

Commission on Financial Education and Capability

2017 Annual Report to the Maryland General Assembly

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

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Financial Education and Capability Commission Members

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

Senator Ronald N. Young
Delegate Alonzo Washington
Susanne Brogan (designee for Treasurer Nancy Kopp)
Stuart Campbell (designee for DHCD Secretary)
Sheldon Caplis (representing banking industry)
Dr. Allen Cox (Maryland Coalition for Financial Literacy)
Marilyn Lorenzo (designee for the Executive Director of Family Investment, DHS)
Dr. Lynne Gilli (designee for State Superintendent)
Bill Gruhn (Office of Attorney General)
Dr. Bruce Lubich (Maryland Association of CPAs)
Robin McKinney (CASH Campaign of Maryland)
Lauren Shipley (Maryland 529, partial year)
Antonio Salazar (Commissioner of Financial Regulation, DLLR)
Courtney Thomas (Allegheny County Human Resources Development Commission, Inc., partial year)
Donna Thomas (designee for Maryland Higher Education Commission)
Ken Venick (Equity Mortgage Lending)
Jan Wagner (Central Scholarship)
Meg Woodside (Woodside Foundation)

Vacancies: Office of the Comptroller designee, credit union representative, Maryland State Education Association representative, Maryland State Employees Supplemental Retirement Plans 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 security of low-to moderate-income communities across Maryland. No state funds are provided for staffing of the Commission or its activities. Commission Staff includes Holly Mirabella, Policy Associate and Sue Rogan, Director of Strategic Partnerships, CASH Campaign.

Executive Summary

The Financial Education and Capability Commission was created by legislation in 2012. The Financial Education and Capability Commission is required to submit an annual report to the Governor and General Assembly on its recommendations and the status of efforts undertaken by state agencies or in partnership with state agencies. 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; and (2) Make recommendations on the coordination of financial education and capability efforts across state agencies. The Commission focused on the existing financial capability programs and needs of state agencies and the private sector. There was also a continued focus on college affordability and student loan debt. The Commission makes the following recommendations, which are outlined in more detail in this report:

- **Recommendation #1** Support access and training for housing counseling in Maryland through adequate funding, marketing, outreach and training support and legal services.
- **Recommendation #2** Allow tuition-free community college in Maryland to improve access to higher education and reduce student debt.
- **Recommendation #3** Waive fees for credit freezes and thaws for all, regardless of breach status.
- **Recommendation #4** Create a Student Loan Bill of Rights with a Student Loan Ombudsman in the Office of the Commissioner of Financial Regulation.

Background

Maryland is a state experiencing extreme financial disparities. The financial crisis of 2008 resulted in high foreclosure rates, job loss, credit card and student loan debt, and a lack of savings. While some Maryland households have since recovered from the crisis, many still experience economic insecurity. According to the Prosperity Now's (formerly Corporation for Enterprise Development) 2017 Assets & Opportunity Scorecard, about 23% of Maryland households were considered 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. Fortunately, almost 80% of households have savings accounts and are making payments on time. This data shows that there is a solid foundation to build from; however, there is significant work to be done to make sure Maryland residents have access to information and resources that can help them to be financially secure and to make informed financial decisions.

Legislative Response

Maryland's General Assembly has responded to the financial crisis 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. Financial education is a field that is continuing to grow, especially as foreclosure rates fall. The momentum behind these efforts culminated in the creation of a legislative task force from 2008-2010. Created by legislation, the Task Force to Study How to Improve Financial Literacy in the State released its final recommendations in 2010. Much of the Task Force's work focused on ways to expand financial education in public schools, grades K-12. Other recommendations focused on ways to integrate adult financial education into various state systems.

The General Assembly sought to build off of the 2010 recommendations of the Task Force to Study Financial Literacy in the State by creating a standing commission entitled the Financial Education and Capability Commission. The Commission was created by legislation in 2012. The Financial Education and Capability Commission is required to submit an annual report to the Governor and General Assembly on its recommendations and the status of efforts undertaken by State agencies or in partnership with State agencies. 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; and
2. Make recommendations on the coordination of financial education and capability efforts across State agencies.

The Commission is also charged with issuing a comprehensive review of programs every three years. As such, in 2015, the Commission engaged in research to determine the current state of financial education and financial capability services in Maryland, which will be repeated in 2018. In 2017, the Commission solicited presentations from various agencies to further investigate existing financial capability programs and to understand their programmatic and/or funding needs.

Process

The Commission was first seated in December 2012 - January 2013 and has maintained its operations to date. Meetings in 2017 were held in May, July, September, and October. The Commission focused on credit and housing counseling in 2017. The goal of the 2017 meetings was to identify areas that need support, funding, policy change, or program implementation in order to determine the Commission's 2017 recommendations.

Financial capability services include, but are not limited to:

- Assistance accessing free or low-cost financial services
- Credit counseling or credit-building
- Financial education, coaching, or counseling
- Free tax preparation
- Housing counseling – pre-purchase or foreclosure prevention
- Legal services
- Screening for public benefits and/or assistance with enrollment (ex: food assistance)

Over the course of the year, the Commission had presentations from the following agencies and private sector groups:

- Guidewell Financial Solutions (Guidewell), a non-profit credit counseling organization
- Credit Builders Alliance (CBA), a non-profit organization that helps its partners with credit building programs
- Maryland Consumer Rights Coalition (MCRC), a non-profit consumer advocacy organization
- Maryland Department of Housing and Community Development (DHCD)
- Community Development Network of Maryland (CDN), a nonprofit community development organization
- Maryland Insurance Administration (MIA)
- Department of Labor Licensing and Regulation (DLLR), Office of the Commissioner Financial Regulation (CFR)

2017 Recommendations:

In 2017, the Commission addressed topics related to credit, housing counseling, consumer protection, data privacy and security, and higher education. While many possible recommendations were addressed, the following were selected by the Commission as priority policies for the 2018 legislative session.

Recommendation #1 Support access and training for housing counseling in Maryland through adequate funding, marketing, outreach and training support and legal services.

- Housing counseling is a dynamic service that helps increase financial capability for Maryland residents. While housing counseling grew significantly following the foreclosure crisis in 2008-2009, it has shifted to offering more financial education services as foreclosures have fallen. Currently, programs like the HOPE Initiative within DHCD and the Maryland Housing Counselors Network within CDN help increase discretionary income, savings and credits scores, and decrease debt. This is in addition to pre-purchase counseling and foreclosure prevention services.

- DHCD shared data with the Commission highlighting the success of their program. In 2017, the HOPE Initiative served 113,000 consumers through housing counselors and 6,900 consumers entered foreclosure mediation. Over 4,300 people attended 243 workshops. During the workshops, 2,700 completed pre-purchasing counseling and 696 consumers received down payment assistance. Overall, there have been 30,000 positive outcomes from these workshops. Positive outcomes include bringing a mortgage current, receiving a loan modification, and finding alternative solutions to foreclosure.
- Housing counseling in Maryland is frequently funded through the Maryland Housing Counseling Fund, which is supported by \$300 foreclosure fees. A 2017 bill ([HB200/SB588](#)) sought to increase the fee to \$500, but it did not pass.
- Programs that offer housing counseling are seeing funding cuts throughout the state, preventing them from offering vital financial education and capability services and keeping current with trending issues such as tax sales.
- The Commission seeks to express its support for housing counseling in Maryland, including providing access, training, and funding to such programs in order to maintain their impact on financial capability throughout the state.

Recommendation #2 Allow tuition-free community college in Maryland to improve access to higher education and reduce student debt.

- The Commission has always valued access to higher education as a means to achieve financial stability. According to Maryland Association of Community Colleges, in 2016, the average statewide in-county tuition and fees for Maryland's community colleges was \$4,221 which is a challenging cost to meet for low-income students, especially with additional costs of college including books.
- In 2017, the Commission supported a tuition assistance bill for those pursuing vocational certificates, apprenticeship training programs, and Associate's Degrees ([HB848/SB678](#)), which was sponsored by Commission member, Senator Young.
- For the 2018 legislative session, the Commission plans to support a new tuition-free community college bill, which will allow individuals who are starting community college immediately after high school to attend for free. This program will be opt-in for each county and will be funded by a 50/50 split between the state and each county.

Recommendation #3 Waive fees for credit freezes and thaws for all, regardless of breach status.

- A consumer report, also referred to as a credit report, contains private financial information about a consumer, including credit history, bill repayment history, and the status of the consumer's credit accounts. Protecting this information is key in allowing individuals to access affordable credit, obtain housing, employment and insurance. A security freeze prevents access to a credit report in order to prevent identity thieves from opening new accounts in a victim's name.
- In 2017, Maryland's General Assembly passed a bill ([HB212/SB270](#)) to eliminate fees for placing security freezes with credit bureaus under certain circumstances.
- From mid-May to July, 2017, the credit bureau Equifax announced that the company experienced a data breach that impacted over 143 million Americans, including at least half of Maryland's consumers. The data breach exposed full names, social security numbers, birthdates, addresses and driver's license numbers. For some, the breach also compromised credit card information.

- The information that has been breached places Marylanders at substantial risk of identity theft.
- Due to significant concern over the protection of consumers' financial information, the Commission recommends legislation to eliminate barriers, such as fees, in freezing and thawing credit reporting regardless of a person's exposure to a data breach whether there has been a prior freeze, or whether the freeze is being placed on a consumer's own credit report or on the credit report of a child or individual subject to a guardianship

Recommendation #4 Create a Student Loan Bill of Rights with a Student Loan Ombudsman in the Office of the Commissioner of Financial Regulation.

- According to a report issued by the Federal Reserve Bank of New York, student loan debt has nearly tripled between 2006 and 2015. Further, the average Maryland student loan borrower reports having a balance of \$28,300, which is the highest of any state and above the national average of \$24,800. This rise in student loan debt corresponds with a rise in student loan debt delinquency. As such, student loan servicers are responsible for collecting unpaid student loan payments at increasingly higher rates.
- In 2017, the Commission explored the importance of tracking and responding to student loan borrowing complaints which have increased 153% in Maryland from 2015 to 2016. Maryland student loan borrowers have filed over 800 complaints against their student loan servicers.
- A student loan bill of rights in Maryland could introduce more accountability for student loan service providers, while protecting student loan borrowers. Legislation creating a student loan bill of rights would call for the licensing of student loan servicers to allow the Commissioner of Financial Regulation to properly regulate student loan collection activity. Ideally, the legislation would also create a Student Loan Ombudsman within Maryland's Office of the Commissioner of Financial Regulation to monitor complaints and serve as an advocate for those impacted by student loan fraud or predatory practices. The Ombudsman program could be funded by a small fee to student loan servicers.

Future Considerations:

This year, the Commission discussed the changing field of consumer lending resulting from advancements in financial technology. From this conversation, the Commission agreed that a review of certain of Maryland's consumer lending laws would be beneficial to ensure the laws reflect current and anticipated practices in the marketplace and appropriately balance the rights and interests of both consumers and businesses. The Commission determined that the Office of the Commissioner of Financial Regulation within the Department of Labor, Licensing, & Regulation is best suited to convene stakeholders to participate in such a review. Ideally, the Commissioner's Office will return to the Financial Education & Capability Commission with feedback from stakeholder sessions during the 2018 meetings.

Meeting Summaries

May Meeting:

At the May meeting, the Commission discussed the 2017 Legislative Session, the 2017 Financial Education & Capability Awards, the Financial Education and Coaching Guidelines Workgroup and potential interest areas for 2017 recommendations.

The Commission reviewed relevant legislation from the 2017 Maryland Legislative Session. During the 2017 Session, the Commission supported bills related to higher education, particularly student debt, as well as consumer protection. Please see Appendix (A) for the full summary of bills followed by the Commission.

While the Commission tracked many bills of interest, two Commission-supported bills passed during the 2017 Session. The first was the “Award Displacement Prohibition” ([HB266/SB327](#)), which prohibits state colleges from reducing institutional financial aid when an applicant receives an outside scholarship. The purpose of the bill is to prevent students from being penalized because they receive outside scholarships. The second Commission-backed bill was the creation of a “Debt Letter” ([HB509/SB429](#)). This bill requires state higher education institutions to send an annual letter to those receiving financial aid with information about the amount of debt they have accrued. This bill was inspired by legislation in Indiana, and corresponding research, that warning students about their potential student loan debt, helps borrowers make more informed decisions, and results in lower loan burdens.

The Commission recapped the 2017 Financial Education & Capability Awards, which were given at a reception held on March 13, 2017 in Annapolis. The awards are coordinated by the CASH Campaign, Maryland State Department of Education and Maryland Council on Economic Education. Below are the 2017 award winners:

- **Elementary School Teacher Award:** Taylor Estes, Princess Anne Elementary School (Somerset County). Personal finance units with life lessons on living within your means.
- **Middle School Teacher Award:** Joseph DeStefanis, Margaret Brent Middle School (St. Mary's County). Authored "The Stock Market for Life" to teach the Stock Market Game to public school students.
- **High School Teacher Award:** Nicole Cathirell, New Town High School (Baltimore County). Exemplifies the Junior Achievement mission of empowering youth to own their own economic success.
- **Community Champion Award:** Tisa Silver Canady, University of Maryland, Baltimore (Baltimore City). Volunteer educator, speaker & advocate for financial education at UMB's campus and throughout Greater Baltimore.
- **Outstanding Organization Award:** MakingChange (Howard County). Provides financial education through various programs for low-to-moderate income adults in Howard County.

In 2016, the Commission formed a workgroup to discuss solutions to identify clear standards in the adult financial education and coaching professions. Currently, there is no singular, widely

accepted set of standards, credentials, certifications or definitions for the professions known as “Financial Educator” and “Financial Coach.” The goal of the Financial Education and Coaching Guidelines Workgroup was to research what exists in the field, determine the need for any guidelines or standards and attempt to form or adopt standards accordingly.

Finally, the Commission agreed to address credit access and credit building, along with housing counseling, during the 2017 meetings.

July Meeting:

During the July meeting, the Commission heard from the Credit Builders Alliance (CBA), the Maryland Department of Labor, Licensing & Regulation (DLLR), Maryland Consumer Rights Coalition (MCRC) and Guidewell Financial Solutions. The groups presented on issues related to credit.

The CBA presented to the Commission on credit reporting. They clarified that a company does not need to report their data to credit bureaus until they are issuing 500 loans. CBA works with small lenders like nonprofits to guide them in the reporting process. This helps individuals build their credit because timely payments, such as rent, can be reported. CBA sees increased interest in financial counseling and matched savings programs when clients see their credit score has risen.

The Office of the Commissioner Financial Regulation (CFR) within the Maryland Department of Labor Licensing and Regulation (DLLR) presented on credit and fraud related issues. The CFR has an enforcement unit that investigates fraud, and is responsible for educating Maryland consumers on their rights. The Office also provides financial education and foreclosure outreach, and discussed complaints related to mortgage loans, debt collection, credit reporting and other consumer loans.

Maryland Consumer Rights Coalition (MCRC) presented to the Commission on issues related to consumer data, auto insurance affordability and rate setting, student loans, and the Community Reinvestment Act (CRA). Guidewell Financial Solutions also addressed housing counseling and credit access, sharing the success of their financial counseling programs.

The Commission agreed to consider feedback from the various presenters when voting on its 2017 recommendations.

September meeting:

During the September meeting, the Commission heard from the Department of Housing and Community Development and from Senator Young. The Commission also initiated voting on its 2017 recommendations.

A representative from the Maryland Department of Housing and Community Development (DHCD) discussed the current state of housing counseling in Maryland. DHCD’s presentation focused on the Homeowners Preserving Equity (HOPE) initiative. HOPE is a partnership between state, private, and nonprofit institutions. The initiative provides housing counseling, financial education, and services for the homeless. Due to recent drops in foreclosures and changing community needs, HOPE seeks to make financial capability a key component of

housing counseling. The HOPE program has resulted in 30,000 positive outcomes. Positive outcomes include bringing a mortgage current, receiving a loan modification, and finding alternative solutions to foreclosure.

The HOPE program is funded by the Maryland Housing Counseling Fund, which is generated from a fee that lenders pay each time they file a foreclosure. Since foreclosures are dropping, the HOPE program experiences difficulty in addressing new issues as they arise, such as tax sales and water bill issues. The Commission agreed that these programs need sufficient and consistent funding in order to maintain positive outcomes.

Senator Young also shared with the Commission his intention to submit a bill in 2018 establishing free community college in Maryland. He plans to submit a partner bill called the Tax Fairness Act which will create funding sources through Maryland's tax code in order to support tuition-free community college. Senator Young also presented to the Commission on the ITT Tech closure. ITT Tech was required to notify students 30 days prior to closure and provide student records to MHEC. However, ITT Tech did not give MHEC student records. In 2016, the General Assembly passed a bill creating a guaranty fund for students who attend a for-profit college that goes out of business. The fund has not yet been formed.

Robin McKinney (CASH Campaign) provided an update on the financial education and coaching guidelines workgroup. This workgroup was created in 2016 with the goal of either creating or endorsing guidelines for the field of financial education and coaching. The workgroup seeks to professionalize the field and allow for more accountability among financial educators and coaches. There are currently no uniform standards for financial education and coaching in Maryland (or nationally). The Commission agreed to move the workgroup out of the Commission in order to ensure key stakeholders have the ability to participate. The CASH Campaign of Maryland will organize the workgroup and will report back to the Commission once concrete recommendations are established.

The Commission voted to approve the following recommendations for 2017:

- Support access and training for housing counseling in Maryland through adequate funding, marketing, outreach and training support and legal services.
- Pass legislation to allow tuition-free community college in Maryland to improve access to higher education and reduce student debt (bill to be submitted by Senator Young).
- Pass a bill to waive fees for credit freezes and thaws for all, regardless of breach status.

October meeting:

In October, the Commission heard from the Community Development Network, the Maryland Insurance Administration and a high school student who recently wrote a book about investing for children. The Commission also voted to determine its final recommendations for 2017.

Odette Ramos from the Community Development Network (CDN) attended the October Commission meeting to share about the current state of housing counseling in Maryland and relevant legislation. CDN is a statewide network made up of over 180 member organizations from across the state dedicated to improving Maryland's community development industry, particularly nonprofit, small developer and community-based organizations. The Maryland

Housing Counselors Network, which offers housing counseling services, recently became a part of CDN. The Network offers homebuyer education (in-person and online), foreclosure prevention services and education, and financial education. The Network's main funding source is the Maryland Housing Counseling Fund, which is funded through fees from banks when they file a foreclosure. CDN introduced legislation in 2017 to increase the fee from \$300 to \$500, but it did not pass. Ramos stressed the importance of the Maryland Mortgage Program, funding for housing counseling, and streamlining homebuyer education at the state level.

Tal Bolger, a junior at Beth Tfiloh High School in Baltimore County presented his self-published book "The Inside Scoop" to the Commission. He shared with the group that he started investing when he was 7 years old, but struggled to find books for children on investing. He began to teach his friends how to invest, and found they were much more engaged when he used images and relatable examples. He decided to write a book designed to teach children how to invest. His book is available at www.insidescoopbook.com.

The Commission also heard from Robert Baron, the Associate Commissioner for Property & Casualty Section at the Maryland Insurance Administration on auto insurance rate factors and the legislation related to creating a low-cost auto insurance program. Baron discussed Maryland's insurance rate factor system and differentiated it from California's. He then discussed the possibility of implementing a low-cost auto insurance program in Maryland, and how that would impact the Maryland Auto Insurance Fund (MAIF).

Finally, the Commission voted on its remaining recommendations and approved the recommendation to create a student loan bill of rights in Maryland.

Robin McKinney provided an update on the Financial Education & Coaching Guidelines Workgroup, which has been renamed "Professionalization of the Field Workgroup." It was requested that anyone interested in joining the workgroup, which is no longer embedded within the Commission, but run by CASH Campaign, to let CASH staff know. The workgroup has already hosted its first listening session research, and is in the process of refining its research of existing industry standards. The workgroup plans to return with a report to the Commission once it establishes clear recommendations.

Appendix A

2017 Legislative Wrap-up for the Maryland Financial Education & Capability Commission *Legislation from the 2017 Session*

Education/Student Loans

- **Award Displacement Prohibition** ([HB266/SB327](#)): Prohibits state colleges from reducing institutional financial aid when an applicant receives an outside scholarship. Students shouldn't be penalized because they receive outside scholarships. (*Commission Bill*)
- **Debt Letter** ([HB509/SB429](#)): Requires state higher education institutions to send an annual letter to those receiving financial aid with information about the amount of debt they have accrued. This bill will help students to understand their debt load before they graduate and will hopefully help them to make informed choices about how much they borrow. (*Commission Bill*)
- **Tax Relief for Discharged Student Debt** ([HB83](#)): Allows a subtraction modification under State income tax for discharged student loans.
- **Adult High School Pilot Program** ([HB1381/SB866](#)): Establishes 6 adult high school pilot programs for adults who did not graduate from high school to earn a high school diploma and potentially earn postsecondary education credits and industry-recognized certification.

Consumer Protection

- **Payday Lending Regulation** ([HB1270/SB527](#)): Stops predatory payday loan sharks from charging interest, fees, and other charges in excess of Maryland's 33% annual interest cap. The industry hired top lobbyists to fight the bill and consumer advocates fought back hard, passing the bill unanimously in the House and 40-5 in the Senate, and torpedoed all harmful amendments.
- **Taxpayer Protection Act** ([HB424/SB304](#)): Increases regulations of tax preparers and provides the Comptroller and Attorney General with broader powers to prosecute fraudulent and predatory tax preparers. The Comptroller [blocked 54 tax preparers](#) from filing suspected fraudulent returns this year.
- **Maryland Financial Consumer Protection Commission** ([HB1134/SB0884](#)): Creates a state-level Financial Consumer Protection Commission to study the impact that changes to federal financial industry laws and regulations, and budgets could have on the state.
- **Credit Report Security Freezes (Fees)** ([HB212/SB270](#)): Prevents consumers from having to pay fees for freezing their credit reports if they have not previously frozen their credit reports.

Other Bills of Note (Did not pass)

- **Tax Relief for Student Loan Interest Paid** ([HB196](#)): bill sought to create a subtraction modification for State income taxes for interest paid on student loans.
- **Regulation of Student Education Loan Servicers** ([HB770/SB916](#)): This bill sought to regulate student loan servicers as collection agencies in order to protect student loan borrowers from unscrupulous lending practices.
- **Tuition Assistance for Vocational Certificates, Apprenticeship Programs, Associate's Degrees** ([HB848/SB678](#)): This bill sought to create an opt-in tuition

assistance program for Counties to elect to participate in. It was limited to vocational certificate, apprenticeship, and associate's degree programs.

- **Higher Education - Community Colleges - Workforce Development Sequence Grants and Scholarships** ([HB868/SB869](#)): This bill sought to establish Workforce Development Sequence Grants, with an allocation of \$2,000,000 in the State budget for students enrolled in a Workforce Development Sequence who demonstrate financial need.