



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

**Senate Bill 630 – Real Property – Contract Liens – Medical Debt
Assigned to Judicial Proceedings
Hearing on February 16, 2023
Position: FAVORABLE**

Maryland Legal Aid (MLA) submits its written and oral testimony on SB 630 in response to a request from Senator Ariana B. Kelly.

Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents, including abused and neglected children, nursing home residents, and veterans. With 12 offices serving residents in each of Maryland's 24 jurisdictions, MLA handles civil legal cases involving a wide range of issues, including family law, housing, public benefits, consumer law, and criminal record expungements to remove barriers to obtaining child custody, housing, driver's licenses, and employment. MLA supports SB 630.

MLA has significant experience with the effect of medical debt, consumer debt collection, foreclosures, and bankruptcies. SB 630 expands protections against medical debt for consumers and prevents a judgment lien on owner-occupied residential property as the result of a contract or breach of contract for the payment of medical debt. Because this bill provides expanded protections against medical debt for consumers and prevents liens against owner-occupied residential real property, MLA urges a favorable report on SB 630.

Medical debt and mortgage foreclosure are among the most severe financial hardships facing all Marylanders. Medical debt affects all people and demographic groups and is largely unavoidable. It is more likely incurred by people with disabilities, those who are in ill health, the poor, and older adults. The Peterson Center on Healthcare found that 12% of adults with incomes below 400% of the federal poverty level report having significant medical debt¹. The Abell Foundation reports that 15% of Marylanders have unpaid medical debt² and it is the number one cause for bankruptcy in the Maryland³. In 2020, over 140,000 lawsuits were filed to collect medical debt, and over 25% of them resulted in wage and property garnishment⁴.

Foreclosure is another severe hardship affecting Marylanders and a leading cause of bankruptcy, as well. In the most recent DHCD publication on Property Foreclosure Events, Maryland's foreclosure rate is the 4th highest in the nation behind NJ, NV, and SC⁵. Maryland actually "improved" to 4th after posting one of the largest quarterly declines of foreclosure activity in the nation⁶. Despite this "improvement", our state average foreclosure rate of 12.8% is significantly higher than the national average of 7.6%. A distressed homeowner in mortgage default and facing foreclosure is often battling other debt collections actions, as well, and medical debt is a top cause.

It is the goal of MLA to prevent foreclosure, preserve homeownership and reduce the economic burdens of systemic poverty. Oftentimes, representing a client in financial distress is an

exercise in peeling back many layers of accumulated problems – insufficient income, loss of employment, delinquent taxes, collections, utility shutoffs – all these issues impacting the security and stability for individuals, families, children, and those who want to age-in-place. SB 630 prevents creating an additional layer of problems – it prevents a lien against the person’s home as the result of unpaid medical debt. While it may be believed that judgment liens for medical debt are rare, judgments entered in the District Court of Maryland for Baltimore City are, as a matter of law, automatically placed against any property that the Defendant has in Baltimore City. In other counties, the matter must be brought in circuit court for a judgment lien to attach.

Medical debt and high rates of foreclosures threaten Maryland homeowners. At MLA, we welcome legislation that will remove barriers for consumers and offer greater relief from adverse debt collection actions. SB 630 expands current Maryland law that prohibits hospitals from placing liens on patients' homes due to outstanding medical debt⁷. SB 630 applies to all outstanding medical debt arising from medically necessary services. In doing so, SB 630 will give homeowners some relief from encumbrances that block available financial solutions to housing related issues. For these reasons, Maryland Legal Aid requests a favorable report on SB 630.

Respectfully Submitted,

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