



HB 364 - State Finance and Procurement - Central Collection Unit - Powers
January 27, 2021
SUPPORT

Chair McIntosh, Vice-Chair and members of the committee, thank you for the opportunity to provide testimony in support of House Bill 364. This bill will lessen the harmful impacts of fees on low and middle income people.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Debts that end up in collections are there likely due to an inability to pay or lack of knowledge of the debt. When an individual's debts are in collections, they face a variety of challenges that can drastically affect their quality of life. **Maryland's Central Collection Unit (CCU) makes paying a debt more unobtainable for low and middle income families.** Debts in CCU automatically receive a fee of 17% added to the total. This inflates the amount owed, which lowers the ability of low and middle income people to pay their debt.

The 17% fee is punitive. It can punish poor individuals, because they lack the financial ability to pay their initial debt. This can result in wage garnishment and suspension of driver's license and vehicle registration. These actions put people into a cycle of debt and drive them to make difficult decisions. Bankruptcy, homelessness, and job loss is a possibility when individuals cannot pay their debt. These possibilities are devastating to people's financial security. It can take years to overcome these barriers.

HB 364 responds to these needs by:

- Setting the maximum fee that the CCU may assess and collect from a debtor to 5%
- Repealing the requirement that a certain fee be assessed and collected sufficient to cover certain costs

Lowering the maximum fee to 5%, will allow for more individuals to have the capacity to pay their debts. This is important, because it will allow for individuals to be accountable and avoid some of the extraneous negative effects.

For these reasons, we encourage a favorable report HB 364.