

Testimony to the House Economic Matters Committee

HB 585: Commercial Law-Consumer Protection-Financial Capabilities & Legal Assistance Fund Position: Favorable

February 3, 2020

Delegate Dereck Davis, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, Maryland 21401
Cc: Members, House Economic Matters Committee

Honorable Chair Davis and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial inclusion and economic justice 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.

We are here today in strong support of HB585. HB585 would establish a Financial Capabilities and Legal Assistance Fund under the Consumer Protection Division of the Office of the Attorney General to provide grants to eligible nonprofit organizations that provide financial counseling and legal assistance to financially struggling individuals and families across Maryland.

The Fund will be self-supporting through a higher fee that will be assessed on debt collection filings. HB585 is urgently needed to address the unmet need for a range of supportive services to assist Maryland consumers who struggle with an unsustainable debt load.

This legislation is particularly important today as we grapple with a global pandemic and accompanying recession in Maryland. As the United Way's 2020 ALICE report notes, 39% of Maryland households struggle to make ends meet¹. Thousands of households have lost jobs, with Black and Latinx households grappling with greater job loss and a higher risk of contracting COVID, and with it, the healthcare costs and potential loss of earnings. Prior to the global pandemic, there was a disparate debt load between white and non-white Maryland households. MCRC's 2018 No Exit report found that 43 percent of non-white Marylanders had at least one debt in collection, while only 19 percent of white borrowers did².

Since the onset of the pandemic, Black unemployment in Maryland was 6.1%, nearly double white unemployment rates of 2.3%³. As families experience unemployment, many fall behind on their bills. Experts that participated in AG Frosh/Access to Justice's COVID-19 Task Force estimate that

¹ [United Way ALICE report, 2020](#)

² [MCRC 2018 No Exit: How Maryland's Debt Collection Policies Deepen Poverty & Widen the Racial Wealth Gap](#)

³ [EPI State Unemployment, August 2020](#)

there will be a flood of debt collection cases \$5000 or less in Maryland small claims courts after the state of emergency is lifted. To address an avalanche of debt collection cases, the AG Frosh & the COVID 19 Access to Justice Task Force suggested \$2 million dollars for financial counseling and legal assistance work that is not eligible for MLSC funding. HB585 provides a mechanism for this funding.

While MLSC funding is essential, it is only one aspect of assisting financially struggling consumers. Providing legal assistance to consumers who have debt collection lawsuits is an important service. However, with debt collection issues, there are a number of programs and services that could avert the debt collection lawsuit altogether, reducing the burden of these cases on our courts, saving the state money by reducing these caseloads, and empowering consumers. Nonprofit financial assistance coaches and counselors can assist consumers in managing their debts, find assets through benefits check-ups, tax credits, and other programs to increase the funds available to the individual, and help the individual with budgeting and financial decision-making.

In MCRC's work, we've seen an increased demand for services without funding to support the need. For example, our tenant assistance program which provides support for tenant but does not provide legal assistance saw a 305% increase in clients from 2019. To date, we are on track for a 54% increase in clients from 2020 with no commensurate increase in support. It is important to note that many of the referrals we receive are from MLSC funded legal service providers who are unable to assist these individuals and refer them to us. Therefore, as the General Assembly moves to increase support for legal service organizations, they need to also increase support for all of the organizations that are doing the work that bolsters and complements the legal service providers efforts.

Moreover, legal assistance programs in Maryland are needed to represent working families whose incomes are just over the MLSC guidelines-meaning families that are working but can not afford to hire a private attorney to represent them and do not qualify for other assistance. These 'low bono' programs offer representation to these families.

Financial coaching and counseling programs offer assistance and solutions before a consumer is facing a lawsuit. This recommendation is included in the AG Frosh Access to Justice COVID 19 Task Force⁴ and supported by the MSBA President, debt collectors, private attorneys, MLSC, and a number of other individuals and organizations. The legislation is modeled on a similar bill in California ([SB455](#)) which passed in 2019 to fill a similar need in California.

For all of these reasons, we support HB585 and urge a favorable report.

Best,

Marceline White
Executive Director

⁴ [AG Frosh Access to Justice COVID-19 Task Force Report, Dec. 2020](#)