The Maryland Consumer Rights Coalition
January 2008

LIMITING THE COST OF BEING POOR:

An Examination of Financial Products,
Services, and Protections That Impact
Low-Income Marylanders

Acknowledgments

The Maryland Consumer Rights Coalition gratefully acknowledges the Annie E. Casey Foundation for its financial support of this project.

Special thanks are extended to those members of Maryland Consumer Rights Coalition who gave of their time and knowledge to write this report: Louise Carwell, Cheryl Hystad, Charles Shafer and Wendy Weinberg; and to others who reviewed and provided editing assistance, Mark Steinbach and Cleo Manuel Stamatos. We also thank report designer Matt Arozian, who donated his time and helped us quickly produce the publication.

The statements and recommendations contained in this report are those of the Maryland Consumer Rights Coalition and do not necessarily reflect the views of our members, supporters, funders or those individuals and organizations that were interviewed for this report.

Stephen D. Hannan,
Executive Director

December 2007

Maryland Consumer Rights Coalition
P. O. Box 1832
Baltimore, MD 21203-1832

410-528-1591
www.mdconsumers.org

The Maryland Consumer Rights Coalition is a nonprofit consumer education and advocacy organization that promotes fairness and safety in the consumer marketplace.

Additional copies of this report may be downloaded from the website listed above or may be obtained by sending $5 for postage and handling to the Maryland Consumer Rights Coalition at the address above.

Table of Contents

INTRODUCTION

This report surveys laws in Maryland regarding pay day lending, refund anticipation loans, debt management services, check cashing and state bankruptcy exemptions. What follows are discussions of the five topics and recommendations for preserving or enhancing the law currently in place. As the report notes, Maryland has already taken action to protect consumers by legislating in the areas of payday lending and credit counseling. In other areas, this report finds that Maryland lags behind and must take action to improve basic consumer protections.

This report is the second half of the Maryland Consumer Rights Coalition's (MCRC) examination of financial practices that have a disproportionate impact on lower income Maryland residents. The first half of the report, entitled, *"Protecting Homeownership: The Challenge of Preventing Abusive Lending and Foreclosure Practices"* focused on the predatory lending practices that have led to the current crisis in subprime foreclosures (full report available at www.mdconsumers.org). But predatory mortgage loans do not occur in a vacuum. Consumers end up with impaired credit, and therefore in predatory mortgage loans, in part because they end up paying more for routine financial services. These higher payments help to erode the thin line that divides financial success from failure for many consumers.

MCRC advocates for protections both to help prevent consumers from falling victim to abusive financial practices, and to ease the burden of those who do. Some of the recommendations are:

- Limits on check cashing fees and fees on stored value cards (that are used to pay wages to unbanked employees).
- Better regulation and limits on fees charged for refund anticipation loans.
- The development of financial alternatives to payday loans.
- Better oversight of debt management services.
- The creation of a homestead exemption for consumers whether or not the homeowners file for bankruptcy protection

A common thread that joins the topics in this report is that low income residents of Maryland are most affected by laws in the five areas explored. For the most part this is because persons with better credit, better employment, and better income have more of an opportunity to choose how they will pay for their necessities and to bargain for credit. As a result, a person of more modest income will be more likely to use a refund anticipation loan or fall victim to Maryland's low income and asset exemptions. The result is to undermine the economic stability of the most needy, causing ripples that ultimately impinge on the resources of the entire State.

There is no one magic bullet that will end abusive financial practices. One cannot simply outlaw prepayment penalties in subprime mortgages and expect the financial condition of lower income consumers to improve. Rather, this report examines some of the common financial transactions that are subject to abuse and therefore require careful safeguards. This is an important step in ensuring that adequate consumer protections—instead of consumer vulnerabilities—dictate the terms of financial transactions for lower income Marylanders.

MCRC believes it is imperative that legislators and regulators focus on the problems facing consumers in obtaining financial services. Although consumers have more choices in investing and saving, they often do not have sufficient knowledge and education to make those choices wisely. MCRC hopes that this report will stimulate a discussion of the need for improved regulation of, and education about, financial services.

We extend special thanks to the Annie E. Casey Foundation for its patience for the completion of this report - and for its strong support for consumers in Maryland and MCRC’s work on credit issues.

PAYDAY LENDING IN MARYLAND

Overview

Payday lending is a predatory lending practice that plagues people who have trouble making ends meet. Payday loans are short-term loans with extremely high interest rates. The loans are not made based upon a borrower's ability to repay the loan. Lenders typically do not conduct a credit check or ask questions to determine if a consumer will be able to repay the loan. All that the consumers needs is a bank account, a steady source of income and identification.

In a typical payday loan, a consumer writes a personal check or signs an authorization for automatic withdrawals from his or her bank account. In return the consumer receives cash, minus the lender's fees. For example, if a consumer wanted to borrow $200 for two weeks ("until payday"), he or she would write a check, or sign an authorization for a debit of $230. Although at first glance the $30 fee may not seem excessive, the Annual Percentage Rate (APR) on this loan is 390 percent. Even credit cards issued to people with "bad" credit, rarely charge an APR above 30 percent. Most consumers are unable to repay a payday loan at the end of the two-week period and extend or "roll-over" the loan, incurring additional interest and/or fees.

Although the Payday Lending industry claims that consumers use payday loans to cover one-time emergencies, a 2003 study by the Center for Responsible Lending found that 91 percent of all payday loans are made to borrowers with five or more payday loans per year. This study found that borrowers, on average, receive 8 to 13 payday loans from a single payday lender per year. Most borrowers go to more than one lender. Therefore the true number of loans taken out each year by the average borrower is even higher. Consumers who renew their loans often end up paying more in fees than they have borrowed.[1] Three years later, the Center for Responsible Lending issued a further report, indicating that the situation had not improved, and that 90 percent of payday lenders' revenue was collected from borrowers who could not pay off their loans.[2]

Current Regulations

There are laws in Maryland that are aimed at protecting consumers from this predatory practice. The most important safeguard for Maryland consumers can be found in the Consumer Loan Act[3], which places a cap of 33 percent on loans of under $2000. This cap should effectively eliminate payday lending in Maryland. However, payday lending is an insidious problem, with creative lenders continually seeking new ways to evade state consumer protections.

One of the first ways that payday lenders attempted to evade this law was by partnering with banks in states that were not subject to the same lending caps. This "rent-a-bank" practice enabled the lenders to claim that they should not be subject to Maryland's Consumer Loan Act limits. In 2001, the Maryland General Assembly was able to combat this practice through the enactment of a law that prohibited this brokering practice by Maryland businesses that extend credit to consumers.[4] Closing this loophole should have been the end of most of the abusive payday lending in Maryland.

However, unwilling to give up this lucrative business, many payday lenders then attempted to evade the lending limits by endeavoring to disguise payday loans as secured transactions or as payments for other types of services. Ace Cash Express, which has 41 locations in Maryland, changed its loan design to claim that such transactions were "secured."[5] Customers were asked for the brand name of a possession such as a television or VCR, and loaned money based upon this "security." The Maryland Credit Services Businesses Act was amended in 2002 to include secured transactions that would otherwise have been exempted because of their secured nature.

Some payday lenders in Maryland next attempted to disguise their loans as offers of Internet services. In this iteration, the lenders offered - for a fee of only $100 - packages of Internet services that were otherwise available free. Such services might include access to weather reports, or email accounts. These services were even offered to, and paid for, by consumers who did not have either computers or access to the Internet. In 2005 and 2006, the Maryland Department of Labor Licensing and Regulation ("DLLR") sent "cease and desist" orders to five companies[6] engaged in this type of lending, and successfully put these companies out of business. This practice now appears to have ceased.

The current plague of payday lending in Maryland may be the hardest to combat. Payday lenders, located across the country, are now lending to Maryland consumers over the Internet.[7] These web-based businesses do not generally attempt to disguise their products. They also do not attempt to comply with Maryland laws. The problem is not that the laws do not prohibit these practices but that it is very difficult for law enforcement to find, and proceed against, these lenders. Many of these lenders conceal their "real" location. It is also quite easy for these businesses, once confronted, to shut down and reopen immediately under another name.

The Maryland DLLR has taken the position that Internet payday loans made in excess of the Maryland 33 percent loan cap are illegal.[8] It advises people to repay only the principal on their loan and to close the bank account from which the lender takes the automatic debits, if necessary. If lenders report the consumer's failure to pay the interest on the loan to a credit reporting agency, that consumer can file a dispute of the debt with the credit reporting agency. However, this approach does not stop the practice; it simply helps some consumers to limit their damage from such loans.

Conclusion and Recommendations

The problem of illegal payday lending in Maryland will not be solved until consumers have easy and reliable alternatives to these loans. Consumers who do not have ready access to credit may continue to use payday lending as an option because they face little choice about where to go for cash when they need money to meet their monthly bills. Credit unions have started to offer low-cost, short-term loans to people with impaired credit. More banks need to engage in this type of activity, which the credit unions' experience has shown can be a remunerative venture. Until consumers have true alternatives, lenders will continue to find ways to evade the law and consumers will continue to take out loans at abusive interest rates that contribute to their downward spiral in debt. In addition, action should be taken to advise consumers about the loan caps in Maryland through enforcement actions that aggressively target companies that offer payday loans over the internet. MCRC recommends the following actions:

- Encourage credit unions and banks to initiate a program of low-cost, short-term loans for persons with weak credit.
- Create a media campaign that alerts consumers that loans with an APR over 33 percent APR are illegal in Maryland.
- Advocate for the continued enforcement of the present law to find and stop payday lending in Maryland.
- Use creative approaches over the internet to alert Maryland residents about the high cost of payday loans.

TAX REFUND ANTICIPATION LOANS

Overview

Tax Refund Anticipation Loans (RALs) are a product marketed by tax preparation services such as Jackson Hewitt, H & R Block, and Liberty Tax Service. These tax preparers provide loans to consumers based upon their anticipated tax refund. The tax preparer partners with lending institutions, primarily banks which provide the funding for the loan. Consumers pay for these loans through application fees, tax preparation fees and interest charges. Consumers are charged exorbitant rates of interest on the loans whose sole benefit is receiving the amount of their refund a few days early. Consumers who obtain a Refund Anticipation Loan receive the loan on the spot. The Internal Revenue Service advertises that it would be normal for a citizen to be able to receive their refund within a week or two had they filed electronically. Within the last few years, some tax preparers have taken these loans one step farther and have started offering "holiday" or "pay stub" RALs that they make available as early as November. These loans are made available before a wage earner receives a W-2 and are based on their latest pay history, using a pay stub to determine the estimated tax refund. However, the estimated amount may not reflect pre-tax deductions, or withholdings for other reasons. The taxpayer will have to pay the full amount of the loan whether or not the actual refund is large enough to cover the costs and fees. Pay stub RAL fees are most often as high as other RAL's.

Fees associated with a RAL can range from $25 to over $100 dollars per transaction; in addition customers pay between 40 percent to over 700 percent interest on each loan.[9] Advocates point out that these rates are totally out of line with the normal lending risk analysis given the fact that these loans are very low risk.[10] RAL's are secured by the borrower's tax refund that the tax preparer can verify before making the loan by using the Internal Revenue Service's Debt Indicator Service. It will advise a lender if there are any reasons to suspect that there is a claim against the taxpayer that will result in a tax intercept.[11]

RALs appeal to those who either need the refund immediately and/or who do not understand the true cost of the loan, and most customers that use RALs are much more likely to be unbanked. [12]In 2003 there were approximately 12 million RAL customers and that number grew slightly in 2004.[13] During 2004, companies and lenders received more than 1.24 billion in refund anticipation loan fees. [14] The number of RALs declined in 2005 by 22 percent[15] but new RAL products were also introduced to consumers and RAL fees still amounted to an estimated $960 million.[16] Of those who decided to use the RAL product, 56 percent received the Earned Income Tax Credit (EITC). This means that one out of every three EITC recipients uses RALs.[17]

Tax preparation services are not the only businesses taking advantage of RALs as a way to bring in customers. CarBiz, a Canadian company doing business in Florida, markets tax preparation software to its dealers so that they can offer tax services to customers. The customer may then use the RAL toward the purchase of a new car or other vehicle.[18] In addition to car dealers, check cashers and internet sites are also offering RALs in addition to check cashing and other lending services.

In addition to their high cost, consumer advocates, legislative leaders and state officials have challenged the deceptive manner in which RALs are advertised. In 2006 California Attorney General Bill Lockyer sued H & R Block, one of the largest RAL providers alleging that H & R Block misrepresented the true nature of the loan in its advertisements and violated the privacy rights of its customers. In August of 2006, the State Treasurers of North Carolina and Connecticut, and the Comptroller of the State of New York, all managers of their state pension funds, asked H & R Block to change its RAL practices.

The group wrote: "We are concerned that continuing to sell high-interest loans ... to the customers least able to afford them is not only a dubious practice, but potentially places our long-term investments at risk".[19]

Consumers may choose RALs because of an alleged variety of deceptions (whether express or implied). The first is that the consumer believes the tax provider is acting with the consumer's best interest in mind. Secondly, the consumer is unaware of how quickly and easily he or she can obtain a tax refund. Finally, the consumer often does not realize that the loan charge, while appearing to be a small dollar amount, actually represents an exorbitant interest rate.

Prior actions by attorneys general, the FTC and the courts have mitigated the most blatant deceptions. For example, in their original incarnations, RALS were not publicly advertised as loans, but rather as "rapid refunds." The Maryland Attorney General warned consumers of the problems with these loans in a 2005 press release. Attorney General J. Joseph Curran, Jr., urged people to realize that the quick refunds came at a high cost that came out of the money they earned. He also noted that it was often the consumers at the lowest income levels who were the target of RAL marketing and that those individuals were the ones who could least afford to give up any part of their refund.[20]

The new pay stub RAL and holiday RAL have generated additional business for preparers because they permit consumers to receive a loan on their future refund during the holiday season. This product is essentially identical to a RAL except that it is based upon the consumer's final pay stub of the year, so it can be given earlier than the traditional RAL. The timing appeals to some consumers but these types of RALs result in a number of risks and problems related to the fact that the consumer is receiving a loan based on an anticipated refund before the return is ever prepared. The consumer is obligated to repay the amount of the loan even if they do not receive a refund or as much of a refund as anticipated. Further, if the refund is intercepted for some reason, the consumer must repay the loan as they would any other unpaid debt and if they cannot afford to, the debt will go to a collection agency, thereby incurring additional fees and further damaging the consumers credit rating. Finally, the consumer may be required to return to the same tax preparer for preparation of their income tax refund, thus forcing them to spend additional dollars when a free or low cost provider might also be available.[21]

Current Regulations

The Maryland Consumer Loan Law generally governs small consumer loans[22]. That law limits the permissible interest rate on consumer loans of less than

$6,000 to 33 percent.[23] Tax preparers claim to be exempt from the state law because the loans are made by out of state lenders who are not subject to Maryland law. However, Maryland law prohibits any person from brokering a loan that violates state interest rate caps.[24] The issue of whether tax preparers have to comply with state interest rate caps is currently pending before the U.S. District Court in Maryland in a case filed by H & R Block Eastern Enterprises Inc. against the Maryland Commissioner of Financial Regulation.[25] The lawsuit, filed in July, 2007 seeks a declaratory judgment and injunctive relief that RALs originated by HSBC Bank through H & R Block are not governed by the Maryland Credit Services Business Act[26] because H & R Block does not meet the statute's definition of a "credit services business". H & R Block also claims that even if the Credit Services Act does apply to RALs offered through H & R Block, the Maryland law is federally preempted.[27]

While there is no federal law that specifically regulates tax refund loans, the federal Military Lending Act, which took effect on October 1, 2007, bars lenders from charging exorbitant interest rates to military families. The new law caps interest at 36 percent for certain payday, auto title, and refund anticipation loans made to military families. Congress clearly understood the harm caused by these lending practices, and chose to offer protections for military families. The same protection should be afforded to all Marylanders.

Conclusions And Recommendations

As a result of advocacy efforts, nationwide the number of RALs declined significantly. Numerous oppressive practices were stopped either voluntarily by tax preparers or through litigation. However, the new holiday RALs and pay stub RALs have created a new line of business and take funds out of the hands of mainly low income persons at a cost that is still alarming.[28] Both H & R Block and Jackson Hewitt report that a majority of their RAL customers make less than $30,000 annually or in adjusted gross income; HBSC bank reports the majority of their RAL customers earn on average less than $17,800.00 a year.[29]

While Congress, the Internal Revenue Service and the Department of the Treasury conduct investigations and put forth regulations, there are steps that Maryland can undertake:

- Any attempt to regulate RALs should be broad enough to anticipate any similar new products along the lines of the original RALs.
- Consumer advocates in Maryland should work to increase the availability of free tax preparation services for low-income consumers, principally through nonprofit organizations such as the Maryland Cash Campaign and the Baltimore Cash Campaign. More resources should be devoted to these efforts as they provide a good alternative to traditional tax preparers.
- Maryland should enact legislation to regulate tax preparers. Specifically, regulations should establish standards and qualifications for tax preparers and establish a fiduciary duty to the preparer to act in the best interest of the consumer.

DEBT MANAGEMENT SERVICES

Overview of Benefits

Many consumers often turn to Debt Management Services (DMS) when they face mounting debts and debt collectors start contacting them for payment. DMS hold themselves out as an inter-mediator to work out arrangements between financially strapped consumers and the unpaid creditor. Thanks to progressive Maryland regulation, these services provide an valuable service by reviewing the consumer's budget, advising against incurring further debt, establishing a payment plan for the consumer and ensuring that the creditors agree to accept payment, often at a lower or zero rate of interest.[30] The great benefit of the DMS is to help consumers reestablish good credit and avoid collections and bankruptcy. For the creditors the obvious benefit is payment and not having to expend time and resources dunning the consumer, hiring collection firms or retaining legal counsel.

Regulations Currently In Place

Maryland regulates DMS under the Maryland Debt Management Services Act.[31] A DMS is defined as one "receiving funds periodically from a consumer under an agreement with the consumer for the purpose of distributing the funds among the consumer's creditors in full or partial payment of the consumer's debts". The law was enacted in 2003 and contains some of the strongest consumer protections in the nation including:

- The DMS must be a not for profit organization.[32]
- The DMS has to provide consumers with a consumer education program -a plan or program that seeks to improve the financial literacy of the consumer.[33]
- The independent counselor has to review the consumer's financial picture, prepare a budget, go through this information with the consumer and also set out for the consumer lists of creditors that can and cannot be reasonably expected to participate in the plan.[34]
- These counseling and review services must be without charge.[35]
- The consumer must enter into a debt management services agreement and must receive a copy of the agreement that is in at least 12 point type and sets out the schedule of payments, maintenance fees and a list of which creditors will receive payments, and a notice of the right to rescind the agreement by giving written notice.[36]
- Any agreement between a consumer and an unlicensed DMS is invalid and the consumer can recover all fees paid and reasonable attorneys' fees.[37]
- For the service, the DMS cannot charge more than $50.00 to set a debt management plan and $8.00 per month per creditor listed in the DMS agreement up to $40.00 a month for maintenance fees.[38]
- That funds gathered from the consumer are held in a trust account to be used to pay creditors and is separately maintained from the

DMS’s own operating account and unavailable to the creditors of the DMS.[39]

- DSM’s that operate in Maryland are required to be licensed through the Commissioner of Financial Regulation and must be bonded.[40]
- Qualifications for licensure include that the “owners, operators, directors, and principals of the applicant has sufficient experience, character, financial responsibility, and general fitness” to provide the services of counseling in a fair and honest way and to be financial responsible and secure.[41]
- The Commissioner of Financial Regulation can require a minimum level of net work subject to the size and quality of the business. [42]
- A DSM must provide annual reports.[43]
- A DSM may not operate as a collection agency, purchase debt or lend money or provide credit to consumers[44].

During the past several years, the Maryland General Assembly has considered legislation to allow for profit counseling agencies to operate in the State. Proponents of changes to the present law take the position that many nonprofit DMS have lost their tax exempt status because the Internal Revenue Service has determined that they are not truly nonprofit and therefore it makes no sense to deny businesses from operating in the State that are no different from not for profit entities. Consumer Advocates have successfully opposed passage of this legislation arguing that there should be no profit motive linked to counseling consumers in repaying their debts.

Conclusions And Recommendations

The law that regulates DMS in Maryland is very progressive, and includes bonding and licensing requirements and fee limits. The DMS and the consumer must enter into an agreement and the underlying policy of consumer education is apparent in the language of the statute. In order to continue to provide a service that protects consumers on the State level, Maryland should do the following:

- Legislators and consumer advocates should continue to reject efforts to permit for profit DMS in the State.
- The Commissioner of Financial Regulation should review the operations of DMS that operate in Maryland to ensure that they are strictly adhering to the Maryland Debt Management Services Act and providing quality educational services and credit counseling. In order to properly perform its work, the office of the Commissioner of Financial Regulation must have sufficient resources and staff.
- Consumer Advocates should publicize both the existence and scope of the statute so consumers will better understand the services that they should expect from Debt Management Services.

CHECK CASHING SERVICES IN MARYLAND

Overview

Unbanked consumers often turn to businesses that cash checks for a fee. The business may be a stand alone operation that clearly advertises "Check Cashing" in bold letters, a bank cashing a business payroll check for the employee of its business customer, or a part of a small corner store in urban neighborhoods.

Individuals that use check cashing services may be unable to afford to pay bank fees associated with maintaining an account, be afraid that their account may be garnished by creditors, be immigrants (legal and undocumented) that are unfamiliar with banks, or individuals distrustful of banking institutions, or simply may not have a conveniently located bank in their neighborhood. A recent article in TIME stated that the number of "unbanked" in the United States is estimated at 40 million adults.[45] The types of checks cashed include paychecks, tax refunds, money orders[46] and checks from third parties.

Current Regulations

Businesses that engage in these activities are subject to the Maryland Check Cashing Services Act (CCSA).[47] This Act provides for the licensing of all check cashing services.[48] In order to obtain this license a business or person will have to submit to a background check, as well as an inspection of its books and records. The license can be revoked for some criminal conduct as well as fraud or material misrepresentations.[49] There are civil and criminal penalties for violations of the act,[50] as well as a private right of action for injured consumers that includes triple "actual" damages and a minimum of the amount paid, as well attorney's fees.[51]

The CCSA explicitly exempts federal, out of state and in state chartered banks and savings and loans from the licensing and application requirements of the Act. However, the CCSA *does* require that exempt entities adhere to the record keeping requirements, the compliance with federal and state law, posting of fees, fee limits and all other requirements that are set out in the law.[52] (Exempt entities are also subject to any regulation, except licensing regulations that are set out in the subtitle.[53]) As a result the important consumer disclosures and check cashing fee limits that this statute authorizes are virtually the same for any type of business that cashes a check.

The CCSA does not apply to several types of transactions. Those include: where a fee is charged of up to 1.5 percent of the face amount that is "incidental" to a retail sale of goods or services that the check cashing service is provided; if the check is written for the exact amount of the purchase; or the transaction involves foreign currency exchange or cashing of a payment instrument from a financial institution that is not a federal, State or other state financial institution.[54] The CCSA also will not cover transactions governed by the Maryland Consumer Loan Law[55] unless the transaction is one where the check cashing fee does not exceed the fee limits of the subtitle, there is no additional fee to defer presentment or deposit and there is no renewal.[56]

Check Cashing as a Substitute for Bank Accounts

The main consumer protection in the CSSA is the regulation of the fee that check cashers may charge consumers for this service. Fees are limited to the greater of the following[57]:

Type of check	Portion of check amount	Minimum Amount
Government	2 percent	$3
Personal	10 percent	$5
All others (e.g. payroll)	4 percent	$ 5

The check casher may also charge a "one-time membership fee" of $5.00. The Act also requires that check cashers "conspicuously" post a notice of the fees for the service. The notice must be in type of at least 48 point (about ½ inch).[58]

Some employers in Maryland and around the country are using electronic payment of employees' wages instead of payroll checks for their employees.[59] The wages are credited to stored value cards. These cards then operate as debit cards. This method of payment allows employees without bank accounts to use ATM cards at financial institutions and stores to make purchases and receive cash. An employee is able to use the card to make purchases or withdraw cash from ATM machines but there are fees deducted from the value of the card when it is used. Employees authorize this method of payment and then the employers disclose the fees in writing.[60] There is no required disclosure of potential fees for the use of the card. These transactions are covered by the Electronic Funds Transfer Act and subject to the disclosure, error resolution and limitations of liability in that act.[61]

While the CCSA includes some safeguards and consumer protections, the fees limits are still high. This is especially significant when considering that the population most likely to take advantage of check cashing services is one that cannot afford to open a bank account due to poor credit or low income. Thus, a low wage worker can pay over 4 percent of a paycheck and a senior citizen may see a loss of 2 percent of social security, veterans, or pension benefits, if they use a check cashing establishment. Many consumers are fearful of dealing with banks and financial institutions because if they do not have an account with the bank or are unused to dealing with a bank the questions and requirements are confusing or appear intrusive to their privacy. In the article *Profiting from the Unbanked*, C.K. Prahalad, a University of Michigan Economist said, "Check cashing is very popular because even though the costs are very high, there is a certainty to it." This was measured against the fact that bounced check and other fees "that banks pile on are an unacceptable risk to the unbanked, who can't afford lost lose access to their funds." [62]

Conclusions And Recommendations

Check cashing is a lucrative business. ACE Cash Express, which does business in Maryland, reported earning fees of $21.6 million in 2006 for tax checking fees alone.[63] The fees are paid mostly by those with no bank account and who are of modest income. To help low-income and vulnerable Maryland residents to keep more of their money, reforms in this area should include:

- Aggressively marketing basic or low cost bank accounts that are user friendly.
- Educating consumers about the high costs of check cashing fees versus bank fees.
- Amending the CCSA to further lower fees for all checks, particularly government checks.
- Expanding the CCSA to cover foreign currency exchange services or checks and other payment instruments drawn on institutions that are not federal, State or other state financial institutions as this easily results in high fees and confusion for persons who are sending or receiving funds from other countries.
- Regulating fees that can be charged for stored value cards and require that cards be easily usable with minimum expense.
- Further lowering fees for payroll checks if the employee cashes the payroll check at the banking institution on which the payroll check is drawn.

MARYLAND EXEMPTIONS FROM DEBT COLLECTION

Overview

Collecting on debts through the use of garnishment, levy or sheriff sale of an individual's assets is often used after a judgment is entered by a court. On the federal and state level there are specific laws that permit individuals to exempt income and other types of property from creditors executing on judgments. Exemptions permit a person to shield a certain amount of personal or real property from creditors collecting debts through garnishment or seizure. Federal exemptions generally protect federal benefits such as social security and federal pensions, while state exemptions protect other income, personal and real property. State exemptions vary greatly by category of protected property and by dollar amount, but in general, they protect limited amounts of equity in the debtor's home, household goods, state pensions, state benefits, income from employment, clothing, jewelry and motor vehicles.

This year, Maryland was ranked as the richest state in the nation by the U.S. Census Bureau because of the earning potential of its workers and the State's economic advantages.[64] This prosperity translates into higher wages, a higher cost of living, and higher real estate values for all residents. However, Maryland's exemptions fall short in several ways in comparison to the other wealthy states and as a result, the laws of this State do not permit residents to protect what they should to maintain a modest standard of living. Even though the Maryland legislature doubled the dollar amounts that individuals could exempt for many categories of property in 2004, Maryland's exemptions stand among the lowest in the nation in the stated amounts a person may protect in property of any kind.

In a comparison of Maryland with the other top nine richest states we see that Maryland, particularly in the area of homestead exemptions, falls behind.

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
Maryland[65]	No homestead exemption	75 percent or disposable wages of 30 times the federal minimum wage[66]	$5,000 for tools of the trade; $1000 for household goods, clothing, books, pets and other personal items used by the family or a dependent of the family for household use; $6000 for cash or property of any kind (cumulative) if the debtor files an exemption within 30 days of attachment or levy; an additional

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
			$5000 in real or personal property if the debtor files for bankruptcy; no limit on money as a result of illness or death. Maryland has opted out of the federal bankruptcy exemptions
New Jersey	No Homestead exemption	$48.00 per week is exempt. 90 percent if the debtor's income does not exceed 250 percent of the federal poverty guidelines. If the debt is owed to the state then 25 percent of gross wages can be garnished so long as after the garnishment the debtor is still left with 250 percent of the federal poverty level.[67]	$1000 for household goods and furniture; $1000 for all personal property except clothing; pay and benefits from participation in state militia. New Jersey has not opted out of the federal bankruptcy exemptions.[68]

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
Connecticut	$75,000 is exempt(excluding a consensual or statutory lien) and $125,000 is exempt for a money judgment resulting from a hospital debt[69]	75 percent of Wages of 40 times the federal minimum wage.[70]	Food, furniture; appliances and clothing that are necessary, $1500 for a motor vehicle, Tools of the trade necessary for the debtor's employment; wedding and engagement rings, Health aids, burial plots, residential and utility security deposits, certain military items, and a $1000 wildcard exemption in any property. Virtually all types of state assistance payments, alimony and child support, public benefits, public and private pensions, insurance and compensation for injury [71] Connecticut has not opted out of the federal bankruptcy exemptions.
Hawaii	$30,000 for married person, head of household or person over 65 years of age and $20,000 for all others. If married may claim only one homestead. The law covers only one parcel of real property in the State is exempt[72]	95 percent of the first $100 earned per month, 90 percent of the next $100, and 80 percent of all amounts above $200 per month. Also wages earned in the 30 days prior to attachment are exempt.[73]	Necessary furniture, appliances, clothing and books; $2575 for a vehicle (less lien); $1000 in jewelry; necessary tools of the trade including a commercial fishing boat or vehicle used for the debtor's trade, business or profession; burial

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
			place; sale and insurance proceeds of exempt property exempt for six months after receipt; pensions, retirement places and annuities unless there is a claim of an alternate payee under a domestic relations order.[74] Hawaii has not opted out of the federal bankruptcy exemptions.
Massachusetts	$500,000 in a principal family residence unless the debt is as a result of taxes, a debt from prior to the purchase of the homestead, a judgment for the support of a spouse or children. Individuals over the age of 62 may exempt $300,000 per individual. The homestead exemption will not apply unless a homestead declaration has already been filed in the registry of deeds for the county or district where the property is located unless the person is disabled and may then file proof of disability.[75]	$125 per week is exempt.[76]	Necessary clothing, beds, $3000 in other necessary household furniture, one heating unit, one pew, military uniforms, $200 in books, 4 tons of hay, $300 in provisions, one sewing machine worth no more than $200; various amounts for certain livestock; $75 per month for heat, $700 for a vehicle needed for employment, $500 for tools of the trade; certain pensions but sums in excess of 7 percent of the debtor's income deposited within 5 years prior to a judgment or filing bankruptcy is not exempt unless it is a rollover or transfer; $100 in a share account; $125 cash and in a bank account due on wages and an additional $500 in a bank account. [77] Massachusetts has not

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
			opted out of the federal bankruptcy exemptions.
New Hampshire	$100,000. This also applies to manufactured homes, such as mobile homes but not the ground, if it is owned by another entity. [78]	Fifty times the federal minimum wage is exempt.[79]	$3500 in household goods; $4000 in motor vehicles; $5000 in tools of the trade; necessary clothing and $500 in jewelry; and there is a wildcard exemption of $1000 plus up to $7000 in unused exemptions for household goods and other personal items; $800 in books, a burial place, a meeting-house pew; various livestock[80] New Hampshire has not opted out of the federal bankruptcy exemptions.

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
Alaska	$67,500 in the principal residence with the amount adjusted for the Consumer Price Index on October 30 of even numbered years.[81]	$438 of weekly net earnings or $688 if the individual's wages are the sole support of the household. Increases in these amounts are tied to the Consumer Price Index and are adjusted on October 1 of even numbered years. If income is received other than weekly, semi-monthly or monthly, then cash and liquid assets are exempt up to $2750 per month.[82]	$3750 in household goods and clothing; $3750 in motor vehicles for a car not worth more than $25,000; $3500 for tools of the trade; $1250 for jewelry; $1250 for pets; no cap on burials plots and health aids. Also exempt are federal benefits, various insurance proceeds and pension plans. Income benefits that are not entirely exempt are treated as cash and liquid assets.[83] Alaska has opted out of the federal bankruptcy exemptions.

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
California	$50,000 which increases to $75,000 if the debtor is a family member and if at least one other family member owns not interest in the homestead (includes house, boat, mobile home, condominium)or only a community property interest; $125,00 for a debtor over 55 years of age If the annual income is less than $15,000 or $20,000 if debtors are married and the income total is from joint income and the sale is involuntary; $150,000 if the debtor is over 65 or disabled. In bankruptcy the debtor can select the $17, 425 exemption set out in the state Code.[84]	Same as federal wage exemption unless the debtor can prove need.[85]	Ordinary and necessary household goods and clothing. If items are of an extraordinary value then the amount that is exempt is determined by the court based on what would be a normal replacement value. $2300 aggregate equity in motor vehicles; $6075 for tools of the trade (this amount doubles for married couples in the same trade) but not more than $4850 for commercial motor vehicles; $6075 for jewelry, artwork and heirlooms. No limits on cemetery plots and health aids; certain benefits and pensions are fully exempt. Certain of these amounts for tangible personal property is adjusted every three years.[86] California has opted out of the federal bankruptcy exemptions

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
Virginia	Virginia has a homestead exemption of $5000 in any property plus $500 for each dependant. Any profits from the homestead are exempt and there is an additional $2000 in exemptions for Veterans in real and personal property[87]	75 percent of Wages of 40 times the federal minimum wage.[88]	Household goods are exempt up to $5000; motor vehicles up to $2000; tools of the trade up to $10,000, clothing and jewelry to $1000(weeding and engagement rings); a family bible and $5000 for family portraits and heirlooms, burial plots and pets; preneed funeral contract up to $5000.[89] Virginia has opted out of the federal bankruptcy exemptions.
Minnesota	$500,000 for a farm; $200,000 for house or home. Mobile homes are included. If the debtor dies or deserts the family, the proceeds of the house are exempt for one year.[90]	75 percent of Wages of 40 times the federal minimum wage. There is a 6 month period that disallows any garnishment for persons reentering the work for who were incarcerated or on needs based assistance. Wages deposited into a bank account are exempt for 20 days after deposit.[91]	$8550 for household goods; $3800 for motor vehicles; $13,000 for farm implements and $9500 for tools of the trade with the aggregate of the two not to exceed $13,000; all clothing, one watch, $1255 in aggregate in wedding rings and all religious or culturally recognized symbols of marriage exchanged between spouses and in the debtor’s possession; Books and musical instruments, pew and burial place; certain amounts of public benefits, pensions, insurance. Amounts are adjusted for most personal property on July 1 of even numbered years.[92]

State	Homestead Exemption	Wage Exemption	Personal Property Exemption
			Minnesota has not opted out of the federal bankruptcy exemptions

In addition, it is worth noting that the federal bankruptcy exemptions, while below many of the exemptions in the table above, also provide protections for debtors in states that have not opted out of these exemptions. These federal bankruptcy exemptions adjust every three years. [93] Among the most pertinent federal bankruptcy exemptions are as follows:

Homestead	$20,200*[94]
$475 per item in any household goods up to a total of	$9,850[95];
Jewelry	$1,225[96]
Motor vehicle	$3,225[97]
Personal injury compensation payments	$18,450[98]
Tools of trade - books and equipment	$1,850[99]
Wild Card: $925 of any property	$925[100]

Unused portion of homestead to $10,125 may be applied to any property[101]

The lack of a homestead exemption means that a homeowner with a judgment against her, that she cannot pay, is at risk of losing her home. Forty-seven states offer some type of homestead exemption for the principal residence of the head of household or dependents. These exemptions range from a few hundred dollars or a certain amount of land, to an unlimited amount for a dwelling or acreage. This type of exemption protects the debtor, and often the debtor's family, from the collection efforts of creditors, by shielding either the debtor's principal residence or at least a part of the equity in the residence. Maryland is one of the minority of states that have no homestead exemption. The only valuable protection in Maryland arises when the principal residence is held as tenants by the entireties, in which case the entire value of the house is exempt from execution of a debt owed by one spouse. The only other protection available to Marylanders is that a homeowner can elect to exempt $6000 from the forced sale of the home.[102] One result is that in Maryland, it is not simply a failure to pay a mortgage that puts a homeowner in jeopardy of a forced sale of her home.

Maryland's high median income combined with employment growth and Maryland's location near the nation's capital, have created a high standard of living and a real estate market with home values that have dramatically increased in the last 7 years. Even with downturns in home sales and values, Maryland real estate has steadily appreciated and outpaced its neighbors. According to a 2006 article in the *Baltimore Sun*, "[t]he price of the average home sold in the Baltimore region last year has risen 85 percent since 2000 to nearly $300,000 last year, according to Metropolitan Regional Information

Systems Inc."[103] In the third quarter of 2006, the Office of Federal Enterprise Housing Oversight reported that Maryland ranked 10th nationally for "year-over-year housing appreciation" while the District of Columbia ranked 13th and Virginia ranked 17th.[104] Most recently, OFHEO reported that the national rise in housing price increases had slowed to its slowest pace in 10 years, while Maryland has continued to post increases above the national average. In this report, Maryland showed the 18th strongest gain in the country, with the District ranked 20th and Virginia ranked 24th.[105]

Maryland exemptions allow protection from collection action for only a relatively small amount of property. A person of means need not rely on exemptions from execution as a way to protect assets because they have a wider variety of choices to repay debts than a person of low income. The hardship posed by debt is not as burdensome if the consumer has a steady source of income, or has the ability to liquidate possessions, second homes, cars, or other valuables. Exemptions are most meaningful to those with income toward the lower end of the economic scale. Yet, in Maryland's economy, these persons will find little protection for their scarce resources. In particular, for the low or middle-income homeowner, the lack of a significant homestead exemption creates an atmosphere where consumers become vulnerable to predatory lending practices as they struggle to manage their finances and keep their homes.

Conclusion and recommendations

Because Maryland fails to offer a homestead exemption, the consumers most valuable asset – their home - is at risk. Low exemptions hit low-income consumers hardest. Reforms needed include:

- Legislation that establishes a homestead exemption that is commensurate with Maryland property values and that will adjust over time.
- Maryland should increase the amount of its wage exemption to allow low wageworkers, in particular, a way to provide for themselves and their families. The exemption should be based on the federal minimum wage or the Maryland minimum wage, whichever is higher.
- As an alternative to increasing Maryland's exemption it should consider at least adopting the amounts set out in federal bankruptcy exemptions for certain provisions of the State exemptions.

REPORT CONCLUSION AND EXECUTIVE SUMMARY:

More needs to be done in Maryland and nationwide to assist consumers - especially low-income consumers - in obtaining fair financial services. This report offers a brief overview of the challenges faced by low income consumers as they relate to pay day lending, refund anticipation loans, debt management services, check cashing and state bankruptcy exemptions.

MCRC will continue to work with policy makers, consumer advocates, community leaders and foundations on the many policy recommendations made in this report.

MCRC specifically calls for:

- The continued enforcement of the present law to find and stop payday lenders that enter into payday loans with residents of Maryland.
- Limits on check cashing fees and fees on stored value cards (that are used to pay wages to unbanked employees).
- Better regulation and limits on fees charged for refund anticipation loans.
- The development of financial alternatives to payday loans.
- Better oversight of existing debt management services.
- Continued rejections of for-profit DMS.
- The creation of a homestead exemption for consumers whether or not the homeowners file for bankruptcy protection.

MCRC also believes that there are additional changes that should be considered in each of the five areas found within the report.

Pay Day Lending

MCRC believes that this is an area where more than regulation is required to solve what has become an expensive burden for the under and unbanked working poor of Maryland. MCRC concludes that much of the relief for this economic sector is found in private solutions. MCRC intends to:

- Work with credit unions and banks to initiate a program of low-cost, short-term loans for persons with bad credit.
- Create a media campaign that alerts consumers that loans at over 33 percent APR are illegal in Maryland.
- Consider creative approaches to use the internet to alert Maryland residents about the high cost of payday loans.
- Ensure that military personnel and their families who come to Maryland through BRAC and normal rotations are aware of both the Federal and Maryland laws regarding payday loans.

Tax Refund Anticipation Loans

MCRC recognizes that there has been a change in this industry just between 2006 and 2007 with a decrease in the holiday RAL's being offered. We believe that there is more work that can be done both through regulation and private- and public-education campaigns regarding RAL's. Our additional recommendations are:

- Any attempt to regulate RALs should be broad enough to anticipate any similar new products along the lines of the original RALs.
- Consumer advocates in Maryland should work to increase the availability of free tax preparation services for low-income consumers, principally through nonprofit organizations such as the Maryland Cash Campaign and the Baltimore Cash Campaign. More resources should be devoted to these efforts as they provide a good alternative to traditional tax preparers.
- Maryland should enact legislation to regulate tax preparers. Currently the industry is unregulated. While regulating tax preparers will not address the issue of tax refund loans directly, it will help to deal with the additional problem of unqualified people preparing tax returns.

Debt Management Services

MCRC has fought to keep for-profit management services out of the state. We continue to believe that Maryland consumers are better served by nonprofit organizations that offer these services. We believe:

- Legislators and consumer advocates should continue to fend off efforts to permit for profit DMS in the State.
- The Commissioner of Financial Regulation should review the operations of DMS that operate in Maryland to ensure that they are strictly adhering to the Maryland Debt Management Services Act and providing quality educational services and credit counseling. In order to properly perform its work, the office of the Commissioner of Financial Regulation must have sufficient resources and staff.
- Consumer Advocates should publicize both the existence and scope of the statute so debtors will better understand the services that should be provided to them under Debt Management Services.

Check Cashing Services

The under- and unbanked working consumer pays an inordinate amount of their hard earned wages to simply turn a check or stored value card into cash. MCRC believes that the following actions would have a major impact on the finances of the under and unbanked.

- Aggressively market basic or low cost bank accounts that are user friendly.
- Investigate the viability of new bank models for use in underbanked areas.

- Educating consumers about the high costs of check cashing fees versus the actual costs of bank fees.
- Amending the CCSA to further lower fees for all checks, particularly government checks.
- Expanding the CCSA to cover foreign currency exchange services or checks and other payment instruments drawn on institutions that are not federal, State or other state financial institutions.
- Further lowering fees for payroll checks if the employee cashes the payroll check at the banking institution on which the payroll check is drawn.
- Regulating fees that can be charged for stored value cards and requiring that cards be easily usable with minimum expense.

Exemptions from Debt Collection

MCRC believes that after reviewing debt collection exemptions from across the country there are improvements that should be considered in Maryland:

- Legislation is needed to establish a homestead exemption that is commensurate with Maryland property values and that will adjust over time
- Maryland should increase the amount of its wage exemption to allow low wage workers, in particular, a way to provide for themselves and their families. The exemption should be based on the federal minimum wage or the Maryland minimum wage, whichever is higher.
- As an alternative to increasing Maryland's exemption it should consider at least adopting the amounts set out in federal bankruptcy exemptions for certain provisions of the State exemptions.

NOTES

[1] *Quantifying the Economic Cost of Predatory Payday Lending,* A report from the Center for Responsible Lending written by Keith Ernst, John Farris and Uriah King, December 18, 2003.

[2] *Financial Quicksand: Payday Lending sinks borrowers in debt with $4.2 billion in predatory fees every year*, a report by the Center for Responsible Lending by Uriah King, Leslie Parrish and Ozlem Tanik, November 30, 2006.

[3] Md. Commercial Law Code Ann § 12-301 et seq.

[4] Md. Commercial Law Art. § 14-1902

[5] See "Rent-a-Bank Payday Lending: How Banks Help Payday Lenders Evade State Consumer Protections," a November 2001 report by the Consumer Federation of America and U.S. Public Interest Research Group.

[6] Electronic Payment Processing, aka Universal Marketing Corporation, June 2, 2006; MTE Financial Services Inc, dba Cash Advance Network, November 30, 2005; Internet Cash Advance Marketing Inc., dba Oneclickcash.com, May 11, 2005; Cash Net 500 Financial, dba Cashnet500.com & Global Payday Loan LLC, May 11, 2005; Instant CashUSA.com, May 11, 2005

[7] For a comprehensive report on this phenomenon see: "Internet Payday Lending: How High-priced Lenders Use the Internet to Mire Borrowers in Debt and Evade State Consumer Protections," Jean Ann Fox and Anna Petrini, Consumer Federation of America, November 2004.

[6] Per Stephen Prozeralik, Director of Enforcement, Financial Regulation, DLLR.

[9] Jean Ann Fox and ChiChi Wu, *Another Year of Losses: High- Priced Refund Anticipation Loans Continue to Take a Chunk Out of Americans' Tax Refunds,* National Consumer Law Center, January 1, 2006

[10] Chi Chi Wu of the National Consumer Law Center as quoted in Jay MacDonald, *Refund Anticipation Loans Can Carry a High Price*, Bankrate.com, March 15, 2006.

[11] Jay MacDonald, *Refund Anticipation Loans Can Carry a High Price*, Bankrate.com, March 15, 2006.

[12] Id

[13] Jean Ann Fox and ChiChi Wu, *Another Year of Losses: High- Priced Refund Anticipation Loans Continue to Take a Chunk Out of Americans' Tax Refunds,* National Consumer Law Center, January 1, 2006

[14] Id

[15] *Down, But Not Gone: Quick Tax Refund Loans Continue to Gouge Taxpayers and Military*, Consumer Federal of America and National Consumer Law Center, February 5, 2007

[16] *One Step Forward, One Step Back: Progress Seen in Efforts Against High-Priced Refund Anticipation Loans, but Even More Abusive Products Introduced*, The NCLC/CFA 2007 Refund Anticipation Loan Report, Chi Chi Wu and Jean Ann Fox, January, 2007, p.2

[17] California Reinvestment Coalition, http://www.calreinvest.org/predatory-lending/refund-anticipation-loans

[18] Kevin McCoy, *Challenges Mount Against Refund Anticipation Loans*, USA Today, September 17, 2006

[19] Mike Baker, *State's Leaders Oppose H &R Block's Refund Anticipation Loans*, AP News Service, August 15, 2006.

[20] Press Release, Maryland Attorney General, *Consumer Alert: Don't Pay To Borrow Your Own Money-Rapid Tax Loans Expensive, Unnecessary*. February 2, 2005

[21] *Down, But Not Gone: Quick Tax Refund Loans Continue to Gouge Taxpayers and Military*, Consumer Federal of America and National Consumer Law Center, February 5, 2007

[21] *One Step Forward, One Step Back: Progress Seen in Efforts Against High-Priced Refund Anticipation Loans, but Even More Abusive Products Introduced*, The NCLC/CFA 2007 Refund Anticipation Loan Report, Chi Chi Wu and Jean Ann Fox, January, 2007, p.16

[22] Md. Ann. Code, Comm. Law Art 12-301 et seq

[23] (§12-306.)

[24] (Md. Ann. Code, Commercial Law Art. §14-1902(8). This law was enacted in 2001 (and amended in 2002) in order to eliminate payday lending in Maryland. Payday loans, another extremely high cost loan product targeted at low-income individuals, is similar in many ways to the RAL

[25] *H & R Block Eastern Enterprises, Inc. v. Turnbaugh*, Dis. Ct . D. Md., Case No.: 1:07-cv-0182-MJG

[26] Md. Code, Comm. Law Art. §14-1901 *et. seq.*

[27] Connecticut enacted legislation that capped RAL fees and interest at 60%. The cap was struck down by the federal district court on grounds that it violated the National Bank Act. The case is now on appeal to the Second Circuit Court of Appeals. *Pacific Capital Bank, N.A. v. Conn.,* 2006 WL 2331075 (D. Conn. Aug. 10, 2006).

[28] *One Step Forward, One Step Back: Progress Seen in Efforts Against High-Priced Refund Anticipation Loans, but Even More Abusive Products Introduced*, The NCLC/CFA 2007 Refund Anticipation Loan Report, Chi Chi Wu and Jean Ann Fox, January, 2007, p.4

[29] *Id.*, at 11 *citing to* David Rose, Daniel Schneider, and Peter Tufano, *H & R Block's Refund Anticipation Loans: Perilous Profits and the Bottom of the Pyramid,* Harvard Business School, March 1, 2006 at 1. Jackson Hewitt, *Final Prospectus,* June 22, 2004, at 46. Household 2003 Form 10-K at 7.

[30] A DMS is different from a Debt Settlement Company (DSC). The DSC collects money from a customer and when they have reached a certain level of payments, they negotiate with the creditor to settle the debt.

[31] Md. Code Ann, FI Art., 12-901 *et seq.*

[32] Md. Code Ann., FI Art., §12-901 (l).

[33] Md. Code Ann, FI Art. §12-916(d) and §12-916(a).

[34] Md. Code Ann, FI Art. §12-916(a).

[35] Md. Code Ann., FI Art. §12-918(e).

[36] Md. Code Ann, FI Art., § 12-916(b).

[37] Md.Code Ann, FI Art., § 12-916(c).

[38] Md.Code Ann, FI Art., § 12-918(b).

[39] Md.Code Ann., FI Art., § 12-901 (n).

[40] Md. Code Ann., FI Art., § 12-906 and §12-914.

[41] Md.Code Ann. FI Art., § 12-907.

[42] Md.Code Ann. FI Art., §12-907.

[43] Md.Code Ann. FI Art., § 12-921.

[44] Md.Code Ann. FI § 12-920.

[45] *Profiting from the Unbanked*, by Anita Hamilton, TIME, August 16, 2007

[46] Md. Fin. Inst. §12-101(f)

[47] Md. Fin. Inst. §12-101, et *seq.*

[48] *Id.* at §12-105

[49] *Id.* at §12-122(2),(3)

[50] *Id.* at §125 & §126

[51] *Id.* at §127

[52] *Id.* at §103 in §12-113 thru 12-121 and 12-123 to 12-127, (c) (2)

[53] *Id.* at§103(c)(2)(ii)

[54] *Id* at §102 (a)

[55] Md. Consumer Loan Law, Comm Law Art. §12-301 *et seq*.

[56] *Id* at §102 (b)(2)

[57] *Id.* at §12-120(a)

[58] *Id.* at §12-118

[59] Md. Labor & Employment §3-402. The law, passed in 2005, was limited to private employers. In 2006, it was amended to include government employers as well.

[60] *Id.* at §4-402 (e) (2).

[61] 15 USCA §1693 *et seq.*; There are specific disclosure requirements for Payroll Card Accounts at 12 CFR §205.18

[62] *Profiting from the Unbanked*, by Anita Hamilton, TIME, August 16, 2007

[63] *One Step Forward, One Step Back: Progress Seen in Efforts Against High-Priced Refund Anticipation Loans, but Even More Abusive Products Introduced*, The NCLC/CFA 2007 Refund Anticipation Loan Report, Chi Chi Wu and Jean Ann Fox, January, 2007, p.19 *citing to ACE Cash Express, 2006 Form 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934*, at 69.

[64] *Maryland is Ranked As Richest State*, Kelly Brewington, Baltimore Sun, August 29, 2007; http://factfinder.census.gov/servlet/GRTTable?_bm=y&-_box_head_nbr=R1901&-ds_name=ACS_2006_EST_G00_&-_lang=en&-format=US-30&-CONTEXT=grt

[65] The Maryland exemptions are generally located in Md. Code Ann., Cts & Jud. Proc., §11-504 *et seq*. for personal and real property

[66] Md. Code Ann., Comm. Law §15-601.1

[67] N.J. Stat. Ann. §§2A:17-50, 17-56; 17-56.9; 17-56.12.

[68] N.J. S N.J. Stat. Ann. §§2A:17-19, 26-4; 38A:4-8.

[69] Conn. Gen. Stat§§52-352b(t)

[70] Conn. Gen. Stat§§52-352b(d), 52-361a.

[71] Conn. Gen. Stat§§52-352b.

[72] Haw. Rev. Stat.§§651-91 to 93, 96.

[73] Haw. Rev. Stat.§§652-1(a), (b), 651-121, 653-3.

[74] Haw. Rev. Stat.§§651-121, 122, 124.

[75] Mass. Gen. Laws Ch. 188, §1, 1A.

[76] Mass. Gen. Laws Ch. 246, §28.

[77] Mass. Gen. Laws Ch. 235, §34; Ch. 246, §28;

[78] N.H. Rev. Stat. Ann.§§480:1, 480:4.

[79] N.H. Rev. Stat. Ann.§§161-C:11, 512:21

[80] N.H. Rev. Stat. Ann.§§511:2, 511:21.

[81] Alaska Stat. §§09.38.010, 09.38.060, 09.38.065, 09.38.105, 09.38.115; Alaska Admin. Code tit. 8, §95.030

[82] Alaska Stat. §§09.38.030, 09.38.050, 09.38.065, 09.38.105, 09.38.115, 09.38.500: Alaska Admin. Code tit. 8, §95.030

[83] Alaska Stat. §§09.38.015, 09.38.020, 09.38.025, 09.38.115, 09.38.017; Alaska Admin. Code tit. 8, §95.030

[84] Cal. Civ.Proc.Code§§ 487.025, 703.110, 703.0404, 704.710 to 704.730.

[85] Cal. Civ.Proc.Code§§ 706.050, 706.051, 706.052, 704.070.

[86] Cal. Civ.Proc.Code§§ 703.110, 703.040, 703.010 to 704.070; Cal. Civ. Code§703.150.

[87] Va. Code Ann. §§34-4, 4.1, 34-6, 34-14, 18, 22.

[88] Va. Code Ann. §§34-29, 34-32, 34-33

[89] Va. Code Ann. §§34-4, 4.1, 34-6, 34-14, 18, 22, 26 to 28, 28.1, 34

[90] Minn. Stat.§§51.01, .02, .06, .07, 550.37

[91] Minn. Stat.§§550.37(13), (14), (25), 550.136, 571.922

[92] Minn. Stat.§§550.37

[93] 11 U.S.C. §104(b)

[94] 11 U.S.C. §522(d) (1)

[95] 11 U.S.C. §522(d) (3)

[96] 11 U.S.C. §522(d) (4)

[97] 11 U.S.C. §522(d) (2)

[98] 11 U.S.C. §522(d) (11)(D)

[99] 11 U.S.C. §522(d) (6)

[100] 11 U.S.C. §522(d) (1)

[101] 11 U.S.C. §522(d) (3)

[102] Ann. Code of Md., Cts & Jud. Proc. Art. §11-504(b)(5).

[103] *To Many, House Buy Is Impossible Dream*, Jamie Smith Hopkins, March 12, 2006

[104] *Baltimore Business Journal, Despite Slowdown, Area Home Prices Still Rising, Jeff Clabaugh, November 30, 2006*

[105] Washington Business Journal, Area Home Price Appreciation Ahead of National Average, Jeff Clabaugh, Mary 31, 2007.