MARYLAND-DC CREDITORS BAR ASSOCIATION, INC.

OPPOSE HB 365

The MD/DC Creditors Bar Association ("Creditors Bar") is an association of forty-five member law firms who practice collections law in the State of Maryland and the District of Columbia. The Creditors Bar was formed in 2003 for the purposes of collegial support, mentorship, and collaboration to formulate and implement best practices in the field of collections law. The Creditors Bar **opposes House Bill 365** as currently drafted.

This bill proposes to limit the amount of funds a judgment creditor may garnish from a consumer's wages in a court-ordered wage garnishment proceeding by substantially increasing the amount of a consumer's "disposable earnings," or net earnings, which would be exempt from attachment. The consumer's "disposable earnings" would need to exceed 50 times the Maryland state minimum hourly wage prior to being subject to a wage garnishment. Even then, 75% of the "disposable income" would remain exempt. Should this proposed bill be enacted utilizing the current state minimum wage of $11.00 an hour, a consumer would have to earn over $35,750.00 per year, exclusive of the federal income tax withholding calculations, to be subject to a wage garnishment. When the state minimum rate is increased to $15 an hour, a consumer would have to earn over $48,750.00 per year, exclusive of the federal income tax withholding calculations, to be subject to a wage garnishment.

Additionally, the bill creates a number of unintended consequences that may have a detrimental effect on consumers in the following ways:

- Create an entire class of people who will never be required to pay off their judgments; this will affect their creditworthiness, as judgments are part of the public record for at least 12 years.
- Increase the number of bank garnishments and other post-judgment remedies. Currently, most firms discontinue other, more burdensome efforts once a wage garnishment is in place.
- Unfairly punish anyone that makes over the exemption amount. As an example, if a consumer earns $35,750 annually, they would not pay anything. However, if that same consumer earns $38,000 annually, at the garnishment rate of 25%, they would be garnished $531 a month.
- Will substantially affect small business and state revenue. Utilizing the proposed state minimum wage rate of $15 an hour, applying the current proposed legislative formula, 1 in 2 consumers would become exempt. This will create a substantial loss in revenue.
- The current bill fails to deal with the practical issue involving current garnishments that are paying and in place.

The MD/DC Creditors Bar Association is opposed to the pending legislation because of the drastic increase in the exemption and the unintended consequences noted above. We would encourage active negotiation between the various parties to facilitate an agreement that is reasonable for all Marylanders.

For all of the above reasons, the MD/DC Creditors Bar Association opposes HB 365 and urges an unfavorable report.