



Memorandum in Opposition

January 27, 2020

State of Maryland HB 365 Committee on Economic Matters

Dear Members of the Committee on Economic Matters:

On behalf of PRA Group, Inc. and its wholly-owned subsidiaries (collectively, "PRA"), I'm writing in **opposition** to HB 365. This bill renders courts' valid judgments virtually meaningless and would have a detrimental impact on the availability of affordable credit to Maryland consumers.

PRA is a publicly-traded company that, through its subsidiaries, purchases portfolios of consumer receivables from major banks and partners with individuals as they repay their obligations and work toward financial recovery. We are a leader in the debt purchasing industry and take our leadership obligations within our industry seriously. We work with consumers to resolve their obligations and typically offer a steep discount on the face value of the debt. In addition, we charge no interest or fees on our unsecured debt portfolios.

Despite our very consumer-focused approach, we sometimes must resort to litigation to recover debt obligations from consumers with the ability to pay but not the willingness. When we do proceed to litigation and a court awards a judgment for a valid debt obligation, wage garnishment is the primary way we collect on the judgment. If the garnishment law that governs this last-resort process has no teeth, courts' judgments will be rendered meaningless.

Garnishment is a well-established, court-supervised, formal procedure that allows us and other judgment creditors to seek repayment by collecting a small fraction of a non-paying judgment debtor's wages. Obtaining a garnishment order requires creditors such as retailers, banks and credit unions, financial services companies, professional service firms, private student loan lenders, and a variety of small businesses to go through a lengthy, costly and rigorous legal process.

As currently drafted, HB 365 would limit the amount of funds a judgment creditor may garnish from a consumer's wages by substantially increasing the amount of a consumer's disposable earnings that would be exempt from attachment. The consumer's disposable earnings would need to exceed 50 times the Maryland state minimum hourly wage before they are subject to wage garnishment. Even then, 75% of the consumer's disposable income would remain exempt



from wage garnishment. This is a substantial change to the current law, but the ultimate impact of the proposed law change would not be on judgment debtors. The ultimate impact of HB 365 will be felt by Maryland consumers who seek credit to get a mortgage, car loan, or credit card. The unintended consequences of HB 365 will be to disincentivize lenders from doing business in Maryland, therefore causing the availability of credit at reasonable prices to go down. For this reason, it is critical to maintain a reasonable level of wage garnishment so that Maryland continues to be a state where creditors who have extended money and have not been repaid are able to recoup the outstanding debt owed to them. Without the ability to recoup valid debt obligations, creditors will have little incentive to lend money to Maryland consumers in the first place.

Thank you very much for your attention in this important matter. Please feel free to contact me directly for any further information.

Best regards,

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