



Financial Education and Capability Commission Minutes

May 30, 2017

1. Welcome and Introductions

Members Present: Evan Richards for Senator Klausmeier, Delegate Stein, Wilson Parran (MSRP); Jan Wagner, (MD Central Scholarship); Lauren Shipley, (MD College Savings Plans); Courtney Thomas (Allegany County Human Resources Development, Inc.); Meg Woodside (Woodside Foundation); Allen Cox (MCFL); Sheldon Caplis (OneMain Financial); Laura Eacho, (Educational Systems Federal Credit Union); Ken Venick, (Equity Mortgage Lending); Bruce Lubich (MACPA rep); Stuart Campbell, (DHCD); Janelle Lawrence (DLLR); Bill Gruhn (AG's Office); Susanne Brogan, (State Treasurer's Office); Robin McKinney (Maryland CASH Campaign)

Interested Parties and Support Staff: Sue Rogan (MD CASH Campaign); Milena Benitez (MD CASH Campaign); Michelle Johnson (Central Scholarship); Kim Fabian (Junior Achievement); Sandy Comenetz; Julia Graham (MSRP); Sally Guy (DLS); Matt Power (MICUA); Melissa Dornan (Guidewell); Helene Raynaud (Guidewell); Robyn Dorsey (MCRC)

2. Review Minutes

There were no minutes to review as the last meeting was the review of the report to the General Assembly.

3. Legislative Wrap-up

Delegate Stein, Robin McKinney reviewed the following 2017 legislation updates:

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.
- **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.
- **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

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diploma and potentially earn postsecondary education credits and industry-recognized certification.

Consumer Protection

- **Payday Lending Regulation** ([HB1270/SB527](#)): Stops predatory payday loan shark 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 the federal Dodd-Frank Act regulation repeals could have on the state.
- **Credit Report Security Freezes (Fees)** ([HB212/SB270](#)): Prevents data breach victims from having to pay fees for freezing their credit reports.

For Next Year...

- **Tax Relief for Student Loan Interest Paid** ([HB196](#)): This policy creates 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](#)): Creates an opt-in tuition assistance program for Counties to elect to participate in. It is limited to vocational certificate, apprenticeship, and associate's degree programs.
- **Higher Education - Community Colleges - Workforce Development Sequence Grants and Scholarships** ([HB868/SB869](#)): Establishes 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.

Delegate Stein also advised the Commission that MSDE is reviewing the content standards for financial education standards to make them more concise and clear. Staff will ask MSDE keep the group informed on the selection of the design team and updated standards so the Commission members can participate and comment as appropriate. Robin mentioned that the "Ban the Box" on college application was vetoed. Stuart brought up the issue of DHCD mortgage down payment assistance in Baltimore County. To qualify for the assistance, residents are required to go to a specific class which has a long wait list to get into. The bill to address this issue didn't pass.

4. Financial Education and Capability Awards Summary

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Robin reported on the 2017 Financial Education and Capability Awards which originated from the Commission which could not create the awards per the state guidelines. A separate group has taken on the responsibility of the awards program. Sponsors of the 2017 Awards were the Woodside Foundation and One Main Foundation. Each year more legislators come to the award ceremony which helps legislators see the impact of the work.

Winners of the 2017 Awards were:

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

5. Workgroup Updates

- a. Workgroup was formed in 2016 to discuss solutions to clarify the current confusion for consumers, Financial Educators and Financial Coaches. Currently, there is no clear standard, credential, certification or definition of Financial Educator or Financial Coach. Professionals are not clear or what certification to seek and consumer are unaware of the need to seek information on an Educator/Coach's credentials.
- b. Workgroup also is working to identify which evidence based metrics to measure to determine the impact of financial education and coaching. They will review the scales that have been created to measure financial education/coaching and discuss best ways to collect data,
- c. Workgroup has received research and an email will be sent to divide this research up among the workgroup members for a discussion at the next meeting.

6. Other Topics for Consideration

- a. Members discussed possible topics to consider making recommendations in its 2017 Report to the General Assembly and voted to address the following:



- i. Credit: Credit affects many parts of Maryland residents' lives including:
 1. Access to Credit – how are we making sure consumers have access to credit. How to help people build credit, including foster youth.
 2. How credit is used – Consumer Education is needed around how to use credit effectively. Issues to investigate include how credit reports/scores are used by non-financial lending industries such as landlords, employers, and auto insurance.
 3. Issues with Credit: Credit Repair & Credit Scores: Educating consumers on different credit models/scoring techniques. Ways to make freezing credit easier (minors). How to notify consumers that there is a debt collection on their report-can there be a notification similar to the student loan debt letter? Consider recommendation on who is collecting social security numbers, i.e. can social security number be protected by HIPPA? Can create a list of safe products/providers of credit product servicers. Need to research other states' initiatives. Consider more work on payday loans.
- ii. Housing Counselors Challenges in providing more housing counseling financial education and tracking outcomes on the financial education. How to encourage millennials to be homeowners and how to help seniors age in place? Include financial education to renters as a topic to discuss.

Topics that were discussed and tabled for further investigation/monitoring over the next year are:

- 1) Retirement Security is a big issue including how to encourage people to start saving at a young age. Small business retirement savings board and program applies to businesses that don't offer their own retirement plan where the employer is just the mechanism for the payroll deduction. There is also a need to educate people on how to plan spending in retirement. Should there be a mandatory counseling for borrowing from the 401k?
- 2) ABLE Accounts, how to promote this new program?
- 3) Enhancing School K-12 Curriculum. MSDE is revising current standards which the Commission will review and comment on.
- 4) Student Loans: Federal Government is considering getting rid of all IBR plans and debt forgiveness plans. Is MHEC tracking this? Is the CFPB limited to Dodd Frank or do they have jurisdiction over other consumer protection laws? At the local CFPB Student Listening forum, it was mentioned that state level legislation may be needed to address student loan issues, such as students are being put in forbearance vs income based plans. These concerns may not be effectively handled at the federal level. Navient will be largest and only servicer of student loans which may prove to be a large organization for consumers to work with.
- 5) State agencies who work with those in financial crisis. One example was the ICC toll violations. MVA noticed that these people have other financial issues. What support can be provided to those agencies to help that person. Whatever agency a person goes to, can



there be an integrated system to connect the person to financial capability services?
MDThink is a state program being developed to connect one consumer to multiple state agency services.

7. Business

- a. Ethics form reminder for members
- b. New Members: Laura Eacho, Education Systems Federal Credit Union and Ethel Hosendorf, MSEA

8. Meeting Dates for 2017

- a. July 25th 10:00am-12:00pm MDOT Headquarters
- b. September 25th 10:00am-12:00pm MDOT Headquarters
- c. October 31st 10:00am-12:00pm MDOT Headquarters



Financial Education and Capability Commission Minutes

July 25, 2017

Members Present: Senator Klausmeier; Senator Young; Jan Wagner, (MD Central Scholarship); Meg Woodside (Woodside Foundation); Allen Cox (MCFL); Bruce Lubich (MACPA rep); Bill Gruhn (AG's Office); Robin McKinney (CASH Campaign of Maryland); Antoni Salazar (DLLR); Jennifer Griffin (MSDE)

Interested Parties and Support Staff: Sue Rogan (CASH Campaign of Maryland; Nick Melefsky (CASH Campaign of Maryland), Sandy Comenetz; Matt Power (MICUA); Melissa Dornan (Guidewell); Helene Raynaud (Guidewell); Janelle Lawrence (DLLR); Mary Ellen Mitchell; Michelle Johnson; Meredith Mushaga (DLLR); Dara Guguay (Credit Builders Alliance); Jedd Bellman (DLLR); Robyn Dorsey (MCRC); Jen Diamond (MCRC); Devon Hyde (Guidewell); Armand Goytia (Guidewell)

1. Welcome and Introductions

2. Review Minutes

Jan Wagner motioned to approve the minutes, seconded by Bruce Lubich. Minutes were approved without changes.

3. Focus on Credit Presentations

a. Dara Duguay (Credit Builders Alliance)

Credit Builders Alliance (CBA) is a member organization of non-profits and is essentially the bridge between the credit bureaus and nonprofit organizations. Credit bureaus have threshold requirements of 500 loans in order for a company to report their data to the credit bureau. This effectively excludes smaller lenders, such as non-profits, because these organizations do not issue that number of loans. CBA now guides the credit reporting bureaus through helping these organizations report. The ability to now report tenants' rent payments similar to a mortgage has been incredibly helpful in helping individuals increase their credit scores. As people who participated in reporting their rent increased their scores, they became more interested in using financial counseling services and pursuing IDA programs. Property managers also seemed to respond positively to rent reporting as more tenants paid on time. A credit score is not a factor in federal student loans, although private student loan lenders do check credit scores. Credit scores are also used in auto insurance decisions. For example, a poor driver with a good credit score will have a lower rate than someone who is a good driver with a poor credit score. While most employers in Maryland cannot check a person's credit history for employment, a credit report can be pulled

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when a national security clearance is required. Almost 50% of the population in Maryland has a subprime credit score. A credit card that hasn't been used in 6 months is no longer considered to be active. Black and Hispanic consumers are almost twice as likely to have limited credit records. The credit invisible are made up of individuals that are new to credit, credit retired, have lost access to credit or have no credit bureau record. How can we help the credit invisible? Referring them to other organizations to credit building products.

b. Jedd Bellman (DLLR)

Jedd Bellman, Assistant Commissioner for Non-Depository Supervision, Office of the Commissioner Financial Regulation, Department of Labor Licensing and Regulation ("OCFR")

OCFR is responsible for chartering banks, credit unions, and trust companies. Currently there are approximately 53 chartered financial institutions. OCFR is also responsible for licensing consumer financial services providers in several categories of services, such as mortgage brokers, lenders, servicers and originators. The CFPB has the ability to regulate businesses but does not give them permission to conduct business as the OCFR does.

OCFR has an enforcement unit for investigating fraud related issues and conducting specialized investigations involving supervised entities.

OCFR also has an outreach unit which is responsible for educating Maryland consumers on their rights under Maryland law and providing financial education and foreclosure outreach.

OCFR has a consumer services unit that accepts and processes consumer complaints. Every complaint that is filed is reviewed by examiners. In FY17 the breakdown of complaints by complaint category was; Mortgage: 227, Debt Collection (initiated by agencies and attorneys): 208, Credit Reporting: 121, and Loan: 104. Approximately 90% of consumer mortgage complaints are completed within 90 days of receipt.

OCFR has general regulatory authority under the Protection of Homeowners in Foreclosure Act, Maryland Mortgage Fraud Protection Act, and the Maryland Mortgage Assistance Relief Services Act".

Car Title lending is not considered a pawn transaction since the consumer retains the property. Car Title lending is based on the value of the car, not the credit score or capacity of the consumer. If the loan is made by an unlicensed lender and is usurious, it is technically uncollectible as they are illegal in Maryland. DLLR has been working with MVA on liens that are being filed by unlicensed lenders. These loans are technically uncollectible as they are illegal in Maryland but the MVA has been recording these liens.

c. Robyn Dorsey and Jen Diamond (Maryland Consumer Right Coalition)

MCRC is trying to help consumers navigate the credit space. Making sure that consumers understand how they affect their credit scores but also how credit scores



affect them. Data, such as using social media usage and other data collected from cell phone app's is being used in some credit scoring models. Some credit reporting agencies feel this will help consumers who otherwise would not have a credit score. This is a concern from the consumer advocacy field due to privacy concerns and relevancy of the data to managing credit. In the auto lending field, MCRC has found some consumers are purchasing a car that may cost \$3,000 but if the entire loan is repaid, the consumer is really paying closer to \$11,000. Auto lenders are also beginning to install devices in cars that will deactivate the car if the consumer cannot make their payments on time. Body liens are something that MCRC is starting to take a closer look at. A body lien occurs when a court places a lien on someone who failed to appear in court for their court case regarding an alleged debt owed. The bail for the body lien is typically set at the amount of outstanding debt which in effect puts the state in the role of a debt collector.

Currently MCRC is working on legislation regarding auto-insurance and non-driving related factors. There is also legislation in work around low-income insurance programs that would have lower limited liability. There is a Student Loan Bill of Rights that would license student loan distributors which would allow the Commissioner to help regulate them. Debtor's prison/debt exemption laws need to be revised.

Community Reinvestment Act (CRA) covers lending, investments and services around communities and how it relates to banks serving the community. CRA covers lending, mortgage in low to moderate income (LMI) communities, small business lending, investments in LMI census tracts, and grants to organizations. MCRC mentioned a case study of BB&T acquiring Susquehanna and BB&T had to show the impact on the community of the merger. BBT was lagging in offering credit to African American households. They have since increased their mortgage lending in Baltimore and increased small business loans. By having to show the impact and comply with CRA, BB&T has improved their services to the community. Sandy Spring and Washington banks are merging. If anyone wants to comment on this merger, see MCRC.

d. Devon Hyde and Armand Goytia (Guidewell Financial Solutions)

Guidewell Financial Solutions is a nonprofit organization that was formerly known as Consumer Credit Counseling Services of Maryland and Delaware. Guidewell offers credit counseling, housing counseling, student loan counseling and conducts credit cafes across the state including at Money Power Day. Their foreclosure prevention and reverse mortgage counseling, debt management plans and student loan counseling programs are fee based but they do not turn away consumers due to inability to pay. They are also allowed to now share FICO credit scores when they pull credit. Guidewell is also partnering with Justine Petersen to offer a credit building loan.

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One service they offer is a debt management plan where they help consumers create a consolidated debt repayment plan. Guidewell was a part of a study at the Ohio State University where it showed that as a result of their financial counseling participants saw a 50 point credit score increase as well as paying down \$17,000 in debt and \$8,000 in revolving debt over 18 months. These numbers were regardless of if they were or were not enrolled in a debt management plan with Guidewell.

Guidewell feels there is still a need for financial education, debt management plans and credit building products.

4. Discussion on Possible Recommendations

Possible recommendations were discussed and defined as:

- Auto insurance-limited non driving factors, and low income insurance program
- Student loan bill of rights
- Debtors prison issue
- Increase of debt exemption levels
- How to be supportive of CDFI organization
- Explore research on auto title loans/MVA for out of state loans
- Explore opportunities and challenges of small dollar online lending
- Need for more financial education, small dollar loans, debt management plans
- Access to and expansion of credit building programs
- Sharing resources on the CRA act
- How to file complaints related to credit
- Explore potential changes, working with the existing commission, in MD to address CFPB changes.

5. Workgroup Updates

- a. Workgroup update to be discussed at the next meeting.

6. Business

- a. Ethics form reminder for members.
- b. Appointments are still in limbo, 4 have expired and one expires in September.



7. **Meeting Dates for 2017**

- a. September 25th from 10:00am-12:00pm MDOT Headquarters
- b. October 31st 10:00am-12:00pm MDOT Headquarters



Financial Education & Capability Commission
September 25th, 2017
Meeting Minutes

Members Present: Delegate Stein, Senator Young, Michele Waxman Johnson (MD Central Scholarship), Lauren Shipley (MD College Savings Plans), Donna Thomas (MHEC), Allen Cox (MCFL), Sheldon Caplis, Bruce Lubich (MD Association of CPAs), Lynne Gilli (MSDE), Stuart Campbell (DHCD), Antonio Salazar (DLLR), Janelle Lawrence (DLLR), Bill Gruhn (OAG), Robin McKinney (CASH Campaign of Maryland)

Interested Parties and Support Staff: Sue Rogan (CASH Campaign of Maryland), Holly Mirabella (CASH Campaign of Maryland), Brittany Owens (CASH Campaign of Maryland), Sandy Comentez, Melissa Dornan (Guidewell Financial Solutions), Angela Fraser (DHCD)

1. Welcome and introductions

Delegate Stein welcomed Commission members, staff and interested parties. Each individual present introduced themselves.

2. Review minutes

Commissioner Antonio Salazar motioned to approve the July 2017 minutes. The minutes were approved without changes.

3. Housing Counseling Presentation

a. Angela Fraser (Program Manager at Department of Housing and Community Development)

The Maryland Department of Housing and Community Development (DHCD) have programs that focus on housing counseling in Maryland. There are 41 HUD (US Department of Housing and Urban Development) approved housing counseling agencies in Maryland. The presentation focused on a program called the 'HOPE' (Homeowners Preserving Equity) Initiative. This network was created in response to the housing crisis in 2008. HOPE is a partnership between state, private, and non-profit institutions. The HOPE initiative consists of 34 agencies (32 of these agencies are HUD certified). Initially, the program was focused on foreclosure, but now it offers a wide range of services. Some of the services provided include pre-purchase counseling, financial education, loan default and modification counseling, home improvement/rehabilitation counseling, rental housing and reverse mortgage counseling, and services for homeless individuals. Due to changing community needs, HOPE seeks to make financial capability a key component of housing counseling.

DHDC also shared new data on financial capability services and homeownership counseling they collected between January and June 2017. There have been 113,000 consumers that have



received counseling 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.

DHCD's new data also shows that coaching and financial management has improved these consumers financial capability. In measuring financial capability, DHCD uses similar reporting methods as HUD. Some of the outcomes included increasing discretionary income, decreasing debt, increasing savings and credit. According to a study conducted by the Urban Institute, pre-purchase counseling leads to higher credit scores and lower levels of debt.

The HOPE program has been funded by the Maryland Housing Counseling Fund, which is generated from a fee that lenders pay each time they file a foreclosure. However, when foreclosures go down so does funding. The decrease in funding from \$4.5 million to \$4 million makes it harder to address new issues as they arise, like tax sales due to water bills. Despite the funding challenge, there is access to housing counseling across the entire state.

DHCD brings together HOPE counselors on a quarterly basis for training. There is currently a new certification exam for housing counseling staff to elevate the profile of the industry and to standardize the field. The certification exam is a one-time requirement that must be taken in the county where the individual will be providing services. The Commission learned that these programs need sufficient and consistent funding in order to maintain positive outcomes.

4. ITT Tech Closure Update (Senator Young)

a. Upcoming Bills

Before addressing the ITT Tech closure, Senator Young shared with the Commission that he will be submitting a new version of his free community college bill from the 2017 legislative session. The new tuition-free community college bill will allow individuals who are starting community college immediately after high school to attend for free. This program will be opt-in for the county, but it is intended to pressure counties to opt-in.

The funding for this bill will be split in half between the state and the county. Senator Young plans to submit a bill called the "Tax Fairness Act," which will create funding sources through Maryland's tax code in order to support tuition-free community college.

b. ITT Tech Closure Update

Senator Young updated the Commission on the closure of ITT Tech and the efforts made by Maryland Higher Education Commission (MHEC) and the General Assembly to respond to the



closure and support students. He reported that ITT Tech was sued for the first time in 2014 by the Consumer Financial Protection Bureau (CFPB). The U.S. Department of Education cut off funding to ITT Tech in 2016, which closed down soon after. Maryland Law required ITT Tech to notify students 30 days prior to closure and turn over student's records to MHEC. However, ITT Tech did not comply with the law. Also, refund checks issued to students bounced following ITT Tech's bankruptcy. Bill Gruhn of the Attorney General's Office reported that his office is working on ensuring students have access to those refunds.

Students enrolled at the time of ITT Tech's closure have two options through the federal government. Students can either seek loan forgiveness or transfer credits to another Maryland institution. Currently, there are 11 schools in Maryland that would accept ITT Tech students, including some or all of their credits. While many students took advantage of those two options, there are almost 100 students that did neither. MHEC is working to identify these students.

Legislation passed to create a guaranty fund in case of closure of a for-profit institution in Maryland, but the fund has not yet been created.

5. Financial Education and Coaching Guidelines Workgroup Update (Robin)

Robin McKinney discussed the future of the Financial Education and Coaching Guidelines workgroup, which was originally embedded within the Commission. Robin mentioned that there are currently no standards for financial education and coaching because it is a relatively new field. CASH Campaign of Maryland noticed there are many partners who have a major stake in the creation of such guidelines and recommended the workgroup separate itself from the Commission. CASH plans to provide any recommendations or updates back to the Commission. The Commission supported this change.

Robin announced the merger of Baltimore CASH campaign and Maryland CASH Campaign. The new name is the CASH Campaign of Maryland and is an independent 501(c)(3) non-profit.

6. Review of Recommendations (Robin)

- Auto Insurance – Policy to eliminate non-driving factors including gender, zip code, credit score, etc. The Commission would like to learn more. CASH plans to invite Maryland Insurance Administration to the October meeting, and provide the Commission with information from Maryland Consumer Rights Coalition (MCRC).
- Low-income Auto Insurance Program – The Commission asked to know more about the California low-income auto insurance program. CASH plans to follow-up with MCRC to get this information for the October meeting.
- Student Loan Bill of Rights – Intended to help students know their rights prior to taking out student loans.
 - New ideas: Include ombudsman for the state in the student loan bill of rights.



- The Commission requested more information in order for members to make a vote on this as a recommendation during the October meeting. CASH plans to reach out to MCRC to learn more. Angela Fraser of DHCD will get us a list of agencies providing student loan counseling.
- Debtors Prison – A policy to prevent debtors from being held on bail due to lack of resources. Robin plans to bring more information to the October meeting including what other states are doing.
- Debt Exemption Level Increase –presented as a possible recommendation, but the Commission did not discuss it.
- CDFI – Financial institutions with CDFI status are more innovative around credit repair products. To be addressed in more detail at the October meeting.
- Auto title loans- Although they are not legal, they are still operating in Maryland through loopholes (i.e. Out-of-state lenders are seeking out and lending to Maryland-based borrowers).
- Small Dollar Online Lending – In 2017, the CASH Campaign and MCRC worked to pass legislation to prevent online lenders from exploiting a loophole in Maryland law. However, all agree that it would be beneficial to observe, monitor and/or study the small dollar lending field. Lending laws have not been reviewed since the 1990’s and many new lenders are online-only (“Fin-Tech”). This means they are not necessarily bank regulated. To be voted on during the October meeting.
- Expansion of credit building programs (rather than credit repair) - Members expressed support for credit building services as a preventative measure.
- Community Reinvestment Act – The group discussed increasing action involving the CRA.
- Maryland Consumer Protection Commission – The Commission discussed this Commission which seeks to study the impact repeal of Dodd-Frank Act would have on Maryland. The Consumer Protection Commission has not yet held its first meeting.
- Increased and steady funding for Housing Counseling in Maryland - Marketing and Outreach Support, continuous training, and direct housing counseling and legal services. The Commission voted unanimously in support.
- Tuition Free Community College –The Commission voted unanimously in support due to improving access to higher education and reduce student debt.
- Responding to Experian Breach - Free Freeze and Thaw bill, “Support for a fee waiver for credit freezes and thaws for everyone. The Commission voted unanimously in favor.

In sum, the Commission voted to support the following items as recommendations: (1) supporting access and training for housing counseling in Maryland, (2) tuition-free community college in Maryland, (3) a bill to waive fees for credit freezes and thaws for everyone.



The follow items will be explored more deeply during the October meeting: (1) low-income auto insurance program, (2) debtor's prison, (3) small dollar online lending, (4) student loan bill of rights, and (5) the Commission survey for the financial education and capability field in Maryland, which will be re-issued in 2018.

7. Business

- Board of Trustees, MD State Employees Supplemental Retirement Plans

Final Meeting Date for 2017:

- October 31st from 10:00am-12:00pm, MDOT Headquarters



Financial Education & Capability Commission

October 31, 2017

Meeting Minutes

Members Present: Robin McKinney (CASH Campaign of Maryland), Senator Klausmeier, Delegate Stein, Stuart Campbell (DHCD), Meg Woodside (Woodside Foundation), Sheldon Caplis (representing bank slot), Allen Cox (MCFL), Ken Venick (Equity Mortgage Lending), Jan Wagner (Central Scholarship), Bruce Lubich (MD Association of CPAs), Tony Salazar (Commissioner of Financial Regulation), Donna Thomas (MHEC), Bill Gruhn (OAG)

Interested Parties and Staff Present: Robert Baron & Michael Paddy (Maryland Insurance Administration), Odette Ramos (Community Development Network), Matt Power (MICUA), Tal Bolger (Beth Tfiloh High School), Sandy Comenetz, Michelle Johnson (Central Scholarship), Lee Towers (MHEC), Marceline White & Jen Diamond (Maryland Consumer Rights Coalition), Brittany Owens, Holly Mirabella & Sue Rogan (CASH Campaign of Maryland)

1. Welcome and Introductions

Senator Klausmeier welcomed the group and Delegate Stein asked for introductions.

2. Review Minutes

Commissioner Salazar moved to approve the September meeting minutes. The motion was seconded by Sheldon Caplis and the minutes were unanimously approved.

3. Housing Counseling (Odette Ramos, Community Development Network)

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 fee 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 which allows first-time homebuyers to gain access to an affordable mortgage. One of the requirements of the program is



that potential buyers attend homebuyer education. The homebuyer education training requirements differ by county, which causes mobility issues for buyers. Legislation to streamline this process could allow for more mobility and better access through online education. The goal of improving homebuyer education is to link buyers to resources as early in the homebuying process as possible. This helps reduce foreclosure rates and allows consumers to make informed home buying decisions.

Ramos also addressed recent tax sale legislation. During the 2017, the General Assembly created a task force to study the impact of tax sales in Maryland. CDN is a lead on that workgroup. They are working to make the tax sale process similar to the foreclosure process to allow homeowners greater ability to pay down or modify their debt prior to losing their homes in tax sales. The Commission agreed to follow the legislation that will come from this task force during the 2018 legislative session.

Financial Education Book for Children (Tal Bolger, Beth Tfiloh High School)

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.

4. Maryland Insurance Administration (Robert Baron)

Robert Baron, the Associate Commissioner for Property & Casualty Section at the Maryland Insurance Administration presented to the Commission on auto insurance rate factors and low-cost auto programs. First, he shared that the Maryland Insurance Administration offers consumer education and outreach through its Consumer Education & Advocacy Unit. The MIA promotes “insurance literacy,” offers technical expertise for legislation and executive branches, and provides data and feedback so policymakers can make informed decisions.

With regard to auto insurance rate factors, Baron shared that Maryland has limited prohibitions on rate factors in its insurance code. However, Maryland’s insurance code states that insurance rate factors cannot be inadequate, excessive or unfairly discriminatory. He shared that within the past 15 years, companies have utilized consumer data to create complex algorithms to determine rates. Some of the factors considered are tickets, accidents, claims, the type of vehicle and manner of use, annual mileage, age and gender. While there is a total prohibitions on the use of credit in homeowners insurance, credit can be used as a rate factor for setting auto insurance rates. Baron stressed that the use of credit is highly regulated by MIA and that a policyholder’s



credit could increase or decrease their rate by no more than 40%. Insurance companies must also look at a policyholder's credit every two years, or sooner at the policyholder's request, and discount the rate if there has been an improvement. He noted that these factors are highly regulated by the MIA. Companies issue rate filings which are reviewed by the MIA in order to ensure they meet the insurance code and are not unfairly discriminatory. In the 2017 legislative session, a bill (House Bill 916) was introduced to eliminate non-driving related rate factors in determining auto insurance rates. Only one factor was eliminated after the bill was amended - the marital status factor following the death of a spouse. The new law prevents insurance companies from taking away the "married" designation from a policyholder who loses their spouse, which created a multi-driver discount. Baron compared Maryland's insurance code to California's, which differs significantly from Maryland's. He noted that California has four mandatory rate factors including driving experience, vehicle type, mileage and driving history, plus 12 to 15 optional factors. In contrast, Maryland's insurance system is more market-based.

In the 2017 legislative session, Senate Bill 533 sought to create a low-cost auto insurance program for the state of Maryland. Baron noted that MIA submitted opposition driven by details of the bill, but not the overall concept. The MIA opposed the bill due to concern that a state-run low-cost insurance program would pull eligible drivers from the Maryland Auto Insurance Fund (MAIF), impacting MAIF's premium and providing drivers with less benefits. In recent years, MAIF has shrunk from 120,000 policyholders to around 40,000 as insurance companies take on more risk, and the MIA is concerned that a new low-cost program will place further stress on MAIF.

Baron also discussed the California low-cost auto insurance program. The California program funds its marketing and outreach with 5-cent charge on each policy, which forms a \$1.1 million outreach budget. The California program has been around for 10 years and currently has 15,000 active policyholders. Baron expressed his concern over the low take-up rate, and contrasted the insurance field in California to Maryland.

5. Discussion and Vote on Remaining Recommendations

2017 Commission Recommendations

Approved during the September meeting:

- 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.

Addressed during the October meeting:

- Auto Insurance – Eliminate non-driving factors including gender, zip code, credit score, marital status in the setting of automobile insurance rates.
 - MCRC noted that marital status has not been eliminated, so if a person gets divorced, or leaves a domestic violence situation, they will still face increases in auto insurance rates. The Commission determined that it would not make non-driving factors for auto insurance rates a recommendation in 2017.
- Low-income Auto Insurance Program – Establish a pilot income-based, low-cost automobile insurance program for Baltimore City.
 - The Commission decided that it would not make this a recommendation for 2017, but would follow the new Low-Cost Auto Insurance Workgroup chaired by Senator Middleton and Delegate Davis.
- Student Loan Bill of Rights – Create a Student Loan Bill of Rights for Maryland including the addition of a Student Loan Ombudsman in Commissioner of Financial Regulation’s office.
 - The Commission noted the importance of tracking and responding to student loan borrowing complaints which have increased 153% in Maryland from 2015 to 2016. The idea of creating a student loan bill of rights in Maryland would be to license student loan servicers, funded by a small fee to student loan servicers, and create a Student Loan Ombudsman in the Office of Commissioner of Financial Regulation. Meg Woodside moved to make this a recommendation for 2017 and Delegate Stein seconded. The Commission voted unanimously in support.
- Debtors Prison – Move forward with policy to prevent those who owe debt from being held on bail due to lack of resources.
 - MCRC clarified that the bill they seek to pass simply keeps individuals from being picked up on a debt when there are no court officers working. This will prevent people from being detained over the course of a weekend when they could’ve paid to be released if court officers were present when they were brought in.
 - The Commission agreed to follow this issue, but not make a recommendation for 2017.
- Debt Exemption Level Increase – Update the level and type of assets Marylanders may keep from garnishment including: (1) allowing consumers being pursued by debt collectors to keep a percentage of the Maryland minimum wage, (2) enabling families to keep a car to enable them to commute to work; and (3) allowing families to keep a



small amount of money in their bank account to pay rent, buy groceries and pay for other essentials.

- The Commission agreed to follow this issue, but not make it a recommendation for 2017.
- Auto Title Loans- Although auto title loans are illegal in Maryland, the Commission recommends the legislature examine legal loopholes which allow out-of-state lenders to target Maryland-based borrowers.
 - The issue is lies with the MVA, which often places liens at the request of unlicensed collectors. Relevant agencies are working with the MVA to modify their system to ensure that they are not issuing liens on vehicles from unlicensed debt collectors and those without a licensing waiver.
- Expansion of credit building programs - Support the funding and expansion of credit building services as a preventative measure.
 - The Commission agreed to reexamine this objective next year.

6. Financial Education & Coaching Guidelines Workgroup Update

Robin McKinney provided an update on the Financial Education & Coaching Guidelines Workgroup Update. She requested that anyone interested in joining the workgroup, which is no longer embedded within the Commission, but run by CASH Campaign, to let Sue Rogan 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.

7. Business

Robin McKinney noted that the Commission has two vacancies - the Maryland State Employees Supplemental Retirement Plans and a Credit Union representative.

McKinney reminded the group that the CASH Campaign of Maryland will be issuing a survey to access the field of financial education and coaching in Maryland. McKinney shared that CASH will be seeking feedback on the survey and will send a copy of the 2018 survey prior to issuing it. The 2017 Commission report is due December 1, 2017, a copy will be sent to and approved by the Commission.