the cycle of poverty.

Recommendation #2 - Support Maryland 529 having the authority to close loopholes.

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 to provide families the opportunity to save for future education costs, leading to more youth seeking postsecondary opportunities.

The Commission first heard of people exploiting loopholes in 2019². In the 2020 legislative session, there was budget language passed that restricts beneficiaries to receiving two state contributions funds per application year. The Commission worked with Maryland 529, Legislators, Department of Legislative Services staff, and the Treasurer’s Office to reduce unintended consequences of the Save4College program. This resulted in legislation being passed in the 2021 legislative session that added additional guidelines to the Save4College program. Those guidelines are³:

- \$9,000 account holder lifetime limit,
- Using AGI (Adjusted Gross Income) instead of taxable income for income limits,
- Residency requirements for account holders,
- Beneficiary age limit of 26 or under, and
- More authority to Maryland 529 to amend the program

This year the Commission encourages clarification that Maryland 529 has regulatory authority to update the program within the spirit of the legislative intent of the program. This authority would allow Maryland 529 to adopt regulations, rules, and policies aligned with the original intent of the state contribution plan to incentivize families to save for postsecondary education. The intent is to provide this benefit to low- and middle-income families to help ease the burden of future education costs by helping as many families as possible with the funds that are available. Continued abuse of this program may result in many low- and middle-income families being unable to receive the state match. Closing existing loopholes helps to ensure that the program continues to reach more families in Maryland. Clarifying that Maryland 529 has the authority to make these decisions helps to ensure the administration of the program is fair and efficient and helps eliminate abuse of the program.

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 discussed topics related to public banking, debt collection, fines, and fees that require further research.

² [2019 Financial Education and Capability Commission Report](#)

³ [SB 779/ HB 1238](#) (2021)

Public banks are operated in the public interest, through institutions governed by the people through their representative governments. Public banks' profits are returned to the general fund of the public entity, which allows them to be reinvested in communities⁴.

There were also presentations about the effects of fines and fees on low-income communities. Topics ranged from car insurance, higher education, Maryland's Central Collections Unit, and the criminal justice system.

A. Meeting Summaries

May Meeting:

At May's meeting the Commission discussed the 2021 legislative session, including bills relevant to the Commission's 2020 recommendations. During the 2021 legislative session, the Commission supported bills related to higher education, consumer protection, and fines and fees reduction.

The Commission reviewed results from the 2018 Financial Education and Capability Commission survey in preparation for the 2021 survey. Members also received an update on the Maryland Higher Education Commission (MHEC), Task Force to Study Transportation Access, and Survey of Postsecondary Institutions (SPIN). In 2021, SPIN launched the [Maryland Center for Collegiate Financial Wellness](#) (MCCFW). The goal of MCCFW is to help potential and current students be:

- Creditworthy
- Ready for financial responsibility
- Resilient
- Empowered to make informed decisions
- Successful
- Thriving

The Commission discussed future meeting topics and decided to focus on housing, eviction, fines, and fees. The Commission also decided to break into small workgroups to focus on: Baby Bonds, Public Banking, the Save4College Program, and the Survey.

June Meeting:

During the June meeting, the Commission focused on housing and eviction. The Commission heard from Maryland's Department of Housing and Community Development about challenges with dispersing Emergency Rental Assistance Program (ERAP) funds. The Commission also heard from Renter's Alliance about evictions in the legal system.

⁴ [Public Banking Institute](#)

COVID-19 caused a serious economic downturn which resulted in people losing their jobs. This worsened the housing crisis and put millions of Americans at risk for losing their housing through evictions. Eviction moratoriums from the Centers for Disease Control and Prevention (CDC) and Governors and additional help through ERAP sought to curb evictions and prevent people from losing their housing.

ERAP⁵ is money provided from the federal government to the states to assist households that are unable to pay rent or utilities. States must administer ERAP funds before federal deadlines.

- ERAP 1: September 30, 2022
 - 65% of ERAP 1 had to be spent by September 30, 2021
- ERAP 2: September 30, 2025

Maryland is dispersing ERAP funds to most counties, and eight of Maryland counties receive ERAP funds directly from the US Treasury. Those eight counties already had an application process for renters. Other counties launched their application by mid-May. All counties are working with renters and landlords to disperse ERAP funds.

There are barriers to the moratoriums that still allowed tenants to be evicted. According to Maryland Courts, there are four types of evictions⁶:

1. Failure to Pay Rent: Tenant is behind on rent.
2. Tenant Holding Over: Tenant lease has expired, but they have not vacated the premises.
3. Breach of Lease: Tenant is being accused of not following the written lease.
4. Wrongful Detainer: There is not a landlord and tenant relationship.

Eviction moratoriums only protect tenants in Failure to Pay cases, where a moratorium can be used as a defense in court. Landlords can still begin the eviction process and tenants can be evicted for other reasons.

September Meeting:

During the September meeting, the Commission heard from Maryland Consumer Rights Coalition (MCRC) and Job Opportunities Task Force (JOTF). Both group presenters discussed how fines and fees can have a detrimental effect on low-income populations.

MCRC presented information from their report “[No Exit: How Debt Collection Practices Deepen Poverty and Widens the Racial Wealth Gap](#).” The report provides details on Maryland’s Central Collection Unit (CCU). CCU is self-sustaining due to a 17% collection fee that is assessed on each debt owed. Low-income households that struggle to pay the original debts struggle even more when the amount owed is increased. MCRC was also concerned with the negative effects of transcript withholding on students. Several schools withhold transcripts from students for

⁵ [The U.S Department of Treasury](#)

⁶ [Maryland Courts](#)

debts as little as \$250, which can hinder students from graduating, pursuing higher education, and lessens the opportunity for upward mobility.

JOTF presented information from their report “[The Criminalization of Poverty: How to break the cycle through policy reform in Maryland.](#)” 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, wage and tax garnishment, delays in expungement, and reincarceration. Individuals cannot get their record expunged until these debts are paid.

November Meeting:

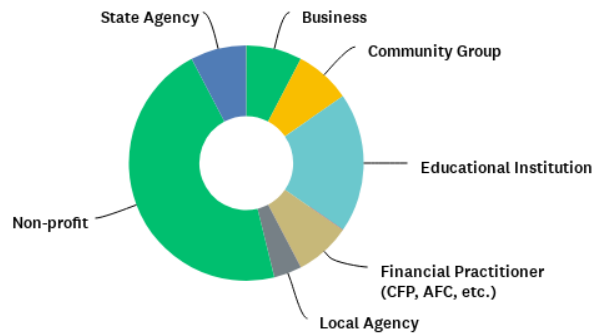
The November meeting focused on reporting results from the survey and approving recommendations for the report. This year the Commission approved two recommendations: researching the feasibility of a Baby Bond program in Maryland and supporting Maryland 529 having the authority to close loopholes.

Part II: Financial Education and Capability Survey Results

Every three years, the Financial Education and Capability Commission must complete a comprehensive report on the state of financial education in Maryland. To meet this need, the Commission issued a Financial Capability Survey to learn about the services offered by various organizations throughout the state. The survey provides insight into Maryland’s field of financial education, including its strengths and the presence of any gaps. The survey also helps the Commission identify barriers to providing or expanding financial education services. The remainder of this report is dedicated to analyzing the results of the 2021 Financial Capability Survey.

Between August and October of 2021, twenty-six organizations (see Appendix A) responded to the Financial Education & Capability Survey. Below are illustrations of their responses.

Types of Organizations Represented in Survey Results



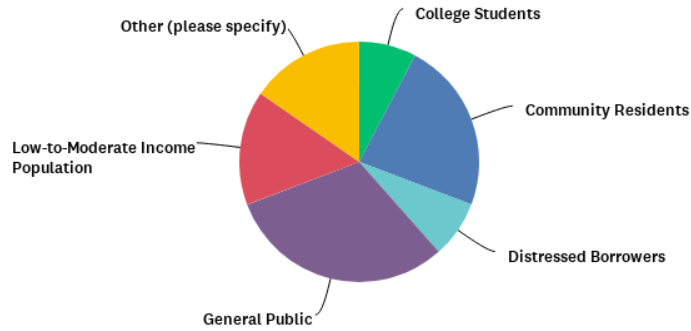
As illustrated above, 46% of organizations that responded identify solely as non-profits and 20% identify as educational institutions. State agencies, private businesses, community groups and financial practitioners each represent 8% of the respondents. 2% of the respondents identified as a local agency.

Where Respondent Organizations are Working

Allegany	Frederick
Anne Arundel	Garrett
Baltimore City	Howard
Baltimore County	Montgomery
Calvert	Prince George's
Carroll	St. Mary's
Charles	Washington
Statewide	

The table above depicts where respondents are providing financial education and capability services in Maryland. Some agencies work statewide, and some serve a single county or region of the state.

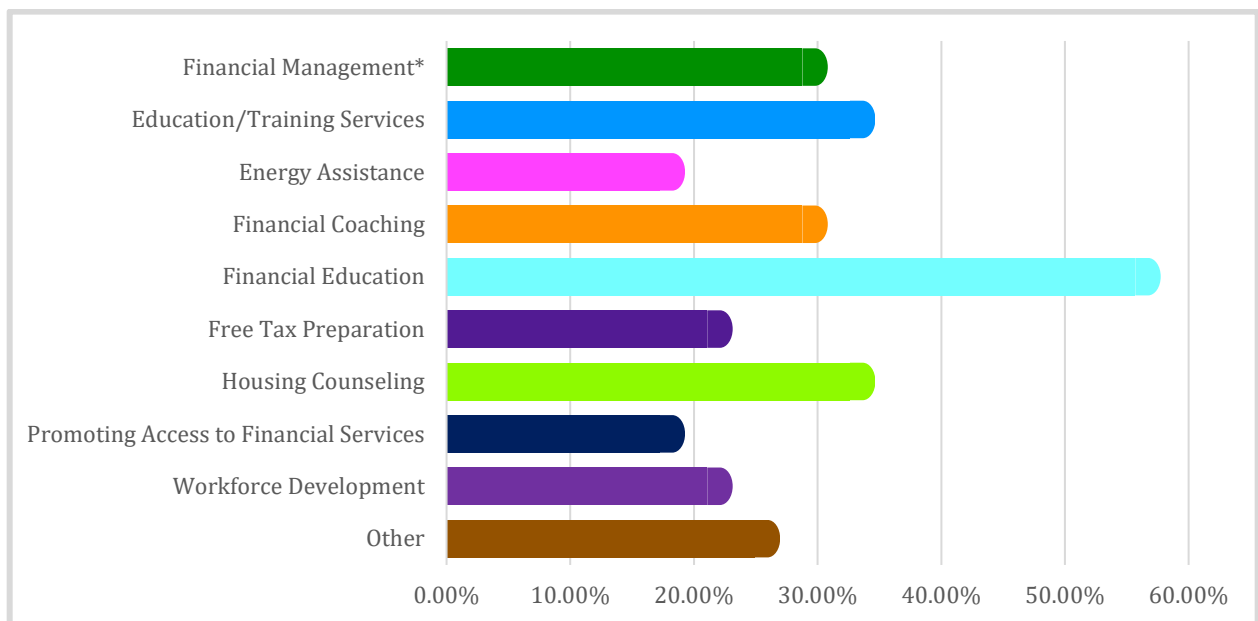
Primary Clients of Financial Capability Service Providers



Above is a chart outlining the target populations of the survey respondents. One item of note in 2021 is that zero respondents reported specializing in current or retired members of the military, homeowners, K-12 students, older adults, or student loan borrowers. “Other” responses included non-profits, Maryland teachers, pre-retirees, and state employees.

Products & Services Offered by Respondent Organizations

The Commission measured which products and services respondents are offering to Maryland residents. Below, are the top services offered by respondent organizations.



In addition to the top services outlined above, agencies also reported offering the following products and services:

- Deposit Accounts (Savings, Checking, etc.)
- Emergency Cash Assistance
- Education Savings (Children's Savings Accounts, 529s)
- Financial Advising by a Certified Professional (Wealth Building, etc.)
- Financial Advising (Wealth Building, etc.)
- Financial Aid Counseling/Student Debt Management
- Food/Nutrition Programs
- Healthcare/Medical Services
- Housing Finance (Mortgages, Grants, Loans)
- Investment Services
- Micro-Lending Programs
- Policy and Advocacy
- Provides Funding for Training or other Capacity Building Supports
- Provides Funding to other Organizations for Direct Capability Services
- Public Benefit Screening/Enrollment
- Research
- Retirement Planning
- Small Business (Accessing Resources)
- Small Business (Planning and Mentorship)

“Other” responses included crisis services for those experiencing homelessness or facing homelessness, programs for returning citizens, and health and wellness programs. Zero participants offer pre-paid debt cards.

Training and Certifications

Of the respondent organizations, twenty-six percent have employees or volunteers trained or certified to provide financial capability services. There is debate around the fields of financial education and coaching, and whether the industries should be fully professionalized with standard training tracks. We track whether service providers across the state are certified in financial education and/or coaching to review trends in the field of financial capability. Certification’s respondents mentioned are listed below.

NeighborWorks Center for Homeownership Education and Counseling (NCHEC) Certifications	Reputable financial education certifications: Association for Financial Counseling & Planning Education (AFCPE), Certified Public Accountant (CPA), Certified Financial Planner (CFP)
National Foundation for Credit Counseling - Credit Counseling and Housing Certification and Student Loan Debt Counseling Certification	Housing Counseling Certification from the U.S. Department of Housing and Urban Development (HUD)

Barriers and the Effect of COVID-19 in Providing Financial Capability Services

The top 2021 results of respondent’s barriers are congruent with the top choices in 2015 and 2018. Each survey shows that organizations need support for existing staff and to recruit more

staff. They need expanded funding to increase the services offered and increase the quality of the services they provide. They also need more clients to participate in their current programs.

	2015	2018	2021
Top Barrier	Funding to expand, develop, and maintain programs	Attendance, commitment, and participation in services	Staffing
Second Barrier	Education and training of staff and staff time to implement training	Assistance in improving the quality of financial capability services	Funding
Third Barrier	Attendance and commitment	Space to provide financial education classes	Participation

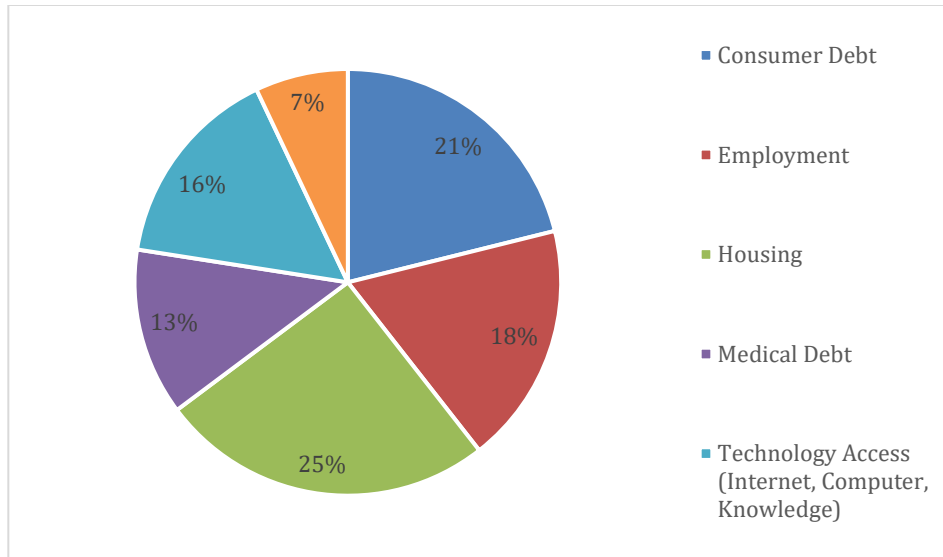
For the 2021 survey: 50% of respondents selected staffing as a barrier, 42% of respondents selected staffing as a barrier, and 42% respondents selected staffing as a barrier.

Some organizations reported struggling with marketing their services to potential clients and volunteers. They are also combating false information their clients receive about finances. Conducting virtual learning and developing partnerships with local organizations serve as barriers to engagement, as well.

Sixty-one percent of respondents stated that the demand for their services increased during the pandemic while 23% stated the demand remained the same. Some organizations noted that services like consumer debt reduction and debt management decreased while there was an increase for services like housing counseling, public assistance programs, foreclosure prevention, eviction prevention, and bankruptcy. Forty one percent of organizations stated that their ability to deliver services increased. Organizations stated that providing more services online was easier for them and allowed them to reach more people. Thirty percent of respondents stated that their ability remained the same, and 11% stated their ability decreased. Sixty five percent of respondents will keep a hybrid of in person and virtual models to provide services.

COVID-19's Effect on Clients

The graph below gives the breakdown of what respondents reported to be anticipated barriers for the people they serve due to the pandemic. Other responses explained that lowered or disrupted income and educational expenses are concerns.



Opportunities

The Survey not only allows the Commission to understand the needs and successes within the state’s financial capability field, but it can also capture important insights from service providers. For example, one of the most significant responses was the need for livable and stable wages. The respondents recognized that their clients do not make enough to achieve financial stability. They acknowledged that their clients were facing crises that needed to be managed before they could focus their attention on financial stability. Another significant response was the need to provide more financial education. Respondents noted that they would like to expand financial education to K-12 education and provide more education on credit, loans, and entrepreneurship. Finally, respondents stated that their clients needed more access to bank accounts, public benefits, childcare, documentation needed to obtain employment, reliable transportation, and stable housing.

Margin of Error

We would like to include the caveat that, as there is with every survey report, there is a margin of error. We recognize that the above data has limitations, as it is challenging to get feedback from every institution in the state. The Survey was dependent on the organizations contacted to complete it. Even if the data is not all-inclusive, it does identify trends for a strong sample of financial capability organizations, which span across the state.

Appendix A

2021 Legislative Wrap-up for the Maryland Financial Education & Capability Commission

Successes

Maryland 529 Program - Board Authority and State Contribution – Alterations ([HB 1238/ SB 779](#)): Additional guidelines were added to the legislation of the state 529 contribution match program, Save4College. Now administrators will apply a lifetime limit of \$9,000, use AGI (Adjusted Gross Income) for a more accurate figure for income, require account holders must be MD residents, and require beneficiaries to be 26 or younger. These changes prevent the abusive practices and allow the program to function as originally intended, helping low-moderate income families save for future college expenses.

Inmate Training and Job Act of 2021 ([HB 1137/ SB 800](#)): This bill creates the Inmate Training and Job Pilot Program. The program will provide educational and vocational training opportunities for incarcerated individual in the nine months preceding their release. Postsecondary institutions will work with incarcerated individuals to create a plan for success and connect with a professor or staff member. This pilot program’s goal is to reduce recidivism by providing opportunities in higher education.

Reducing Fees for Pretrial Defendants ([HB 316/SB 23](#)): With this legislation, people who are deemed indignant will no longer have to bear the burden of home detention monitoring fees during the pretrial phase.

For Future Consideration

Maryland Criminal Justice Debt Elimination and Prevention Act of 2021 ([HB 1331/ SB 898](#)): This bill aimed to reduce the burden of fines and fees on individuals who come in contact with the criminal justice system. The various fines and fees that are associated with the criminal justice system makes it difficult and expensive for low-income people to navigate, often resulting in even more interactions with the system.

Making Car Insurance More Affordable ([HB 168/HB 21](#)): Under current law, auto insurance companies are permitted to use factors unrelated to a person’s driving record in determining rates. These bills aimed to eliminate discriminatory practices in establishing auto insurance rates and promoting access to transportation by prohibiting insurance companies from using credit history to establish rates.

Appendix B

2021 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 The Woodside Foundation and Maryland Society of Accountants and Tax Professionals to provide five \$1,000 awards.

Elementary School Teacher or Program:

- **Gerri Otto**, Baltimore County Public Schools (Baltimore County)

Middle School Teacher or Program:

- **Carol Schaper**, Sykesville Middle School (Carroll County)

High School Teacher or Program:

- **Michael Baker**, Crossland High School (Prince George's County)

Community Champion Award (Individual Educator):

- **Jesse Ketterman**, Community Champion (Allegany County)

Outstanding Organization Award:

- **Financial Education Partnership of Washington County (FEPWC)**, (Washington County)

Appendix C
Organizations Captured by the 2021 Financial Education & Capability Survey

Allegany County Human Resources Development Commission, Inc (HRDC)
Annapolis/Anne Arundel Financial Education Coalition
Bowie State University
CAFE Montgomery MD
Consumer Credit Counseling Services Maryland (CCCSMD)
City of Gaithersburg
ClearView Wealth Advisors
Community Action Agency of Anne Arundel County
Community Assistance Network
Community Wealth Builders/Invest York Road
Comprehensive Housing Assistance, Inc.
Comptroller of Maryland
Equity Mortgage Lending
Financial Empowerment Center at Prince George's Community College
Financial Planning Association of Maryland
Garrett County Community Action
GVE Media/Public Relations, LLC
Housing Options & Planning Enterprises
LifeStyles of Maryland Foundation, Inc.
Maryland Center for Collegiate Financial Wellness
Maryland Council on Economic Education
Maryland Teachers & State Employees Supplemental Retirement Plans (MSRP)
Reach of Washington County
United Way of Washington County, MD
University of Maryland Extension
University of Maryland Extension Frederick County