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February 3, 2021

To: The Honorable Dereck E. Davis
Chair, Economic Matters Committee

From: Steven M. Sakamoto-Wengel
Consumer Protection Counsel for Regulation, Legislation and Policy

Re: House Bill 585 – Financial Capabilities and Legal Assistance Fund (SUPPORT WITH AMENDMENTS)

The Consumer Protection Division of the Office of the Attorney General supports House Bill 585 sponsored by Delegate Debra M. Davis with an amendment that would provide the Division with adequate funding to implement the bill's provisions. The bill would establish a Financial Capabilities and Legal Assistance Fund to be administered by the Consumer Protection Division to provide funding to qualified nonprofit entities that provide counseling and legal assistance to consumers related to consumer credit and debt collection. The Fund would be funded through filing fees to be paid to the District Court by collection agencies filing to collect consumer debt. The bill would prohibit the collection agency from passing the filing fee on to the consumer.

For the past six months, more than 300 stakeholders across the public and private sector have been meeting as part of the Attorney General's COVID-19 Access to Justice Task Force to confront this growing disaster by developing strategies for reforming longstanding inequities in housing access and several other civil legal areas. The resulting [Report](#), "Confronting the COVID-19 Access to Justice Crisis" is available online [here](#). Among the Report's findings are that:

- The State has a large ecosystem of civil legal aid and legal support service organizations to help low-income Marylanders deal with pressing concerns that only the civil justice system can resolve, like . . . dealing with soaring debt[.] For low-income people unable to hire an attorney, access to civil justice through the support and counsel of these organizations can often mean a life-saving difference between success and failure. (pp. 8-9)
- The COVID-19 crisis has increased the demand for civil legal services and legal support services exponentially[.] * * * Yet the civil legal aid delivery system was underfunded and

overtaxed before the pandemic hit, with the resources to meet only about 20% of the demand for services. (p. 9)

- [L]egal support services organizations, like those that provide housing and consumer debt counseling which help people avert legal proceedings, saw a spike in demand for help, with no secure funding source to help meet the demand. (*Id.*)
- Maryland policymakers must strengthen the civil legal aid and legal support services system, strengthen protections, and ensure it can support the most vulnerable as they desperately try to survive and rebuild. Failing to do so will add new burdens and impede the State's ability to achieve an equitable recovery. (*Id.*)

The Report recommends that access to legal assistance and related legal support services be increased for Marylanders who cannot afford them through adequate and sustainable civil legal aid funding and enhanced pro bono and "low bono" services, including civil legal aid and legal support services not funded by the Maryland Legal Services Corporation ("MLSC"). (p. 14) House Bill 585 would further the goals of the Attorney General's Task Force by providing a funding source for counseling and legal service providers not funded by MLSC that can assist Maryland consumers facing debt with getting their finances in order, helping them to determine whether payment being sought by debt collectors is truly owed and, if a consumer gets sued, helping the consumer understand whether they have defenses to the debt collector's claims or assisting the consumer with settling the matter on fair and reasonable terms.

While the Division believes that the Fund would greatly assist Maryland consumers facing debt and debt collection by helping to create a funding mechanism for counseling and legal assistance services, we note that the Consumer Protection Division does not currently administer any funds similar to the one proposed and does not have the staff necessary to promulgate regulations for distributing money from the fund, review applications for funding, and distribute the money. Accordingly, we would request an amendment allowing the Fund to be used for costs incurred by the Consumer Protection Division in administering the Fund.

Accordingly, the Consumer Protection Division requests that the Economic Matters Committee return a favorable report on House Bill 585 with the suggested amendment.

cc: The Honorable Debra M. Davis
Members, Economic Matters Committee