

**Commission on Financial Education and Capability**

**2015 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”**

**Submitted December 1, 2015**

**Contents**

Financial Education and Capability Commission Members..... 2

Executive Summary..... 3

Background..... 4

Legislative Response.....4

Process.....5

Comprehensive Review of Existing Financial Education Activities.....9

Conclusion.....13

## **Financial Education and Capability Commission Members**

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

Senator Ronald N. Young  
Delegate Alonzo Washington  
Ms. Susanne Brogan (designee for Treasurer Nancy Kopp)  
Ms. Michelle Byrnie-Parker (partial year for Comptroller's Office)  
Mr. Stuart Campbell (designee for DHCD Secretary)  
Mr. Sheldon Caplis  
Mr. Gordon Cooley  
Dr. Allen Cox  
Mr. Robert Ek (partial year for Department of Human Resources)  
Ms. Melissa Gardner  
Dr. Lynne Gilli (designee for State Superintendent)  
Mr. Bill Gruhn  
Mr. Anwer Hasan  
Dr. Russell Kelley  
Dr. Bruce Lubich  
Ms. Robin McKinney  
Mr. Wilson Parran  
Ms. Valerie Radomsky (partial year for Comptroller's Office)  
Ms. Courtney Thomas  
Mr. Ken Venick  
Ms. Meg Woodside

### **Staff**

The Commission is staffed by the Maryland Creating Assets, Savings, and Hope (CASH) Campaign, a program of the non-profit Job Opportunities Task Force. No state funds are provided for staffing of the Commission or its activities. Commission Staff is Sue Rogan, Director of Financial Education, from the Maryland 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 chose to focus on issues related to student loan debt in 2015. The below and following report outlines its 2015 recommendations.

**Recommendation #1** - Require any post-secondary institution, public or private, to provide financial aid counseling to any first-time borrowers of federal or private student loans.

**Recommendation #2** - Prohibit public higher education institutions from reducing a financial aid award if a student receives a private scholarship or other form of aid. Exceptions for circumstances where the amount of aid provided exceeds tuition, fees, and room and board.

**Recommendation #3** - Create need-based scholarships and grants for courses that include job preparation, licensure or certification, or job skill enhancement.

## **Background**

Maryland, like many other states, was hit hard by the economic recession beginning in 2008. High foreclosure rates, job loss, credit card and student loan debt, and a lack of savings contributed to decreases in net worth across most households. Legislative responses included regulatory changes, increased oversight of financial institutions, and increased access to non-profit housing counseling and mortgage relief programs. During this same timeframe, there was a proliferation of financial education by public agencies, non-profits, the financial services industry, educational and faith-based institutions, and community groups. 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.

Since 2010, the economic climate has improved, but there is still a significant role for the state to play in increasing and highlighting financial education. According to the Corporation for Enterprise Development's (CFED) 2015 Assets & Opportunity Scorecard, twenty-three percent of Maryland households were considered asset poor, meaning that they do not have enough money in savings to live at the poverty level for three months. This data point is nearly thirty-five percent if only liquid sources like savings accounts are considered, and over sixteen percent of households have a zero or negative net worth. The Scorecard also showed that the average Marylander carries an average credit card debt balance of \$12,311. Additionally, over fifty-five percent of Marylanders are using subprime credit. This data shows that 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**

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.

## Process

The Commission was seated in December 2012-January 2013. Meetings in 2015 were held in May, September, October and November. The Commission voted at the May meeting to again focus its efforts on understanding issues related to student loans. Presentations were made by a wide array of Commission members and stakeholders:

### May meeting:

- Legislative review
  - Net Price Calculator (SB 514)
    - Legislation did not pass
    - Central Scholarship agreed to provide the Commission with a demonstration of the Net Price Calculator
  - Prize-linked savings (HB 558/SB 515)
    - Legislation passed
    - Research demonstrates prize-linked savings accounts correspond with higher savings and better financial confidence
    - Institutions wishing to provide prize-linked savings can contact the Commission for more information
  - ABLÉ accounts (SB 761/HB 1105)
    - Legislation passed
    - Task force created to implement ABLÉ accounts, designed for individuals with disabilities to be able to save without asset limits.
- Going to and affording college
  - FAFSA promotion
    - Commission voted to focus on need to promote the FAFSA, get more individuals through college with less debt
- Financial education and coaching
  - Financial Education Awards Program
    - Commission agreed to continue building upon the Financial Education Awards Program from previous years
  - Housing counseling: Pre-purchase financial education
    - Commission plans to explore how it can work with housing counselors who are transitioning to pre-purchase financial education
  - Linking unbanked Marylanders to accounts to improve financial education
    - Commission voted to focus on the unbanked, including how to get banks or credit unions to open branches in high schools and offer prize-linked savings
  - Pre-service teacher training

- Commission agreed to seek assistance from College Savings Plans of Maryland on this issue and meet with University System of Maryland on providing a certification or degree in financial education
  - Maryland State Department of Education (MSDE) also informed group that webinars would be beneficial for teachers
  - Commission voted to focus on teacher training and invite speakers on this topic to future meetings
- Creation of Commission Subcommittees
  - Commission created four subcommittees and asked each to meet in between meetings and report back to the Commission with refined recommendations. The subcommittees did not end up meeting due to summer schedule changes.
    1. Accounts (i.e. prize-linked savings, ABLE, financial institutions in schools, college savings accounts)
    2. Going to and Affording College - Sheldon Caplis volunteered to chair this subcommittee
    3. Teacher Prep - Dr. Allen Cox and Dr. Russell Kelley volunteered to staff this subcommittee
    4. How to fund the work - to focus on using existing capacity to fund financial education in Maryland

September meeting:

- Going to and affording college
  - Review of MHEC's existing financial aid programs
    - Commission reviewed MHEC's guaranteed access grant, Maryland's legislative scholarships and the new "2+2" transfer scholarship
    - MHEC coordinated with MSDE to spread awareness about new transfer scholarship program
    - MHEC also reached out to legislators to inform constituents about new scholarship opportunities
  - US Department of Education college comparison tool/FAFSA changes
    - Individuals can now apply for the FAFSA in October rather than March
    - US Department of Education launched a new "College Scorecard" to help parents and students to compare colleges
- College savings
  - Employer tax credits for 529 plans
    - Proposal for the Commission to recommend creation of a tax credit for employers who make matching contributions to employee sponsored 529 plans in Maryland
    - Working group proposed to study the costs and benefits of 529 legislation
  - Group discussed the 20,000 students waitlisted for MHEC aid
- Financial education and coaching
  - Financial education survey review

- Commission learned from the survey that more funding is needed to provide financial education and capability services
    - Lack of oversight and certification is a concern for the field
    - FDIC has free resources for those providing financial education and coaching
- Recommendations
  - Commission voted to focus on four recommendations at next two meetings
    - Recommendation #1 (2013) Require any post-secondary institution public or private to provide financial aid counseling to any first-time borrowers of federal or private student loans
    - Recommendation #4 (2014) Require tuition paid according to current statute procedures for only those taking college credit courses
    - Recommendation #11 (2014) Explore ways to expand access to financial aid for part-time students
    - Recommendation #15 (2014) Exploring matching funds for low-income students

#### October meeting:

- Going to and affording college
  - Central Scholarship: Award reduction bill
    - Central Scholarship presented a bill to the group to alter the aid reduction process
    - The Commission moved to support the bill
  - Debt letter
    - Indiana legislation requires public post-secondary educational institutions to send letters of debt and potential payments to those receiving financial aid
    - The group agreed that more research and information would be needed before electing to introduce similar legislation in Maryland
- College savings
  - Employer tax credits for 529 plans
    - The group discussed forming a task force to explore the potential for tax credits for employers who contribute to employee 529 plans
    - Following lack of consensus, the Commission moved to table this discussion
- Financial education and coaching
  - Proposal to develop principles for the field of financial education
    - Maryland CASH Campaign proposed that the group draft guiding principles for the field of financial education and coaching.
    - After some discussion, the group moved to go forward with drafting.
- Recommendations and action steps:
  - Recommendation #1 (2013) Require any post-secondary institution public or private to provide financial aid counseling to any first-time borrowers of federal or private student loans
    - Discussion tabled pending input from MHEC
  - Recommendation #4 (2014) Require tuition paid according to current statute procedures for only those taking college credit course

- MSDE proposed an amendment to the College and Career Readiness Act to clarify that it includes students enrolled in non-credit, career-based training courses (motion approved by the Commission)
  - Recommendation #11 (2014) Explore ways to expand access to financial aid for part-time students
    - Recommendation moved to November meeting
  - Recommendation #15 (2014) Exploring matching funds for low-income students.
    - Discussion about exploring a state provision of matching funds for low-income residents and/or the feasibility of child college savings plans (motion approved by the Commission)

November meeting:

- Going to and affording college
  - Marceline White, the Director of Maryland Consumer Rights Coalition presented to the Commission on for-profit schools
  - Reported that nearly twenty-three percent of non-profit schools' budgets are spent on advertising, some falsely report graduation rates and charge twice as much as public schools
  - In Maryland, for-profit schools cost at least twice as much as public institutions – although some degrees at for-profit schools cost between three and five times as much as those at public colleges and universities. Despite these costs, only thirty-three of students pursuing a bachelor's degree at a for-profit school complete their degree, compared to fifty-one percent of students at a public institution
  - For-profit schools across the country have been criticized for targeting low-income and African-American students. In Maryland, of the total number of African Americans enrolled in post-secondary education, sixty-two percent were enrolled at for-profit and private career schools, even though African-Americans only comprise thirty percent of the population in Maryland
  - A report on these issues will be released in January 2016
- Comptroller of Maryland
  - Presented goal of establishing a Junior Achievement Financial Park in each county in Maryland
  - A similar program exists in Prince George's County, which is funded by Capital One and will educate 8,000 eighth graders this year
- Discussed possible priorities for 2016 discussion
  - Explore impact of for-profit schools, including a presentation by MHEC and further discussion of the Maryland Consumer Rights Coalition report
  - Explore ways to expand access to financial aid for part-time students
  - Explore matching funds for low-income students
  - Explore ways to increase financial education in middle/high schools including open bank branches and Junior Achievement Finance Parks
  - Monitor and study the Indiana debt letter legislation which requires any post-secondary institution, public or private, to provide students with a yearly notice summarizing the amount of their current debt level

- MHEC to compile existing outreach and educational programming on FAFSA forms, institutional aid programs, and online tools (including student loan debt calculators and Junior Achievement's Build Your Future App)
- Monitor and participate work of Maryland CASH Campaign to create a set of guiding principles for financial education and coaching

## 2015 Recommendations

### **Improve access to financial aid counseling**

Students and parents need access to timely advice when accessing student loans. While some counseling is currently happening, it is often solely around the aid offered through a post-secondary institution. Many students are also using private student loans, which are not taken into account through existing counseling. Students and parents would need to be asked if they are using any other loans offered outside of the school.

- **Recommendation #1** - Require any post-secondary institution, public or private, to provide financial aid counseling to any first-time borrowers of federal or private student loans.

### **Protect and expand need-based financial aid**

Access to need-based financial aid is often the most critical factor in low-income students' ability to attend post-secondary education. Need-based aid can be offered by the post-secondary institution, the state, or private scholarship programs.

One of the largest sources of need-based financial aid through the state is the Guaranteed Access Grant Program, operated by the Maryland Higher Education Commission (MHEC). This program offers \$400 to \$17,500 for eligible full-time students. MHEC offers several other need-based aid programs, each with their own eligibility criteria and application process. The Educational Assistance grant provides \$400 to \$3,000 for eligible full-time students. There are smaller grant programs for part-time students, those who transfer from community colleges to four-year institutions, and graduate and professional scholarships. As of December 1, 2015, 21,563 students are on the Educational Assistance Grant list. Students who do not qualify for the Guaranteed Access Grant are screened for the Educational Assistance Grant, based on the funding limitations, they are placed on a waiting list if MHEC can't fund. A caveat to this number is that it represents students of all need ranges, so the grants go to highest need first and given current funding limitations, MHEC can't fund everyone on the wait list.

Private scholarship programs fundraise resources from foundations and private donors to supplement financial aid provided by the post-secondary institution or the state. Post-secondary institutions must be informed of private scholarships and their response can be typically to reduce institutional aid or other awards. This practice is referred to as awards displacement and can result in the same loan burden for the student, regardless of scholarship receipt. There are exceptions if an award exceeds the cost of attendance, then the institution is still permitted to reduce the student's award from the institution. Award displacement is particularly harmful to low-income students and could put private scholarship programs out of business.

Another important component of need-based aid is for scholarships and grants that are connected to helping residents to access employment, but may not lead to a degree. Residents should have broader access to courses that include job preparation, licensure or certification, or job skill enhancement. These courses are most often found at community colleges and are often not eligible for financial aid.

- **Recommendation #2** - Prohibit public higher education institutions from reducing a financial aid award if a student receives a private scholarship or other form of aid. Exceptions for circumstances where the amount of aid provided exceeds tuition, fees, and room and board.
- **Recommendation #3** - Create need-based scholarships and grants for courses that include job preparation, licensure or certification, or job skill enhancement.

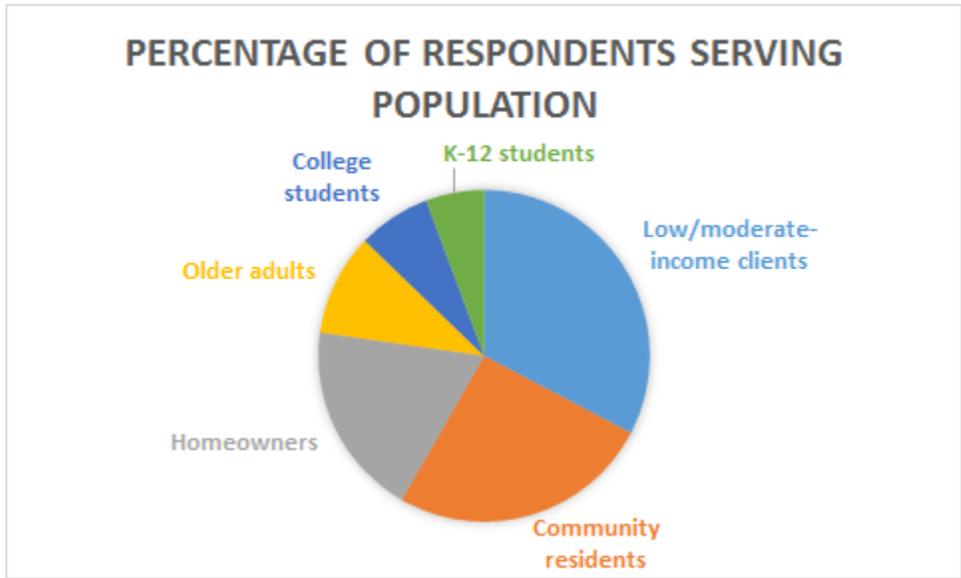
### **Comprehensive review of existing financial education activities**

Every three years, the Financial Education and Capability Commission is charged with completing a comprehensive report on the state of financial education in Maryland. In order to meet this need, Maryland CASH Campaign in cooperation with the Commission issued a Financial Capability Survey to learn about the services being 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 2015 Financial Capability Survey.

Between mid-June and mid-July, 2015, a total of fifty-six organizations (Appendix A) responded to the Maryland CASH Campaign Financial Capability Survey. Of the respondents, thirty-eight identified as non-profit organizations, eight as government agencies, four as educational institutions, two as financial institutions, two as businesses, one as a professional organization and one as a faith-based organization.

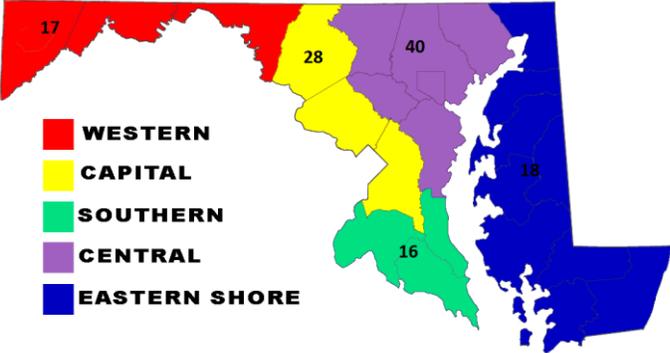
#### *Clients Served*

Of the respondent organizations, seventy-five percent offer services to the general public. Further, thirty percent of respondents offer services to the public based on specific requirements such as residency, income, particular employment or participation in certain programs.



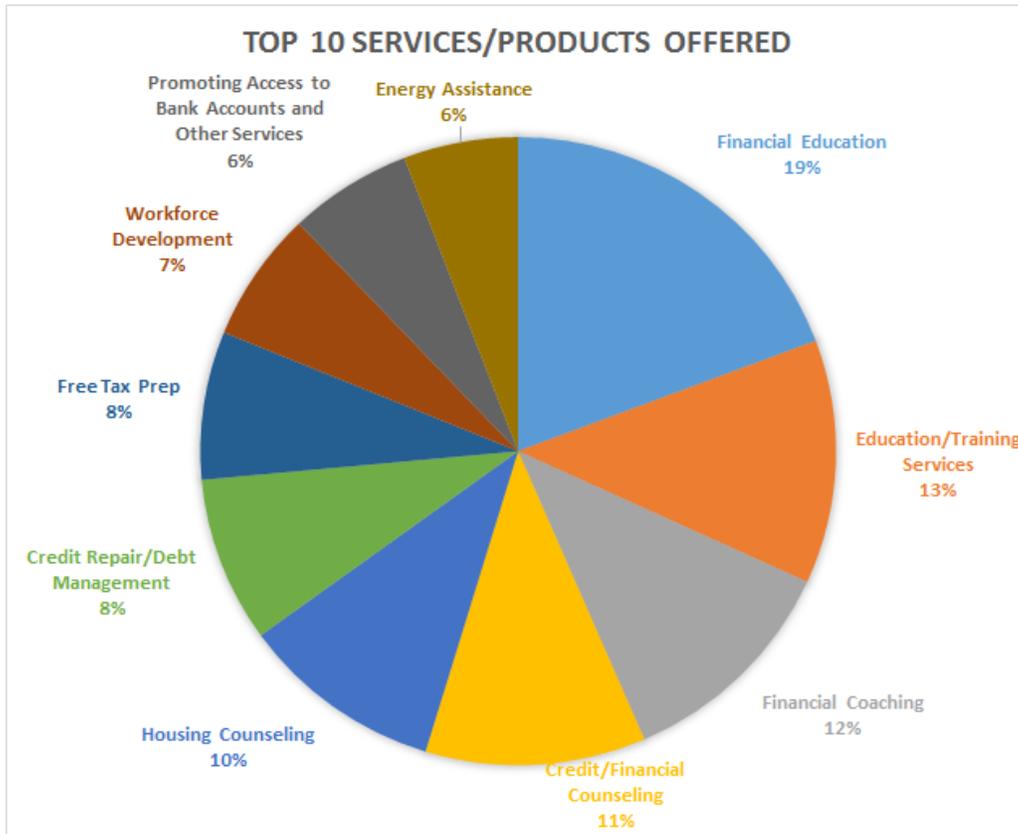
Approximately fifty-eight percent of respondents’ primary source of client contact is conducted in person. Only four percent of respondents exclusively use phone contact with clients, and only six percent exclusively use online contact. Nearly thirty-six percent of survey respondents report using combination of online, phone and in person contact when working with clients.

*Where Respondent Organizations are Serving Clients*



This graphic represents the number of respondent organizations serving clients in each region.

*Services/Products Offered by Respondents*



Respondents also offer the following services and products:

Housing Finance	Deposit Accounts
Education Savings (i.e. 529)	Retirement Planning
Emergency Cash Assistance	Investment Services/Products
Food/Nutrition Programs	Lending
Food/Nutrition Programs	Pre-paid Debit Cards
Financial Aid Counseling/Student Loan Debt Management	Legal
Benefits Screening and Enrollment	

*Training and Certifications*

Of the respondent organizations, sixty-three percent have employees or volunteers trained or certified to provide financial capability services. Although, some of those who are trained are not trained specifically in financial coaching.

A number of financial capability service providers have been trained through NeighborWorks America, Baltimore CASH and Maryland CASH. However, it is evident that training is not streamlined, and comes from a variety of sources.

### *Coalition Participation*

About forty-four percent of respondents participate in a local financial security coalition, while eighty-three percent stated they would want to participate in a local financial security coalition.

The financial security coalitions represented in the survey included:

- CAFE Montgomery
- Bank On Gaithersburg
- Maryland CASH
- Baltimore CASH
- Maryland Coalition for Financial Literacy
- Frederick County Financial Literacy Coalition
- Prince George's CASH
- Howard Financial Education Alliance
- Maryland Access Point

### Top Outcomes Tracked by Respondents:

1. Creation of a budget (58% of respondents)
2. Ability to adhere to budget (54%)
3. Amount of money saved (46%)
4. Reducing debt (42%)
5. Class attendance (42%)
6. Improving credit score (40%)
7. Opening bank account (31%)
8. Number of coaching sessions (21%)

### Respondent Needs:

- Around twenty-one percent of respondents reported not having enough space to provide financial education classes.
- Sixty-five percent of respondents noted they would like help with participant attendance and uptake.
- Forty-two percent of respondents claimed they need assistance in improving the quality of their financial capability services.

### Top Barriers in Providing Financial Capability Services:

1. Funding to develop/expand/maintain (reported by 25% of respondents)
2. Education/training of staff and staff time to implement. (21%)
3. Attendance/Commitment (21%)
4. Marketing/Recruitment (19%)
5. Space (8%)
6. Client stigma/fear (6%)
7. Transportation (6%)
8. Tracking outcomes and behavior change (4%)
9. Serving undocumented clients (2%)
10. Being able to provide services on an ongoing versus ad-hoc basis (2%)

Opportunities:

- Mandatory attendance requirements
- More mobile services
- Home/public visits
- If collaborations would take place programs would be more robust, provide more to clients, better outcomes tracked and resources leveraged wisely.
- Tailored marketing to those who need services most
- Advocate for more funding at the policy level
- Expand certain services beyond partnerships to general public
- Engage more young people
- Increase savings incentives
- Focus on livable wage policies/workforce development

## Appendix A

List of Respondent-Organizations		
Allegany County HRDC	Financial Education for Life	Maryland Consumer Rights Coalition
APG Federal Credit Union	Financial Planning Association of Maryland	Maryland Council on Economic Education and Maryland Coalition for Financial Literacy
Asian-American Homeownership Counseling, Inc.	Financial Social Work Initiative	Maryland Higher Education Commission
Baltimore CASH Campaign	Frederick Community Action Agency	Maryland Hunger Solutions
Baltimore Energy Challenge	Garrett County Community Action	Maryland State Department of Education
Bon Secours Community Works	GO Northwest Housing Resource Center	Maryland Supplemental Retirement Plans
Bridges to Housing Stability	Greater Washington Urban League	Maryland Teachers & State Employees Supplemental Retirement Plans
Bridges to Housing Stability	Greater Washington Urban League	MD Association of CPAs
CAFE Montgomery MD	Guidewell Financial Solutions	MECU of Baltimore, Inc.
Cecil County Housing Agency	Harford Community Action Agency, Inc.	Montgomery County Community Action Agency
Central Scholarship	Housing Initiative Partnership, Inc.	Northern Community Action Partnership
Community Action Council	Housing Options & Planning Enterprises, Inc	Park Heights Renaissance
Comprehensive Housing Assistance, Inc.	Howard County Consumer Affairs	Pro Bono Resource Center
CU Foundation MD DC	Human Services Programs of Carroll County, Inc.	Retirement Quest Wealth Management
Delmarva Community Services, Inc.	Humanim	Seton Center, Inc.

District Capital Management	Joppatowne High School WBL Program	Taylor Enterprises
Druid Heights Community Development Corp	Junior Achievement of Central Maryland	Unity Economic Development Corporation
Eastside CDC	Kairos	
Family Services, Inc.	MakingChange	