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February 23, 2023

**TO:** The Honorable C.T. Wilson, Chair  
Economic Matters Committee

**FROM:** Kathleen P. Hyland  
Assistant Attorney General

**RE:** House Bill 476 – Consumer Protection – Debt Collectors – Debtors With Multiple Debts – SUPPORT

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The Consumer Protection Division of the Office of the Attorney General supports House Bill 476, sponsored by Delegates Guyton, Foley, Terrasa, and Valderrama, which would expressly codify the right that a consumer who owes multiple debts has under federal and Maryland law to have a single payment applied to the debt of his or her choice.<sup>1</sup> It further provides that a debt collector may not apply payment to a debt that the consumer disputes.

According to a Consumer Financial Protection Bureau (“CFPB”) survey on consumer experiences with debt collection, most consumers with at least one debt in collection have multiple debts in collection.<sup>2</sup> Consumers reported that medical debt is the most common type of past-due bill or payment for which debt collectors contacted them. In a separate study on credit reporting, the CFPB also found that consumers who had one debt collection tradeline on their credit reports specifically for medical debt generally had multiple collections tradelines.<sup>3</sup> When commenting on federal regulations on debt collection, members of the medical industry explained how this happens: healthcare providers do not typically maintain a rolling total of charges for a general service, and instead, individually bill a patient for each visit, which is

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<sup>1</sup> See Md. Code Ann., Com. Law § 14-202(11) (West) and *Alexander v. Carrington Mortg. Servs., LLC*, 23 F.4th 370 (4th Cir. 2022)

<sup>2</sup> See Bureau of Consumer Financial Protection, “Experiences with Debt Collection: Findings from the CFPB’s Survey of Consumer Views on Debt” (2017).

<sup>3</sup> See Bureau of Consumer Fin. Prot., Consumer credit reports: A study of medical and non-medical collections, at 20 (Dec. 2014), [https://files.consumerfinance.gov/f/201412\\_cfpb\\_reports\\_consumer-credit-medical-and-non-medical-collections.pdf](https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf)

further itemized by each provider, facility, and service performed or good provided.<sup>4</sup>

Marylanders face confusion and problems when paying multiple bills to the same debt collectors. Most often, when a consumer does not indicate how a payment should be applied, a debt collector may credit the payment to any outstanding debt it chooses, even if a legitimate dispute exists about the nature or amount of that bill. Problems persist where a consumer discovers that the payment they thought they made to reduce a debt did not show up on the correct account statement, which can lead to debt collectors filing a lawsuit to collect the balance. In addition to medical debt, consumers report this has happened with other common types of debt including student loans and rent payments.

House Bill 476 will address these problems by specifically codifying a consumer's right to choose how to pay multiple debts under the Maryland Consumer Debt Collection Act. House Bill 476 does nothing to prevent the collection of a valid debt. It only prohibits debt collectors from inappropriately applying payments made to satisfy those debts.

Accordingly, the Consumer Protection Division respectfully urges the Economic Matters Committee to favorably report on House Bill 476.

cc: The Honorable Michele J. Guyton  
The Honorable Linda K. Foley  
The Honorable Jennifer R. Terrasa  
The Honorable Kris Valderrama  
Members, Economic Matters Committee

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<sup>4</sup> Debt Collection Practices (Regulation F), 85 FR 76734-01.