



Maryland Consumer Rights Coalition

**Testimony to the House Appropriations Committee**  
**HB 1531: State Finance & Procurement-Central Collection Unit-Powers**  
**Position: Favorable**

February 27, 2020

The Honorable Maggie McIntosh, Chair  
House Appropriations Committee  
Room 121, HOB  
Annapolis, MD 21401  
cc: Members, Appropriations Committee

Honorable Chair McIntosh and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

I'm here today in strong support of HB1531.

MCRC's 2018 report "*No Exit: How Maryland's Debt Collection Practices Deepen Poverty and Widen the Racial Wealth Gap*", documented the ways in which with numerous fines and fees, particularly local and state-owed fines, lead to a vicious cycle of debt for low-income and working families. Our report looked at both private consumer debt and state-owed debt. Our report highlights some troubling aspects of Maryland's state-owed debt collection practices, specifically concerning the Central Collections Unit (CCU).

CCU collects on civic debt for state agencies including video toll and EZ pass violations, tuition and fees from state schools, fines for lapsed auto insurance, and more. In 1992, in order to make CCU self-supporting, the General Assembly passed legislation to assess a 17% collection fee on all debts. Yet, this 17% fee dramatically raises the amount that the individual must repay. A \$2500 debt becomes nearly a \$3000 debt (\$2925) with the added 17% fee; a \$5000 debt nears \$6000 (\$5850) under this scheme.

Low-income households are paying for the CCU to collect upon their debts through this usurious 17% collection fee. As a result of this fee, financially fragile households find themselves deeper in debt as they subsidize the state to pursue them. In 2019, \$15.9 million was expected from these fees. In other words, \$15.9 million was charged to low-income Maryland families.



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Yet, for consumer debts **not** owed to the state, Maryland charges 10% interest. According to a recent *Seattle Times* analysis, Maryland's 10% interest rate is still excessive. The *Times* analysis found that the national average for interest rates on consumer debts under \$25,000 is 7.8%-far below our 17% CCU fee.

HB1531 simply reduces the collection fee from this high 17% to a more modest 5% fee. While it is clear that there would be a serious revenue implication if this fee is reduced, the 17% fee hasn't changed since the legislation was passed in 1992. Conversely, the cost-of-living has skyrocketed, consumer debt has soared, and one in three Maryland residents have a debt in collection, with 40% of those debts found in communities of color.

It is time we reconsider Maryland's debt-collection policies by establishing income-based repayment plans for all state agencies, harmonizing private consumer debt protections and civic debt protections, and by passing HB1531, which reduces the costly 17% CCU fee to a more affordable level for financially fragile households throughout Maryland.

For all these reasons, we support HB1531 and urge a favorable report.

Best,

Marceline White  
Executive Director