

Commission on Financial Education and Capability

2019 Annual Report to the Maryland General Assembly and the Office of the Governor

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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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
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)
Marilyn Lorenzo (designee for the Executive Director of Family Investment, DHS)
Dr. Lynne Gilli (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, DLLR)
Donna Thomas (designee for Maryland Higher Education Commission)
Ken Venick (Equity Mortgage Lending)
Jan Wagner (Central Scholarship)
Meg Woodside (The Woodside Foundation)

Vacancies: Office of the Comptroller designee, credit union representative, non-profit 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 three topics as they relate to financial capability: (1) financial exploitation of older adults (2) the financial services industry and (3) college affordability. The Commission agreed on the following four 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** - Mandate universal licensing and regulation of all entities that cash checks for a fee.
- **Recommendation #3** – Regarding Maryland 529 accounts and the State Contribution Program, limit one state contribution match per beneficiary annually.
- **Recommendation #4** - Regarding Maryland 529 accounts and the State Contribution Program, clarify that the State Contribution Program match funds can be used for only eligible postsecondary expenses.

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, 28.1% 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.

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.

¹ Prosperity Now (2019). Prosperity Now Scorecard.

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 entitled the Financial Education and Capability Commission in 2012. 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.
4. Every three years, the report of the Commission shall include a comprehensive discussion of statewide efforts to improve the financial education and capability of residents of the state, 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, in-person meetings took place in May, June, September, and October. In order to determine its 2019 recommendations, the Commission decided during the May meeting to hear presentations about financial institutions, financial abuse, consumer financial laws, scams, college affordability, and financial education access to help identify areas that need support, funding, policy change, or program implementation.

During 2019, the Commission heard from representatives from:

- Association of Financial Service Centers (MAFSC)
- CASH Campaign of Maryland
- Maryland Association of Non Profits (MANO)
- Maryland Attorney General: Consumer Protection Division
- Maryland Bankers Association
- Maryland State Department of Education
- Maryland 529
- MD/DC Credit Union Association
- Tisa Silver-Canady, Higher Education & Finance Strategist

2019 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 three of these barriers: banking access, college affordability, and financial exploitation of the elderly.

Access to safe and comprehensive banking services

Prosperity Now reports that nearly 20 percent of Marylanders remain underbanked, meaning they use a combination of traditional banking products as well as alternative products like payday loans and check-cashing to meet their financial needs.² Data by race shows that approximately 13% of white households are underbanked, while 29% of households of color are underbanked. It is important to have consistent and transparent fee structures, with proper oversight, for both traditional and alternative financial products.

College affordability

National data from the College Board for 2019 show that Maryland has room to improve on college affordability. The average in-state tuition and fees for four-year public institutions in Maryland is \$10,110, which places Maryland behind 24 other states in terms of affordability at public colleges. Additionally, Maryland's five-year cost growth rate stands 2% above the national average at 8%, a worrying sign that Maryland's position could slip further in the future.³ According to the Federal Reserve Bank of New York, Maryland also has the second most per-capita student loan debt, indicating that Maryland residents face a particularly acute challenge accessing an affordable post-secondary education.⁴

Elder financial exploitation

The elderly in Maryland face the threat of ever more sophisticated financial exploitation schemes. According to Maryland's State Comptroller, one in five individuals over the age of 65 will be victimized, with resulting financial losses up to \$120,000.⁵

The Commission heard from experts in each of the aforementioned fields and examined many possible recommendations. The Commission selected the following recommendations as priority policies for Maryland's 2020 legislative session.

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

- The elderly in Maryland face a myriad of 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

² Prosperity Now (2019). Prosperity Now Scorecard.

³ College Board (2019). 2019-20 Published In-State Tuition and Fees at Public Four-Year Institutions by State.

⁴ Federal Reserve Bank of New York (March 2019). State Level Household Debt Statistics 2003-2018.

⁵ Franchot, P. & Raynaud, H. (January 2018). Stopping Elder Fraud in Maryland. *The Baltimore Sun*.

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. Maryland ranks 4th in the U.S. in identity theft for older adults.⁶

- 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.

Recommendation #2 - Mandate universal licensing and regulation of all entities that cash checks for a fee.

- Individuals with and without bank accounts in Maryland rely on check cashers to access the money they earn. Current law creates an exemption that allows stores which cash checks as an “incidental” service and for fees of no more than 1.5 percent to avoid regulation from the Maryland Department of Labor’s Office of Financial Regulation (OCFR). The unclear definition of “incidental” makes it challenging for business owners to understand when they should be licensed and for consumers to make informed choices.
- The lack of any process to readily identify businesses that offer check cashing under the current exemption prevents OCFR from ensuring that those operating under the exemption are in compliance with the exemption requirements.
- OCFR expects nearly 600 check cashing entities to become licensed if the exemption is repealed. Currently, licensed check cashers must provide consumers with information on permissible fees and the OCFR complaint process in order to comply with current regulations. Check cashers who operate under the current exemption are not bound by these protections.
- Repealing the exemption from regulation of certain check cashing entities will ensure that regulations apply universally, so consumers can be confident in their ability to access fair financial services.

Recommendation #3 - Regarding Maryland 529 accounts and the State Contribution Program, limit one state contribution match per beneficiary annually.⁷

- In 2016, the General Assembly created the State Contribution Program through the College Affordability Act. It is also known as the Save4College program.
- The Save4College State Contribution program is implemented through Maryland 529. Maryland 529 provides the opportunity to save for a child’s future education cost. 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. Currently, multiple accounts with the same

⁶ Federal Trade Commission (2017). Consumer Sentinel Network Data Book 2017: Maryland.

⁷ It should be noted that both the Commission member representing Maryland 529 as well as the State Treasurer, who serves as Chair of the Board of Maryland 529, abstained from voting on Recommendations #3 and #4, as these recommendations have not been endorsed by the Maryland 529 Board.

beneficiary, whether held by the same or different account holders, can each receive a state contribution, thereby resulting in multiple state contributions annually to that beneficiary.

Recommendation #4 - Regarding Maryland 529 accounts and the State Contribution Program, clarify that the State Contribution Program match funds can be used for only eligible postsecondary expenses.⁸

- When the General Assembly created the State Contribution Program through the College Affordability Act, the original intent was to promote postsecondary access and completion. The state contribution can be used at a variety of post-secondary institutions, such as public, private, and technical colleges. Eligible expenses at these institutions include tuition, fees, room and board, and more.
- In 2017, federal tax reform expanded 529 plan benefits to include eligible K-12 education costs. Effective January 1, 2018, 529 funds can be withdrawn tax-free for private, public or religious K-12 tuition. This means that state funds could be used for K-12 expenses instead of college affordability. The Commission believes that state match funds should be limited to eligible postsecondary education expenses.

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 was interested in the idea of establishing a network of financial education professionals working in post-secondary institutions to strengthen and connect their work. The Commission was also interested in assisting Maryland 529 in streamlining their enrollment processes, particularly for the state contribution program. The Commission may choose to revisit these issues in 2020.

A. Meeting Summaries

May Meeting:

At the May meeting, the Commission discussed the 2019 Legislative Session and relevant legislation in regard to potential interest areas for recommendations. During the 2019 Session, the Commission supported bills related to higher education, particularly student debt, as well as consumer protection and access to transportation.⁹ The Commission discussed future meeting topics and decided to focus on access to banking and financial institutions, financial abuse of older adults, and college affordability, including financial education access in post-secondary institutions.

June Meeting:

During the June meeting, the Commission focused on banking and check cashing. The Commission heard from the Maryland Association of Financial Service Centers on the state of the check cashing industry in Maryland. The representative explained the regulatory scheme that

⁸ See footnote 7.

⁹ See Appendix A for a summary of bills supported and monitored by the Commission.

the industry is currently subject to, which includes oversight from the Treasury Department and the IRS in addition to the state government.

Maryland law requires check cashers to obtain a license from the Office of Financial Regulation in DLLR. Licensed check cashers must post their fees, keep detailed records, and submit to restrictions and inspection. State law exempts stores from licensing where check cashing is “incidental” to selling other goods and services, so long as the check cashing fee does not exceed 1.5 percent. This exemption makes it easier for bad actors to operate in the check cashing industry.

The Commission also heard from the Maryland Bankers Association on the issues of scams and elder abuse. Banks are currently required to report instances of scams and elder abuse to the Attorney General’s Office. The association and its members participate in Project SAFE, a public/private coalition working to train law enforcement and educate the elderly to recognize and prevent financial exploitation.

The Maryland Bankers Association, CASH Campaign of Maryland (Bank On Maryland initiative), and MD/DC Credit Union Association spoke to the Commission on the issue of access for the underbanked. FDIC data shows that 20 percent of Maryland residents are underbanked, meaning they rely on services like payday lending and check cashing to meet their banking needs. While many banks already offer low-fee and “second chance” accounts, Bank On Maryland is working to get more banks to offer such accounts and providing a national certification to signal to consumers that an account is safe. Though mobile banking has reduced the need for transportation to use banking services, access to smartphones is now an important consideration. Lack of financial education also serves as a barrier. Credit unions work to provide financial education in the communities they serve, and, with capped interest rates and fees, provide another alternative for the underbanked.

The Commission voted to reassert its position that an elder financial abuse unit is needed in the Attorney General’s Office.

September Meeting:

During the September meeting, Tisa Silver-Canady, a higher education and finance strategist, presented on a study conducted called Survey of Postsecondary Institutions (SPIN). According to Ms. Silver-Canady, there are 360,000 postsecondary students in Maryland, and 174,000 of them use financial aid. Marylanders have a high rate of student loan debt, and 10% of people in Maryland have student loan payments that are delinquent or in default. Ms. Silver-Canady went on to explain the findings from Survey of Postsecondary Institutions (SPIN). SPIN found that there were some financial education opportunities available in post-secondary institutions; however, the participation in these opportunities was most likely voluntary. Additionally, many financial education programs are conducted through financial aid offices, effectively excluding students who do not use financial aid. Many institutions face limited budgets, staff, and resources.

The Maryland State Department of Education (MSDE) gave a presentation on financial education in secondary schools. In the state of Maryland, all 24 school systems must offer financial education to meet the state standards. Seventeen school systems integrate financial

education into a high school course, while the other seven school systems have graduation requirements. Financial education in the school systems is monitored and reported by an annual survey of high school seniors and local school systems. There are numerous online resources for teachers, students, and parents that are vetted to provide support. However, there is a need for more teachers and more options in relation to professional development. There is also difficulty creating requirements for certification, because there is not a generalized set of requirements. Teachers also need strong support in securing their own financial security.

The Commission discussed three potential recommendations from the presentations and one recommendation from the June meeting. After discussion, the commission voted to recommend the regulation of all check cashing businesses.

October Meeting:

In October, the Commission heard from representatives of Maryland 529 and the Maryland Attorney General: Consumer Protection Division. The commission voted on recommendations and discussed meeting topics for 2020.

The representative from Maryland 529 discussed the history and background of the agency, and provided information about the Save4College State Contribution Program. This program is designed to help low to moderate income families in Maryland save for higher education. Depending on the income level of the account holder, the state will contribute \$250-\$500 to eligible accounts. The program is growing every year. In 2017, there were 3,000 applications; in 2019, that number grew to 24,000. Individuals that make less than \$49,000 and households that make less than \$75,000 represented the highest number of applicants, an indication that the program is reaching its target population.

The commission discussed concerns brought up by the Maryland 529 presentation, resulting in two recommendations, #3 and #4 listed above, being approved.

The representative for the Maryland Attorney General: Consumer Protection Division, Karen Straughn, shared information about different services the Division provides and the origins of complaints. The Consumer Protection Division provides mediation to consumers to help resolve complaints against businesses and health insurance carriers and has specialized units to provide services, such as the Health Education Advocacy Unit and General Mediation. The Division collects data about top complaints so it can target specific industries or issues, for example contracts for products like solar panels, mattresses and used cars. Ms. Straughn explained that there are around 10,000 complaints in a year, with successful mediation for approximately 60% of complaints.

Appendix A

2019 Legislative Wrap-up for the Maryland Financial Education & Capability Commission

Successes

Transportation Access ([HB 923](#) / [SB 642](#)) Co-chairs Delegate Stein and Senator Klausmeier sponsored this bill, which creates a Task Force to Study Transportation Access for low-to-moderate income communities.

Regulations for For-Profit Institutions For-profit colleges will now be subject to new regulations. ([HB 464](#) / [SB 399](#)) requires these institutions to inform students (prior to enrollment) the true cost of the program, the likelihood of earning a professional license, and median salary rates of past students. ([HB 461](#) / [SB 400](#)) is designed to prevent for-profit institutions from skirting regulations by posing as non-profit institutions.

For Future Consideration

Elder Financial Abuse ([HB 485](#) / [SB 475](#)) Co-chair Delegate Stein sponsored this bill which would create and fund a dedicated unit within Maryland's Office of Attorney General to address financial abuse of older adults. Unfortunately, this bill died in committee.

Auto Insurance Reform: This year there were three bills related to eliminating non-driving-related factors in setting auto-insurance rates.

- **Zip Code** ([HB 949](#)) This bill, sponsored by Commission member, Delegate Washington, would eliminate the use of zip code in setting auto insurance rates. Due to both recent and historic housing and mortgage lending discrimination, the practice of using zip code as a factor in setting auto insurance rates, disproportionately harms low-income, Black communities.
- **Education and Occupation** ([HB 329](#)/[SB 233](#)) Currently, insurance companies charge higher rates to those with lower educational attainment, and those engaged in working class professions. While the House version of this bill passed the House, it died in the Senate.
- **Credit** ([HB 351](#) / [SB 235](#)) Commission member, Senator Young, submitted this bill, which would eliminate the use of credit scores in auto insurance rate setting. Unfortunately, this bill did not move forward this year.

Appendix B

2019 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:

- **Daniel Zubrowski**, Havre de Grace Elementary (Harford County)

Middle School Teacher or Program:

- **Melanie Stuart**, Middletown Middle School (Frederick County)

High School Teacher or Program:

- **Mike Miller**, Lansdowne High School (Baltimore County)

Community Champion Award (Individual Educator):

- **Ron Jennings**, Community Champion (Montgomery County)

Outstanding Organization Award:

- **UMBC** Financial Literacy & Education Committee (Baltimore County)