Testimony to the House Economic Matters Committee
HB476: Consumer Protection - Debt Collectors - Debtors With Multiple Debts
Position: Favorable

February 22, 2023

The Honorable C.T. Wilson, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, Maryland 21401
cc: Members, House Economic Matters

Honorable Chair Wilson and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) 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.

We are writing today in support of HB476 which puts in place stronger consumer protections for people being pursued for multiple debts. The bill allows a debtor to make payments on a debt in the manner in which they instruct and prevents a debt collector from applying those payments to a disputed debt.

In 2018, Economic Action Maryland released our report *No Exit: How Maryland's Debt Collection Practices Deepen Poverty and Widen the Racial Wealth Gap.*[1] The report documents the ways in which the debt collection process favors the creditor and can lead to deeper poverty for low-income and working families. Maryland law provides numerous ways for creditors to collect from indebted individuals including body attachments (an arrest warrant for debt) and garnishments. In addition to these tactics, the State also uses fines, fees, and flags on vehicle registration to compel payment of State-owed civic debt. Yet, there are few measures within Maryland that provide methods for repaying a debt in an affordable, sustainable manner that doesn't exacerbate an already fragile financial situation.

While nearly anyone can fall into debt, certain communities are more likely to become ensnared in the debt cycle. Low-income communities are vulnerable to the debt cycle, often falling behind on their debts or other bills when faced with extra monthly payments that are simply not in their budget. Systemic racism and oppression also increase the exposure communities of color have to the debt cycle. Not only are these communities systemically disinvested, decreasing economic development opportunities and pathways toward economic mobility, disproportionate contact with the criminal justice system also increases rates of indebtedness.[2] Another population that is vulnerable to the debt cycle are survivors of domestic violence.

---

1 https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/5d02af1fe68aa40001db920f/1560456994675/No+Exit+MCRC+Report.pdf
2 https://www.whopaysreport.org/key-findings/

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494
info@econaction.org · www.econaction.org

While domestic violence is commonly characterized by physical and emotional abuse, economic abuse has gained increasing recognition as a prevalent and serious mechanism of coercive control that further entraps victims. Even after personal safety challenges are addressed, recent studies have found that economic abuse, in the form of coerced debt, lingers—through bad credit caused by an abuser.[3] Domestic violence survivors are not only more likely to come in contact with the debt cycle, these debts are often disputed. Survivors of coerced debt need stronger protections that block the coerced debt from being visible to potential creditors and HB476 is a step in the right direction to allow survivors to have more control about how debt payments are handled for disputed debts.

In 2003, Congress passed the Fair and Accurate Credit Transactions Act (FACTA), an amendment to the Fair Credit Reporting Act (FCRA), that provides victims of identity theft access to a series of useful protections including allowing victims to dispute fraudulent or inaccurate items on their credit reports.[4] Additionally, there is increasing concern around errors in consumer credit reporting. The Consumer Financial Protection Bureau (CFPB) has issued several reports on the nationwide credit reporting agencies, TransUnion, Experian, and Equifax, examining how these agencies reported relief in less than 2% of complaints. Furthermore, the Equifax data breach impacted 143 million consumers nationwide.[5] Thankfully, the CFPB has taken several corrective measures in response to consumer complaints about the credit reporting agencies, like fixing data accuracy and repairing broken dispute processes. However, these examples show that consumers are often pursued for debts that are disputed and face difficult setbacks.

Coerced debt, just like identity theft caused by data breaches, often leads to a credit report that does not accurately reflect an individual's true risk profile. An inaccurate credit report can force people needing credit into exorbitantly priced subprime credit options, despite being credit-worthy, and create barriers to renting apartments and finding a job.[6]

HB476 increases protections for debtors with disputed debts and recognizes the disproportionate difficulty low-income people, people of color, and victims of domestic violence may face during the debt collection process.

For these reasons we support HB476 and urge a favorable report.

Respectfully,

Isadora Stern
Policy Manager

[3] https://www.texasappleseed.org/coerced-debt
[4] https://www.ftc.gov/legal-library/browse/statutes/fair-accurate-credit-transactions-act-2003
[5] https://www.warren.senate.gov/files/documents/2018_2_7_%20Equifax_Report.pdf.
[6] https://report.texasappleseed.org/abuse-by-credit-the-problem-of-coerced-debt-in-texas/

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494
info@econaction.org · www.econaction.org