



OFFICE OF CONSUMER PROTECTION

HOWARD COUNTY DEPARTMENT OF COMMUNITY RESOURCES AND SERVICES

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Mr. Gary Gensler
Maryland Financial Consumer Protection Commission
c/o Department of Legislative Services
90 State Circle
Annapolis, MD 21401

Dear Chairman Gensler,

Thank you for giving me the opportunity to provide testimony to the Maryland Financial Consumer Protection Commission. It is my understanding that the Commission is to assess the impact of potential changes to federal financial industry laws, regulations, budgets and policies, and to recommend ways to protect Marylanders in financial transactions and services.

Over the course of my career, financial products and services have become increasingly complex. Enhancements in technology, while allowing consumers easier access to their assets and to credit, have also given con artists and scammers easier access to those same assets and credit. Consumers are bombarded with both “easy credit” opportunities and exaggerated (and often false) promises of credit repair. The increasing use of social media by both legitimate and unscrupulous marketers, makes oversight more difficult. While the prior deregulation of credit and banking laws and regulations allowed easier access to credit, that deregulation resulted in the 2008 housing crisis and “great recession.”

Much of Dodd-Frank and other financial laws and regulations adopted since 2008 were aimed at curbing the abuses that deregulation fostered. The most significant aspect of Dodd-Frank to me, however, was the creation of the Consumer Financial Protection Bureau – an independent agency dedicated to overseeing consumer credit and financial products and addressing wide-spread deceptive practices that take advantage of consumers.

Local consumer protection agencies such as mine look to the CFPB and other federal and state regulators who have broader jurisdiction, wider enforcement authority and more effective penalties to carry the bulk of the enforcement load. My office, however, has the advantage of being able to work with consumers one-on-one when they have questions, problems or concerns. We are also able to educate the public on protections provided in federal and state laws and regulations, and how to access those protections.

The recent Equifax data breach encompasses many issues that impact consumers today:

- The data kept by credit reporting companies often determines whether a consumer can obtain credit, rent an apartment or get a job and the rate of interest that the consumer will be offered. And yet, the keeper of that essential data failed in its responsibility to keep that data safe.

The Department of Community Resources and Services provides vital human services through its offices of ADA Coordination, Aging and Independence, Children and Families, Community Partnerships, Consumer Protection, Local Children's Board, and Veterans and Military Families.


- Once the breach was discovered, months elapsed before Equifax alerted the public. When the breach was announced, it's only offer for addressing the breach was to allow consumers to enroll in its monitoring program at no cost for one year. Understandably, consumers are left wondering how the company that failed to protect their information in the first place, can protect them now. In addition, even though the data breach will put them at risk for years to come, consumers will have to bear the cost of the company's monitoring service after the initial year.
- While Equifax has made public statement that it's binding arbitration clause will not be enforced against people who sign up for its monitoring service, there is no guarantee that Equifax will not assert it as a defense. For many consumers, this is the first that they have heard of binding arbitration or understood that such clauses eliminate their access to the courts and their ability to join with other consumers in pursuing legal claims. The CFPB recently promulgated a rule banning mandatory arbitration clauses in consumer credit contracts that deny groups of people their day in court. Unfortunately, legislation that will overturn the rule was passed by the Senate earlier this week and is expected to also pass the House and be signed by the President.
- In addition to the security concerns raised by Equifax's data breach, consumers have and continue to be at risk of being denied credit due to false, dated and incomplete information in their credit files. The burden is on the consumer to monitor their files and when inaccurate information is discovered, the process for correcting that information can be onerous. Once corrected, the same false information can re-appear months or years later.
- Con artists will also take this opportunity to take advantage of the unwary or ill-informed by falsely claiming that they can protect consumers from the harm they may suffer as a result of the Equifax breach.

There are, of course, other financial and credit issues that impact consumers:

- Debt collection abuses, including:
 - Attempts to collect debts that were undocumented, inaccurate unenforceable.
 - Pressuring consumers to make payments using misrepresentations. For example, consumers have been told that the burden was on them to prove they didn't owe money and that a lawyer had reviewed their file and a lawsuit was imminent.
- Credit "repair" and debt management companies that claim they can greatly reduce or eliminate consumer debt but are unable to provide the relief they promise.
- Payday and other predatory loan products. Because the General Assembly has maintained the cap on interest rates that can be charged on small dollar loans, payday loan stores do not line the streets of Maryland towns and cities. These predatory lenders, however, swarm the internet and consumers are lured across state lines to obtain small dollar loans. The CFPB's recent rule, if it survives a Congressional challenge, will stop payday loan debt traps by requiring lenders to take steps to make sure people can repay their loans, while also allowing states like MD to continue to provide additional protections.

As the Commission continues its work, we will update you on any new or evolving issues that arise. Again, thank you again for giving us the opportunity to provide you with our comments.

Sincerely,


 Rebecca Bowman
 Administrator