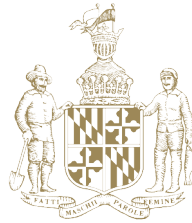


Sponsor Testimony

Uploaded by: Charles Sydnor

Position: FAV

CHARLES E. SYDNOR III, ESQ.
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Judicial Proceedings Committee

Executive Nominations Committee

Joint Committees

Administrative, Executive, and
Legislative Review

Children, Youth, and Families

Senate Chair
Legislative Ethics

Chair

Baltimore County Senate Delegation

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

**Testimony for SB 106
Courts – Judgments – Exemptions from Execution
Before the Judicial Proceedings Committee
January 25, 2023**

Good afternoon Chair Smith, members of the Judicial Proceedings Committee,

Today we revisit a matter we heard last session regarding an issue that would affect over 50% of Maryland residents – state garnishment exemption.¹ In previous testimony given in favor of similar legislation, specific stories of constituents who found themselves in a predicament with holds on accounts that contained money for groceries, or daily living, demonstrates the import and need for this bill, firsthand.² When HB 322 was introduced last session, there was strong discord between the witnesses as to what sort of financial availability some Marylanders have, and the awareness of our constituents to invoke an exemption in the case of a debtor ruling. SB 106 is meant to address the issues raised and to return us to a necessary conversation.

While it is true that Maryland already provides a \$6000 asset protection in instances of garnishment, with the goal of protecting families from financial ruin¹ this \$6000 exemption can only protect certain types of property, choosing to protect a portion of your car, house, bank account, and assets. The caveat here is that most Marylanders do not know they have this protection, nor do they know that there is election process to access this protection.

Currently these protections are not self-executing. Typically, people affected would have no knowledge of the exemption, leaving them susceptible to the fact that “the creditor can take up to 100% of the contents of their bank account.”³ These issues perpetuate the cycle of poverty, and SB 106 will help alleviate at least a portion of this issue. SB 106 modifies Section 11-504 with specific

¹ Maryland Consumer Rights Coalition. Marceline White Testimony for HB 322. February 9, 2022.

² Maryland Volunteer Lawyers Service. Amy Hennen Testimony for HB 322. N.d. MVLS also cited statistics showing that debt collection disproportionately affects people of color, who are female,” earning less than half of the Maryland median income,” with no degree, and dependents.

³ Maryland Volunteer Lawyers Service. Amy Hennen Testimony for HB 322. N.d.

language providing an automatic exemption for \$500 “in a deposit account or other account of the debtor’s choice.”

Senate Bill 106 integrates all the points noted in the initial conversation surrounding HB 322. Overall, 39% of Maryland families are struggling under financial burden, and find it hard to make do in the very necessities that are basic to life.⁴ This legislation is a solution to help Marylanders who will not be able to answer a \$500 asset hold and would have to use credit or have a zeroing out of their account.

For these reasons, I ask you to vote favorably in support SB 106.

⁴ Consumer Credit Counseling Service of Maryland and Delaware. Helene Raynaud Testimony for HB 322. February 9, 2022.

SB106 - PJC - fav.pdf

Uploaded by: David Rodwin

Position: FAV



David J. Rodwin, Attorney
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SB 106: Courts – Judgments – Exemptions from Execution

Hearing of the Senate Judicial Proceedings Committee, January 25, 2023

Position: Favorable

The Public Justice Center (PJC) is a not-for-profit civil rights and anti-poverty legal services organization which seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project works to expand and enforce the right of low-wage workers to receive an honest day's pay for an honest day's work. The PJC **supports SB 106**, which would automatically exempt \$500 from execution on a judgment, protecting the poorest Marylanders from utter destitution.

In a time of increasing costs, SB 106 will protect families living in poverty from total destitution.

- Prices for basic needs are increasing. Many Marylanders, already living paycheck-to-paycheck, incur debts to make ends meet. And, when facing unexpected financial hardship, many turn to credit cards and other short-term loans. While these circumstances affect Marylanders of all backgrounds, Marylanders of color are disproportionately burdened.
- Currently, the law allows for a debtor's bank account to be completely zeroed out as the result of the execution of a judgement. SB 106 will automatically shield \$500 from garnishment, which will prevent many already struggling families from going without basic needs and from becoming further entrenched in debt and poverty.

SB 106 addresses a problem facing many of the Public Justice Center's clients.

- The clients of the PJC's Workplace Justice Project work in places such as restaurants, assisted living facilities, and construction sites, and do work such as cleaning and direct care that society often takes for granted. They come to us when they have been victimized by wage-theft practices that deprive them of their hard-earned wages.
- Our low-wage clients often have debts from expenses like hospital stays or rent disputes. These debts lead to garnishments of their wages and bank accounts. SB 106 would address a problem facing many of our clients, helping them cover the bare bones of the necessities of daily life.

For the foregoing reasons, the PJC **SUPPORTS SB 106** and urges a **FAVORABLE** report. Should you have any questions, please call David Rodwin at 410-625-9409 ext. 249.

The Public Justice Center is a 501(c)(3) charitable organization and as such does not endorse or oppose any political party or candidate for elected office.

SB106 JOTF Testimony FAV - Courts - Judgments - Ex

Uploaded by: Ioana Stoica

Position: FAV



TESTIMONY IN SUPPORT OF SB106

Courts - Judgments - Exemptions From Execution

TO: Hon. William C. Smith, and Members of the Senate Judicial Proceedings Committee

FROM: Ioana Stoica, Policy Advocate

DATE: Tuesday, January 24, 2023

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that advocates for better jobs, skills training, and wages for low-income workers and job seekers in Maryland. We urge you to **vote favorably on Senate Bill 106** as a means of providing protections for families from financial ruin and of leaving families with enough assets that they can make a fresh start as they repay debt.

Maryland law provides \$6000 of protection from debt collectors for all of an individual's property. But, in order to protect these assets, an individual must elect to do so, and very few Marylanders are aware of or able to take these exemptions. As a result, almost all of their income and property can be garnished to satisfy a debt. SB 106 creates an automatic exemption floor of \$500 that must be protected in bank accounts, and enables individuals to retain these assets in order to purchase critical items such as medicine and food, or to pay utility bills, while they work on paying back debt owed.

Liquidity is a critical factor in a household's ability to weather hardship. A study from Bankrate found that nearly six in 10 Americans [do not have enough savings](#) to cover a \$1000 unplanned expense, while a Pew study found that most families are not able to meet unexpected lost income from job loss, illness, injury, or a major home or vehicle repair. Additional research indicates that [low income households are at increased risk](#) of experiencing multiple emergencies.

Due to the already low liquidity experienced by low-income communities, debt collection lawsuits and garnishments are a significant burden for these individuals. In 2016, more than 27,000 Maryland residents had their bank accounts or other property seized to satisfy a debt, while in 2020, the United Way reported that almost 40% of Maryland families are struggling financially to meet their basic needs.

Additionally, debt collection practices disproportionately affect workers of color - due to various structural barriers to opportunity, people of color are far more likely than white workers to earn poverty-level wages and are therefore more likely to have trouble paying back debt while meeting other basic needs. At JOTF, through our experience in workforce

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

training, we have found that our workforce program participants - most of whom are Black, and all of whom are low-income - are significantly impacted by accrued debts and by a lack of liquidity and assets.

SB 106 updates Maryland's outdated formulas for protecting assets, and protects Marylanders from having their accounts zeroed out. Families across the state are struggling, and SB 106 provides a measure of relief and enables individuals to meet their basic needs and get a fresh start as they repay their debts. For these reasons, the **Job Opportunities Task Force urges a favorable report on Senate Bill 106.**

For more information on how SB 106 supports workforce development trainees, please contact Ioana Stoica, JOTF Policy Advocate at ioana@jotf.org or 240-643-0059.

SB0106_OAG_Hyland_FAV.pdf

Uploaded by: Kathleen Hyland

Position: FAV

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WILLIAM D. GRUHN
Chief
Consumer Protection Division

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

Writer's Direct Dial No.
(410) 576-7057

January 25, 2023

TO: The Honorable William C. Smith, Chair
Judicial Proceedings Committee

FROM: Kathleen P. Hyland
Assistant Attorney General

RE: Senate Bill 106 – Courts – Judgments – Exemptions from Execution – SUPPORT

The Consumer Protection Division of the Office of the Attorney General (the “Division”) supports Senate Bill 106, sponsored by Senator Sydnor, which would strengthen the State’s existing property garnishment protections by implementing one of the recommendations of the Maryland Attorney General’s COVID-19 Access to Justice Task Force (“A2J Task Force”). Specifically, SB 106 would amend § 11-504 of the Courts and Judicial Proceedings Article by automatically exempting up to \$500 of a consumer debtor’s bank account, which represents a substantially lower amount than the Task Force recommendation. *See* A2J Task Force, *Confronting the COVID-19 Access to Justice Crisis*, January 2021, at 32.

The A2J Task Force made a number of important recommendations to address issues faced by consumers with debts arising as a result of the pandemic, as well as the significant debt burden prior to the pandemic, including the one that forms the basis for Senate Bill 106. The A2J Task Force found that when a creditor obtains a judgment it will often obtain a garnishment against the debtor’s bank account, which results in the funds in the account being frozen, even if the funds are exempt from garnishment, such as Social Security, or less than the \$6,000 that the debtor may exempt from collection under Maryland law. The debtor is unable to pay rent and other bills while trying to unfreeze the improperly frozen funds. By automatically exempting up to \$500 of a consumer debtor’s bank account from execution of a judgment, SB 106 would help Marylanders in debt preserve minimal financial resources to meet their basic needs. And it is done in a way that is exceedingly fair to creditors, since it would not increase the cumulative value of the cash and property exempted from execution under Cts. & Jud. Proc. § 11-504(b)(6), which will remain at \$6,000.

Senate Bill 106 will help a substantial number of Maryland consumers. Maryland courts are flooded with lawsuits by debt collectors against consumer debtors, the vast majority of which

are resolved via default judgment without the active participation of the debtors. Reports indicate that default often occurs because debtors are unaware of or do not understand the proceedings, do not know their rights, or do not have time or resources to mount a defense. Such default judgments are often against the poor and the judgments can have a disastrous impact on debtors' lives. The end result is that tens of thousands of Marylanders face daunting post-judgment proceedings and enforcement measures that weigh heavily in favor of debt buyers and other creditors.

As the A2J Task Force noted, current Maryland law imposes excessive burdens on people involved with debt proceedings. *Id.* Consumers face body attachment if they fail to appear in court in post judgment proceedings, many consumers are “left with inadequate resources to pay for basic needs after debt judgments,” and consumers “are often overwhelmed by having their wages garnished rather than being allowed to develop a reasonable income-based repayment plan.” *Id.* And while “the pandemic’s economic impact has put more people into legal jeopardy over debt, ... those legal aid organizations that work on consumer debt issues often lack the resources to meet the needs of distressed consumers.” *Id.*

Senate Bill 106 is an important consumer protection that will have a real and substantial benefit to many struggling Marylanders in debt, helping them to meet their essential, basic needs, while having little impact on debt buyers and other creditors. As such, the Division asks that the Judicial Proceedings Committee give Senate Bill 106 a favorable report.

cc: The Honorable Charles E. Sydnor, III
Members, Judicial Proceedings Committee

_Economic Action Maryland HB 42_SB 106 Factsheet.p

Uploaded by: Marceline White

Position: FAV



Protecting Families During Economic Downturns-\$500 Automatic Bank Account Exemption Vote Yes on HB 42/SB 106

What HB 42/SB 106 Will Do

HB 42/SB 106 creates an automatic exemption- a floor of \$500-that must be protected in bank accounts from garnishment. This enables an individual to have a small amount of money to purchase food, medicine, or pay bills while they are paying back the debt owed and avoid costly bank overdraft and non-sufficient fund charges.

This amount-\$500-is not very much for creditors but our analysis shows **it will help protect approximately 50% of Maryland residents in collection from having their bank account zeroed out.**

In fact, this \$500 is far less than many states have enacted. For example:

- CA protects \$1788 in a bank account automatically ([Section 704.220.](#))
- DE prohibits any garnishment of a bank account ([12 Del. C. § 3502\(b\).](#))
- MA protects up to \$2500 ([c. 235 sec. 34\(15\)](#) and ([c. 246 sec. 28A](#))
- NY protects up to \$3600 (240 x the applicable state or federal minimum wage--whichever is higher ([CVP 5232](#)))
- WA protects \$2000 in a bank account, \$1000 is self-executing ([RCW 6.15.010](#))

Why Pass HB 42/SB 106

- **HB 42/SB 106 benefits low-income Marylanders who can't afford a lawyer** by automatically protecting a small amount of money in their bank accounts from garnishment. Our [No Exit](#) report found that **98% of consumers in small debt collection cases do not have a lawyer.**
- **HB 42/SB 106 benefits low-income consumers who seek legal help** by ensuring that there is a small amount of money that consumers can access in their account– even if sums in excess of the \$500 are frozen – while the courts, debt collectors, and attorneys work things out. This \$500 cushion enables individuals to pay off priority bills, buy food, and avoid deeper debt by having to contend with costly bank overdraft and non-sufficient fund fees.
- **HB 42/SB 106 assists low-income individuals and addresses the disparate impact of debt.** Rising rents, food, and utilities have stretched stagnant wages. Food and housing insecurity are increasing. At the same time, we know that debt has a disparate impact. In Maryland, 18.5 % of households of color reported falling behind on bills, compared to

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white households. HB 42 will assist low-income Maryland families, particularly households of color.

Background-MD State Exemption Law

State exemption laws provide protections for families from income or property garnishment. The goal of state exemption laws is to protect households from financial ruin and leave families with enough assets that they can make a fresh start as they repay debt.

Maryland law provides \$6000 of protection (known as a “wildcard” exemption) that can be applied to an individual's property-home, car, cash, and other valuables.

To protect these assets, an individual must **elect** to protect them. In order to protect the \$6000 in assets, an individual must:

- Go to the court’s website and download form DC/CV 36 (attached). It would not be clear to the average person, but the consumer would then select the 6th box to exempt up to \$6k. It’s almost impossible to know you need this form and how to fill it out without a lawyer. As the Maryland Bankers Association representative stated in his testimony -almost no one knows of this exemption so no one uses it. **So in fact, it is a protection and exemption in principle more than in practice.**
- What happens next depends on the jurisdiction. In Baltimore City, the \$6k is ordered released not long after the form is filed. In other jurisdictions, it’s set in for a hearing before the funds are ordered released. In many jurisdictions the bank account remains frozen (no money can be accessed) before funds are made available.

Very few Marylanders are aware of or able to take these exemptions, and as a result almost all of their income and property can be garnished to satisfy a debt. Our [No Exit](#) report found that **98% of consumers in small debt collection cases do not have a lawyer.** Therefore, it is extremely unlikely that they would know of the wildcard exemption or how to take advantage of it.

Proponents and Opponents of HB 42

HB 42/SB 106 is supported by the Office of the Attorney General, consumer advocates, workforce development organizations, financial counseling organizations and notably, debt collectors.

The judiciary took no position on this legislation.

The Maryland Bankers Association has expressed concerns about HB 42/SB 106 and difficulties implementing the law although they have already demonstrated their ability to do so.

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- Maryland banks already exempt Social Security and SSDI in bank accounts under [federal law](#). In other words, banks already have to protect two months worth of benefits from garnishment-using the same process they are raising objections to here.
- Under Gov. Hogan's [April 2020](#) and [March 2021](#) Executive Orders, CARES Stimulus checks were protected from garnishment. Maryland banks quickly and fully complied with this order. Compliance with HB 42 will be simpler as they will only have to ensure that the last \$500 in the account is not garnished.
- **No other state bank association has opposed similar legislation** in states where these laws have passed. In NY, WA, and CA there was no opposition to self-executing exemptions as the bill moved forward. National banks operating in Maryland also operate in these states. Local banks already have to exempt funds and can easily do so. If this law was truly difficult to comply with, other state bankers associations would have opposed it as well-but they didn't.

What HB 42/SB 106 Will Do

- Protect a small amount of money for struggling Maryland households to use to meet their basic needs during this period of financial hardship.
- Maintain enough money in an account to cover basic expenses and avoid increasing their debt by high cost bank overdraft fees and non-sufficient funds charges.
- Protect Maryland taxpayers from having to provide additional emergency funds for food, utilities, etc for these households.
- Supports landlords, local businesses and others by ensuring the family has funds to use and circulate within their community.

VOTE YES ON HB 42/SB 106

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DISTRICT COURT OF MARYLAND FOR _____

City/County

Located at _____
Court Address

Case No. _____

Plaintiff/Judgment Creditor _____

Defendant/Judgment Debtor _____

Address _____

VS.

Address _____

City, State, Zip _____

City, State, Zip _____

**MOTION FOR RELEASE OF PROPERTY FROM LEVY/GARNISHMENT
OR TO EXEMPT PROPERTY FROM EXECUTION
(Md. Rules 3-643, 3-645 and 3-645.1)**

The Debtor asks for release from levy of the property described as: _____

- _____ because:
- the judgment has been vacated, has expired, or has been satisfied.
 - the Judgment Creditor has failed to comply with these rules or an order of court regarding the enforcement proceedings.
 - property sufficient in value to satisfy the judgment and enforcement costs will remain under levy after the release.
 - the levy upon the specific property will cause undue hardship to the Judgment Debtor and the Judgment Debtor has delivered to the sheriff or made available for levy alternative property sufficient in value to satisfy the judgment and enforcement costs.
 - the levy has existed for 120 days without sale of the property.
 - the Judgment Debtor elects to exempt property to the value allowed by law.
 - the Judgment Debtor further requests a court review of the sheriff's appraisal made at the time of levy.
 - the Judgment Debtor has filed an appeal and supersedeas bond and requests a stay of execution on the judgment pending appeal.
 - other (defense or objection) _____

Date

Fax

E-mail

Signature of Defendant

Printed Name

Address

Telephone Number

CERTIFICATE OF SERVICE

I certify that I served a copy of this Motion upon the following party or parties by mailing first class mail, postage prepaid hand delivery, on _____ Date to:

Name

Name

Date

Address

Address

Signature of Party Serving

NOTICE OF HEARING ON MOTION TO ELECT EXEMPTION

A request for a hearing on the Motion of the Defendant to claim exemption from execution has been made by the Plaintiff. You are hereby subpoenaed to appear at the hearing which will be held on _____ at _____ at the court location shown above.

To request a foreign language interpreter or a reasonable accommodation under the Americans with Disabilities Act, please contact the court immediately. Possession and use of cell phones and other electronic devices may be limited or prohibited in designated areas of the court facility.

Date

Clerk

ORDER FOR RELEASE OF PROPERTY

- It is hereby **ORDERED** that
- this matter be scheduled for a hearing on _____ at _____ at the court location shown above.
 - no request for hearing having been made, the property described above be released from levy.
 - a hearing having been held, the property described above be released from levy.
 - the motion to exempt property from execution is granted to the extent of _____
 - an appeal bond having been filed, execution on the judgment is stayed pending appeal or further order of the Court.
 - the Motion is denied.

Date

Signature of Judge

ID Number

DC-CV-036 (Rev. 11/2019)

Reset

Economic Action Maryland SB 106 Bank Garns written

Uploaded by: Marceline White

Position: FAV



Testimony to the House Judiciary Committee
SB 106 Courts-judgments-exemptions from Execution
Position: Favorable

January 25, 2023

The Honorable Will Smith, Chair
Senate Judicial Proceedings Committee
Second Floor, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Judicial Proceedings

Honorable Chair Smith and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing today in support of SB 106.

State exemption laws provide protections for families from income or property garnishment. The goal of state exemption laws is to protect households from financial ruin and leave families with enough assets that they can make a fresh start as they repay debt.

Maryland law provides a \$6000 wildcard exemption—one that the debtor can use to protect a variety of types of property. In Maryland, the wildcard exemption means you can choose to use that \$6000 to protect a portion of your house, car, money in your bank account, tools, jewelry, and other items. In comparison, Mississippi does a better job than Maryland. Mississippi protects a home worth \$75,000 but then also provides a \$10,000 wildcard exemption to cover the debtor's car, bank account, household goods, and all other property.

Currently, the exemption in Maryland is not self-executing, which means that the debtor must know that these exemptions exist and elect to take them. Very few do.

In Economic Action Maryland's 2018 report [No Exit](#), we found that in 2016, there were more than 27,000 property garnishments which include bank accounts or garnishment of other property. Our report also documented that there were more debt collection lawsuits and garnishments in communities of color than in majority-white communities. Our finding mirrors those in national reports that documented that debt collection lawsuits disproportionately affect communities of color.

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This recommendation was one of the key policy recommendations in our 2018 report. This recommendation was also adopted by AG Frosh's Access to Justice Commission as a response to the COVID-19 pandemic.

SB 106 updates our statute which has remained unchanged for the past 30 years. SB 106 sets an automatic exemption for \$500 that an individual can protect in their bank account from creditors. The reason for this protection is self-evident: an individual needs to be able to keep some money to use for food, housing, utilities, and other basic needs until they receive their next paycheck.

SB 106 is particularly critical legislation now to meet this unprecedented moment. Many households continue to struggle with job loss, illness, and a fall in income from the pandemic. At the same time, inflation has led to a rise in rent, food, utilities, and auto insurance creating a strain on those households already living paycheck to paycheck. A 2020 United Way study found that 39% of Maryland families are struggling and find it difficult to meet their basic needs. An October 2020 poll found that 45% of African-American respondents in Maryland would have to either use credit or would be unable to pay an unexpected \$500 medical bill.

SB 106 responds to this critical moment by protecting a minimum level of assets for struggling families. The amount-\$500-is not very much for creditors but our analysis shows it will help protect approximately 50% of Maryland residents in collection from having their bank account zeroed out.

In addition to directly assisting homeowners, the legislation will also protect taxpayers from having to pay for emergency food and shelter for these struggling families; will support landlords, banks, and others because the household will have money to spend in the community.

SB 106 will protect the household because if all money were zeroed out of a bank account, the individual would be hit with costly overdraft fees, deepening poverty and making it even harder to recover. SB 106 is easy for banks to manage since the amount is self-executing and it saves the courts time and money in terms of processing exemptions. In fact, Maryland banks have already demonstrated their ability to execute this kind of protection when in 2020 they protected stimulus funds from garnishment.

SB 106 extends some much-needed protections for financially struggling Maryland families, saves taxpayers and the state money, ensures that landlords, utilities, banks and others continue to receive payment for loans, bills, etc., and reduces costs and time for banks and for courts.

For all these reasons, we support SB 106 and urge a favorable report.

Best,

Marceline White
Executive Director

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NCLC analysis of MD HB 42 SB 106 2023 01_17.pdf

Uploaded by: Michael Best

Position: FAV



Testimony in Support of Md. H.B. 42 / S.B. 106

January 17, 2023

This written testimony is submitted on behalf of the National Consumer Law Center in support of Md. H.B. 42 / S.B. 106, which would amend Md. Code, Comm. Law § 11-504 to create a self-executing \$500 bank account protection that will shield that minimal amount from seizure by creditors. Enacting this legislation is an important step toward strengthening Maryland's weak protections for families struggling with debt. The self-executing component is key, as \$500 will be protected from seizure or being frozen without having to navigate the courts to claim an exemption as is now the case in Maryland.

Why State Exemption Laws Are Important

State exemption laws are a fundamental protection for families. Without these laws, once a creditor obtained a ruling from a court that a consumer owed it a sum of money, the creditor could seize the debtor's entire paycheck, bank account, car, and household goods, and sell the debtor's home. Exemption laws place limits on these seizures. They are designed to protect consumers and their families from poverty, to preserve their ability to be productive members of society, and to recover from financial setbacks.

The COVID-19 pandemic exposed the enormous gaps in the states' exemption laws. Only when stimulus checks started going out to families' bank accounts did many states realize that they had no protection for a basic amount in a bank account. As workers lost jobs and hours, states scrambled to institute moratoriums on wage seizure, bank account balance seizure, and collection lawsuits. While employment has since recovered, the highest inflation rates in a generation are once again pushing families to the breaking point as the cost of basic necessities soars.

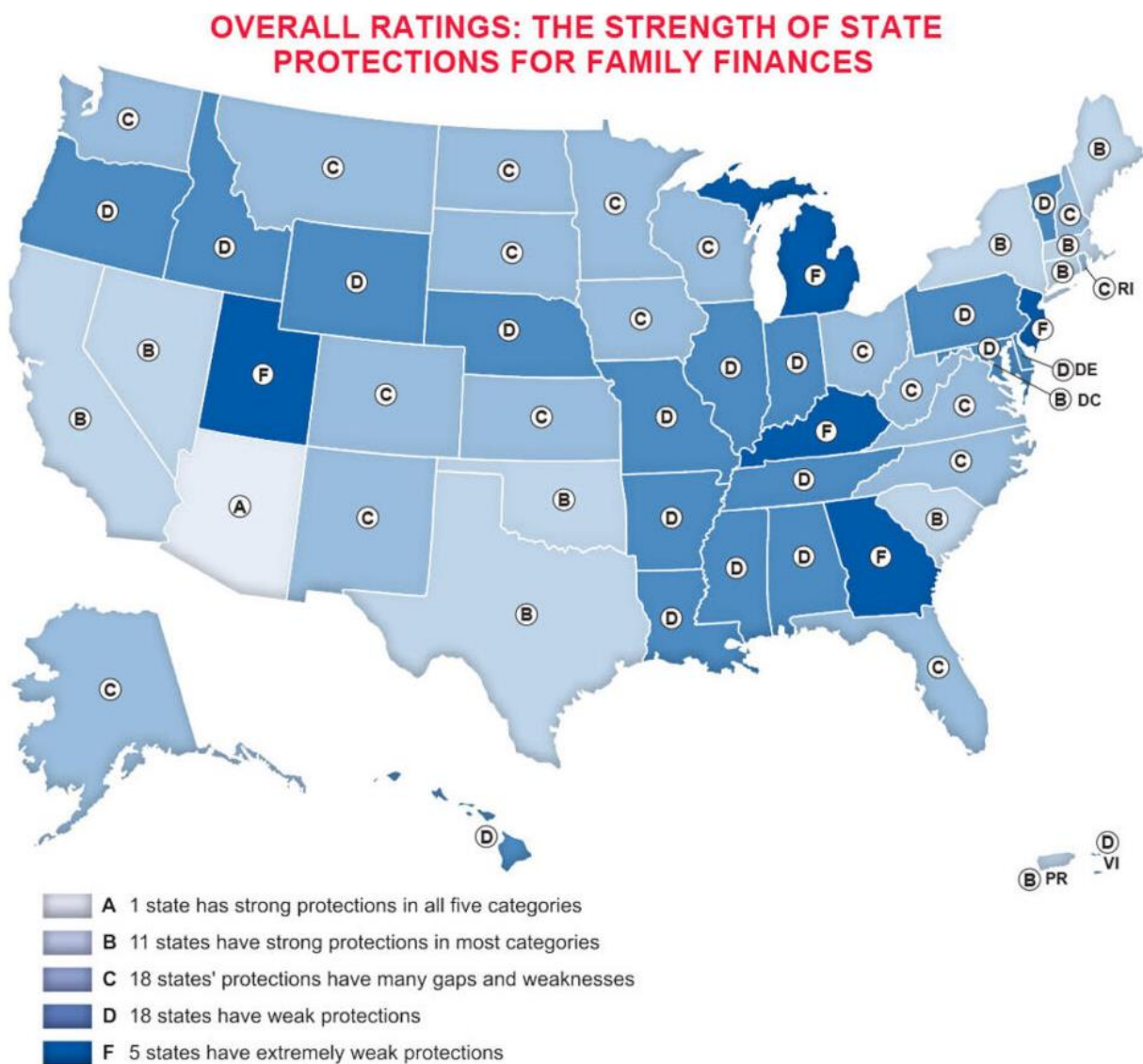
Increasing costs are forcing families to take on a mountain of debt. People struggling to get back on their feet after the one-two punch of a pandemic and inflation are likely to face a wave of lawsuits for medical bills, back rent, credit card debt, the balance due on repossessed cars, and even utility bills.

Exemption laws are particularly important because they protect cars, work tools, and other property that consumers need to stay in the workforce. When individuals lose their jobs, the consequences fall not just on them and their families, but also on landlords, local merchants, and other creditors that the consumer might have paid.

Without improved exemption laws, seizures by debt collectors will drain away the wages and resources that families need—and that the local economy needs them to be spending at Main Street businesses. Reform of exemption laws not only protects families from destitution but can also act as an economic stimulus tool that steers money into state and local communities.

Exemption laws also deter predatory lending. Creditors are less likely to make unaffordable loans if they know they will have to rely on the consumer's ability to repay the debt, not on seizure of the consumer's essential property. The gaps in exemption laws also give debt collectors enormous leverage. By threatening to take a debtor's essential personal property, such as the family car or household goods, a debt collector may persuade a debtor to use the money needed for rent or medicine to pay an old credit card bill that ought to be a much lower priority.

Exemption laws are primarily an area of state authority. Most distressed consumers depend on state garnishment and attachment rules for their protection. In NCLC's 2022 report, [No Fresh Start 2022: Will States Let Debt Collectors Push Families Into Poverty as the Cost of Necessities Soars?](#) we gave Maryland's exemption laws an overall grade of **D**, placing it behind 30 other states.



Protecting a Basic Amount in a Bank Account

Our ratings of the states are based on five essential protections – for the debtor’s wages, the home, the family car, necessary household goods, and a basic amount in a bank account. Protection of a basic amount in a bank account is particularly important. Even if a state’s exemption laws protect a debtor’s wages, home, car, and household goods, a debtor needs access to a basic amount of cash to commute to work, buy groceries, and make the upcoming rent or mortgage payment or the next payment on the family car. A debtor who is left without cash may also be unable to pay for housing, transportation, daycare, utility service, and other necessities.

Unless the debtor files bankruptcy, the only protection that Maryland currently provides for the family home, the family car, more than \$1,000 in household goods, or cash is a \$6000 wildcard exemption - far below the amount necessary to protect even a working car and the basic household goods a family needs, much less enough cash to pay the next month’s rent, groceries, and daycare. Moreover, without a self-executing protection for a basic amount of cash, the family’s bank account is likely to be frozen as soon as the court order reaches the bank, creating an immediate crisis and causing a cascade of bounced checks, declined debits, and insufficient funds fees.

Md. H.B. 42 / S.B. 106 provides a \$500 exemption to protect a small amount in a bank account from seizure by creditors and specifies that such protection is self-executing – preventing family bank accounts from being zeroed out by creditors or completely frozen while they navigate the process needed to claim the wildcard exemption in court.

At least six states—California, Connecticut, Nevada, Massachusetts, New York, and Washington have created a self-executing protection for a specified amount ranging from \$400 in Nevada to \$3,600 in New York. A self-executing protection for a specified dollar amount, without regard to the source of the funds, ensures that the exemption will achieve its purpose of protecting the debtor, saves time and money for the legal system, and relieves banks of the need to do complicated accounting or assist the debtor in tracing the source of the funds.

Enacting Md. H.B. 42 / S.B. 106 would represent a major improvement for working families in Maryland that are struggling with debt.

About NCLC

The National Consumer Law Center (NCLC) is a non-profit organization, founded in 1969, that works to advance fairness in the marketplace for low-income consumers. This testimony was prepared by April Kuehnhoff, a Staff Attorney at NCLC whose work focuses on advocacy for fair debt collection. She is the co-author of NCLC’s Fair Debt Collection and a contributing author to *Surviving Debt*. This analysis draws from NCLC’s 2022 report, [No Fresh Start 2022: Will States Let Debt Collectors Push Families Into Poverty as the Cost of Necessities Soars?](#)

Please contact April Kuehnhoff (akuehnhoff@nclc.org) if we can provide any further information.

CASH_ SB 106 Courts - Judgments - Exemptions From

Uploaded by: Robin McKinney

Position: FAV



SB 106- Courts – Judgments – Exemptions from Execution
Senate Judicial Proceedings Committee
January 25, 2023
Support

Chairman Smith, Vice-Chair and members of the committee, thank you for the opportunity to provide testimony in support of Senate Bill 106. This bill will allow individuals and families to protect a modest reserve of money in bank accounts from debt collection.

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.**

Under the current law Maryland families do not have automatic protection of even a small amount of savings in a bank account against debt collection once bankruptcy is declared. While households could potentially use the wildcard exemption to safeguard some money, most would instead prioritize using the bulk of the wildcard towards keeping a low-value vehicle, essential for employment, and leaving them almost no savings.

Access to liquid assets is a key factor in a household's ability to weather hardship¹. Senate Bill 106 would enable families to have a flexible, modest financial cushion to meet unexpected expenses, such as home repair, auto repair, and medical emergencies. A Pew study found that the average financial shock cost about \$2,000, but over a quarter of respondents needed to spend \$6,000 dollars or more². Data also shows that low-moderate income households are at increased risk of experiencing multiple emergencies³.

The current law deprives families of the ability to meet sudden life demands and serves to drive them further into poverty. The dual financial and health challenges of the pandemic will expose more families in Maryland to these strict bankruptcy measures leaving them vulnerable and unable to address urgent needs.

Senate Bill 106 will allow families meet unexpected emergencies by:

- Protecting a modest amount of funds in a bank account

For these reasons, we urge this Committee to return a favorable report on SB 106.

¹ <https://www.stlouisfed.org/publications/in-the-balance/2017/cash-on-hand-is-critical-for-avoiding-hardship>

² https://www.pewtrusts.org/~media/assets/2015/10/emergency-savings-report-1_artfinal.pdf

³ <https://www.irp.wisc.edu/publications/focus/pdfs/foc301c.pdf>

Written Testimony Regarding Senate Bill 106.pdf

Uploaded by: William Steinwedel

Position: FAV



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

January 25, 2023

The Honorable William C. Smith, Jr., Chairman
Maryland Senate Judicial Proceedings Committee
Miller Senate Office Building
2 East
Annapolis, Maryland 21401-1991

**RE: Testimony of Maryland Legal Aid in Support of Senate Bill 106 –
Courts – Judgments – Exemptions from Execution**

Dear Chairman Smith and Members of the Committee:

I am the Supervising Attorney for the Foreclosure Legal Assistance Project at Maryland Legal Aid (MLA) and appreciate the opportunity to submit testimony in favor of Senate Bill 106. MLA is Maryland's largest non-profit law firm, with 12 offices serving each of Maryland's 24 jurisdictions, providing free civil legal services to the State's low-income and vulnerable residents. Our advocates represent individuals and families who are fighting each day to make ends meet yet struggle with basic needs, consumer debts and housing stability. MLA submit this written testimony at the request of Senator Charles Sydnor. We ask that the Committee grant SB 106 a favorable report and urge its ultimate passage.

While the garnishment exemption of up to \$6,000 in a bank account has existed under Maryland law for some time, it is an exemption that the judgment debtor must claim in writing and file with the appropriate court. Many debtors are unrepresented and do not realize that this exemption exists -- even if they do, they do not understand the process and paperwork required to claim it. Despite MLA's best efforts to reach those affected, we cannot represent everyone who needs help with that paperwork. By providing an automatic \$500 exemption, the State of Maryland would protect low-income people from collection without requiring them to navigate this complex system. At the same time, there will be fewer cases for courts to adjudicate and less burden on the judicial process.

In addition, the consequences of a garnishment can be grave. Some banks freeze the entire account once a judgment creditor issues a garnishment, which prevents low-income households from access to money that they desperately need. While certain federal benefits are also protected from garnishment, not all Marylanders receive those benefits; this bill protects those individuals from losing their last dollars. Therefore, the status quo is not only cruel but

counterproductive, often impeding the individual's ability to keep working or attending school and harming the family and community members who depend on them.

MLA advises and represents thousands of individuals each year who face garnishments and only learn about the garnishment when they attempt to pay a bill or withdraw funds for daily expenses. Often, the individual is further penalized by bank charges for NSF and overdraft fees. Typically, these people have little or no resources left and they are panicked—and understandably so. Even if the person is somehow able to file a Motion to exempt funds or property in the account, the Court will usually take at least 14 days to consider the Motion. During that time, the person has *no access* to the funds in the account. SB 106 protects a small amount of cash upon garnishment, lessening the panic and allowing the consumer to survive a bit longer while the courts decide the underlying legal issues. After that, the person may file to protect additional funds and have that request reviewed by a Court.

To be clear, this bill will not harm a judgment creditors' ability to garnish wages; they can still seize a significant portion of an impacted consumers' property. SB 106 will simply protect \$500 of the existing \$6000 exemption available to all Marylanders, an amount especially critical for our low-income individuals and families who desperately need every last dollar they can manage to pay for and their families' rent, food, utilities, medication, living expenses, transportation, and other essential needs, particularly in inflationary times.

Thank you for your consideration of this written testimony. For the reasons stated above, and in order to better serve the needs of thousands of low-income people statewide who could benefit from this legislation, **Maryland Legal Aid urges a favorable report on, and passage of, Senate Bill 106.**

/s/ William F. Steinwedel

William F. Steinwedel, Esquire

Supervising Attorney, Foreclosure Legal Assistance Project, Maryland Legal Aid Bureau

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SB0106 - FWA - GR23.pdf

Uploaded by: Drew Jabin

Position: FWA



SB 106 - Courts - Judgments - Exemptions From Execution

Committee: Senate Judicial Proceedings Committee

Date: January 25, 2023

Position: Favorable with Amendments

The Maryland Bankers Association (MBA) **SUPPORTS SB 106 WITH AMENDMENTS**. This bill would exempt up to \$500 from execution on a money judgement, without election by the judgement debtor. While well intentioned, SB 106 does not totally account for key facets of Maryland's judgement garnishment and exemption laws and as written does not fit with the reality of Maryland's current garnishment and exemption framework.

Garnishee Banks Cannot Replace the Courts as Gatekeepers for Exemption Claims

Under Maryland law, exemptions require debtor election. That is, when a creditor seeks to enforce its judgment via court process (such as through bank account garnishments), the debtor may file a motion electing to exempt certain property from execution. Under this framework, the court serves as a gatekeeper to ensure that the debtor obtains only the proper exemptions to which an individual is entitled. Under the current system, a creditor could object if the debtor's election is incorrect or if the debtor has already exhausted the permitted exemptions.

SB 106 could automatically trigger a \$500 cash exemption from bank account garnishment, but the \$500 exemption will count against a debtor's \$6,000 cap on exemptions. The problem is that by bypassing the court, SB 106 implicitly requires banks to determine whether a debtor has funds available in the \$6,000 wildcard exemption from which to apply the automatic exemption. A debtor could have already exhausted their \$6,000 cap, but the garnishee has no way of knowing.

The interplay between SB 106's Automatic Exemption and Preexisting Automatic Exemptions

Under federal law, certain federal benefits, such as Social Security benefits or VA benefits, are automatically exempt from garnishment. To the extent that another automatic exemption does not fully exempt a debtor's deposits, garnishee banks will not know whether the automatic exemption contemplated by SB 106 (a) stacks on top of the other automatic exemptions or (b) gets subsumed within the other automatic exemptions.

MBA looks forward to working with the sponsor and stakeholders to address concerns with the

bill. Accordingly, MBA urges issue a **FAVORABLE** report on **SB 106** with **AMENDMENTS**.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing more than 30,000 Marylanders and holding more than \$181 billion in deposits in over 1,000 branches across our State. The Maryland banking industry serves about 4 million customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

SB106-MDLACTestimony.pdf

Uploaded by: Kathleen Elmore

Position: UNF



Maryland Legislative Action Committee
The Legislative Voice of Maryland Community Association Homeowners

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January 17, 2023

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Senator William C. Smith, Chair
Senator Jeff Waldstreicher, Vice Chair
Senator Charles E. Sydnor, III, Sponsor
Judicial Proceedings Committee
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB 106
Courts - Judgments - Exemptions from Execution
Position: OPPOSE
Hearing Date: January 25, 2023

Dear Chairman Smith, Vice Chairman Waldstreicher, Senator Sydnor, and Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with community associations (condominiums, homeowners’ associations, and cooperatives) throughout the State of Maryland.

We oppose SB 106 which provides for an automatic exemption of up to \$500 dollars from a bank, or similar financial institution, garnishment filed by a creditor to collect a judgment debt.

Maryland Legislative Action Committee
Post Office Box 6636
Annapolis, Maryland 21401

Condominiums, cooperatives and homeowners' associations are non-profit associations that provide a stable and safe housing environment for Maryland residents. When the assessments are not paid, these associations must attempt to collect from the recalcitrant parties. Shortages must be made up by taking money from repairs funds and/or increasing the assessment amounts to all. Once a judgment is obtained, the associations have a very difficult time as it is attempting to collect. It is unfair to automatically exempt \$500 of the debt without any election by the debtor. Many of the judgments are small claims. This bill if passed would make a difficult collection process even more difficult. Debtors already have a right to exemption up to \$6,000. All they must do is claim the exemption. CAI-MD-LAC opposes this bill.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at lisa.jones@mdlobbyist.com, or Steven Randol, Chair of the MD-LAC, 410-279-8054, or by e-mail at srandol@pineorchard.com, or Kathleen Elmore, Emeritus Member, of the MD-LAC, at 410-320-6367, or by e-mail at kelmore@el-grp.com.

Sincerely,

Kathleen M. Elmore
Kathleen Elmore, Esquire
Member, CAI MD-LAC

Steven Randol
Steven Randol
Chair, CAI MD-LAC

SB 106-AOBA-UNF.pdf

Uploaded by: Ryan Washington

Position: UNF



Bill No: SB 106-- Courts - Judgments - Exemptions From Execution

Committee: Judicial Proceedings

Date: 1/25/2023

Position: Unfavorable

The Apartment and Office Building Association of Metropolitan Washington (AOBA) represents members that own or manage more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George's Counties.

To obtain a judgment against a tenant for failure to pay rent, housing providers must endure a lengthy and cumbersome legal process. Often, this requires housing providers to work with debt collectors to collect a fraction of the owed rent. This bill will prolong that process by automatically exempting \$500 from the amount that the tenant owes the housing provider from any attempted garnishment.

Owed rent is the single source of revenue used to cover all operating expenses, including mortgage payments, payroll, taxes, utilities, business licenses, insurance, general maintenance, and significant capital improvements. Prolonging or making it more difficult to collect owed rent requires housing providers to cut back on staffing, investments, or other capital improvements on a property.

For these reasons, **AOBA respectfully urges an unfavorable report to SB 106.** For further information, please contact Ryan Washington, AOBA Manager of Government Affairs, at 202-770-7713 or rwashington@aoba-metro.org.