



**Abolish the Debt Penalty: Paying Back Debt Should NOT Push You Below the Poverty Line  
Support HB 365/SB425**

HB 365/SB425 updates Maryland law to raise the amount that low-wage workers can keep while their wages are garnished to repay a debt. Maryland law hasn't been updated in 30 years. Today, low-wage Maryland workers can keep \$217.50 per week or \$11,310 per year – an income which is **below** the federal poverty guidelines for an individual. This amount is **less than half** of the federal poverty guidelines for a family of four.

**Will this mean that low-income people will have restricted access to credit?**

Absolutely not. In all 32 states doing a better job protecting low-wage workers from garnishment, credit has not dried up. In states like North Carolina and Pennsylvania, where wages are *completely* protected from garnishment, low-income people still receive loans.

**What are main reasons people go into debt?**

Medical debt is one of the leading causes of debt. A 2012 report of lower-middle class households by Demos found that: 1) 40% of households used credit cards to pay for basic living expenses such as rent or mortgage bills, groceries, utilities, or insurance in the past year because they did not have enough money in their checking or savings accounts, 2) 86% of households who incurred expenses due to unemployment in the past year took on credit card debt as a result.<sup>1</sup>

In Maryland, 32% of residents have a debt in collections; with 15% of the debt comprised of medical debt, and two percent of student loan debt. The average medical debt in collections is \$460, while the average student loan debt is \$9,483.

**How does Maryland law fare compared to other states?**

32 states are doing a better job than Maryland in ensuring that workers who are repaying their debts are not pushed below the federal poverty guidelines through wage garnishment. Among surrounding states, Maryland is the worst. In PA and NC, wages are entirely exempt from collection.

**Will this law mean that businesses will not be able to collect on their debts?**

Not at all – and any suggestions that this law would eliminate debt collection is simply wrong. First, debts can **STILL** be collected through wage garnishments. The law will simply allow low-wage workers to exempt more of their wages from garnishment. Secondly, debts can still be collected through seizure of bank accounts, property, and vehicles.

**The modest goal of HB365/SB425 is to keep low-wage working families above the poverty line as they repay their debts. Raising the debt exemption threshold to 45 times the Maryland minimum wage will allow an individual to maintain the median survival budget in most counties in our state.**

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<sup>1</sup> [The Plastic Safety Net, Demos](http://www.demos.org/sites/default/files/publications/PlasticSafetyNet-Demos.pdf), <http://www.demos.org/sites/default/files/publications/PlasticSafetyNet-Demos.pdf>



**Table 1: Wage garnishment, usury rate cap, competitiveness by state**

<b>State</b>	<b>Wage Garnishment Law</b>	<b>Usury Rate Cap</b>	<b>Competitiveness Ranking<sup>2</sup></b>
Pennsylvania	Protects ALL wages	24%	23rd
North Carolina	Protects ALL wages	36%	5th
New Jersey	Protects 90% of wages	30%	32nd
New York	Protects 90% of wages	25%	38th
Maryland	Protects 75% of wages	33%	25th

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<sup>2</sup> [America's Top States for Business](https://www.cnbc.com/2017/07/11/americas-top-states-for-business),

<https://www.cnbc.com/2017/07/11/americas-top-states-for-business-2017-overall-ranking.html>