



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

Located at _____ City/County _____ Case No. _____

Court Address

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 _____ Signature of Defendant _____
Fax _____ Printed Name _____
E-mail _____ 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 _____ Address _____
Name _____ Address _____
Date _____ 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