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**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

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February 11, 2020

**TO:** The Honorable Maggie McIntosh, Chair  
Appropriations Committee

**FROM:** Christopher J. Madaio, Assistant Attorney General - Consumer Protection Division

**RE:** House Bill 419 – Higher Education - Report on Collection Practices for Unpaid Fees and Services – FAVORABLE

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The Consumer Protection Division of the Office of the Attorney General supports House Bill 419, sponsored by Delegate Luedtke, because it will assist legislators in understanding the scope of institutions of higher education's practice of withholding academic transcripts, grade reports, diplomas, and any other information related to coursework or educational degrees if a student has an unpaid balance with the school.

The issue of students having a balance of unpaid tuition or other charges due to their institution of higher education that is not covered by student loans, grants, or scholarships is one that has become more prevalent in recent years, especially at for-profit institutions. Some for-profit schools make it their business model to charge higher tuition than most students are able to receive in federal loans or federal need-based grants in order to manipulate compliance with other federal regulations.<sup>1</sup> As a result, students often owe thousands of dollars to these schools, which are sometimes given various vague and confusing terms like "gap funding," "account balance," "account receivable" or "temporary credit" and continue to repay those debts, even when a school closes.<sup>2</sup> At their core, these amounts owed to the school are additional student loans on top of other loans that the student must repay. However, no other lender, including the federal government, has the ability to withhold a student's transcript or other academic documents that a student would need to get a job or transfer to another school if the student is unable to repay the debt. The practice

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<sup>1</sup> For instance, our office, along with other Attorneys General and the federal Consumer Financial Protection Bureau obtained \$192 million of nationwide debt relief (\$2 million for Marylanders) related to Corinthian Colleges' scheme to deceive students into taking on debt with the school that was later transferred to third parties. See <http://www.marylandattorneygeneral.gov/press/2017/081717.pdf> and <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-aequitas-capital-management-aiding-corinthian-colleges-predatory-lending-scheme/>. Another example is ITT Technical Institute: <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-college-chain-itt-for-predatory-lending/>

<sup>2</sup> When Brightwood College closed in December of 2018, the Maryland students were still being forced to pay back millions of dollars in debt owed to the school.



of schools withholding these important documents when there are other ways of collecting money owed to the school should be studied to analyze how often this practice occurs and determine if legislation is needed to stop it.

The Consumer Protection Division urges the Committee to give HB 419 a favorable report.

cc: Members, Appropriations Committee  
The Honorable Eric Luedtke