



TZEDEK DC

Legal Help for People in Debt



Joint Testimony by Tzedek DC and the Jewish Community Relations Council of Greater Washington to the Maryland House of Delegates Economic Matters Committee Regarding House Bill 365, An Act Concerning Debt Collection – Exemption from Attachment and Execution (February 12, 2020)

Chairman Davis, and members and staff of the Economic Committee: I am Ariel Levinson-Waldman, President and Director-Counsel of Tzedek DC, a non-profit legal services group organized in 2016 by leaders of the Greater Washington Jewish community. Tzedek DC's mission is to safeguard the legal rights of DC residents facing debt-related legal crises. The majority of Tzedek DC's clients are women, and nearly all are from communities of color. We are submitting this testimony jointly with our Strategic Partner, the Jewish Community Relations Council of Greater Washington, (JCRC), which serves as the public affairs and community relations arm of the Jewish Federation of Greater Washington, representing over 100 organizations and synagogues throughout DC, Maryland, and Virginia. The JCRC focuses on government relations, Israel advocacy, inter-group relations, and social justice. Ashlie Bagwell is representing the JCRC in this testimony.

Thank you to this Committee for the opportunity to testify today on the proposed bill jointly introduced by Committee Vice-Chair Delegate Dumais and Delegate Charkoudian, which addresses wage garnishment and property attachments reforms for those facing debt collection crises. The Torah commands us to champion the interest of the poor. We applaud the Maryland House of Delegates and Maryland Senate for taking up the issue of protecting workers and giving all in our community the ability to maintain their own economic well-being. In particular, we support the Committee's efforts to take steps to provide appropriate protections for Maryland residents with lower incomes who are at risk of having their wages or financial assets taken away as a result of a debt collection lawsuit.

In October 2019, a law took effect in the District of Columbia that had been enacted in 2018 with support from Tzedek DC, the JCRC, and other community organizations. Under the law as it stood until the reform, DC workers making only \$11,500 of income per year could see up to 25% of their wages garnished through a court-supervised process, all without advance notice. Such high levels of surprise wage loss for low- and moderate-income residents can have disastrous effects on DC families, by preventing them from being able to pay for other critical life necessities. The DC reform requires debt collectors to provide advance notice before garnishment, allowing employees time to either properly prepare financially or to seek to resolve the issue outside of garnishment. Further, by ensuring that at least minimum wage income is protected from garnishment, the reform bill ensures that the percentage of wages garnished is proportional to disposable income, lessening the burden on low-income families.

The system's problems had also called for reform as a matter of racial justice: 45% of DC residents who live in predominantly non-white zip codes and have a credit report had at least one debt in collection listed on their credit report. Many of these alleged debts would eventually have become the subject of debt collection lawsuits, and possibly garnishment as well, under the problematic rules in effect before the reform.

In the months since the law was enacted, we have seen significant benefits for lower-income residents: they are now able to plan for a garnishment, following notification, while also seeing a much larger percentage of their wages protected from diversion through the debt collection litigation process -- because the new law caps the proportional increase in percentage of income that can be garnished. Now, thanks to the reform, lower-income residents have a lower percentage of their wages subject to garnishment than do wealthy and middle-income residents. We have, in contrast, seen no adverse results in those months, or in the nearly one year before that when the bill was being enacted, in terms of impact from the reforms on access to credit for lower-income DC families.

Tzedek DC and the JCRC are available to serve as a resource to this Committee, as the details of this bill in Maryland, which addresses similar concerns, are examined over the course of the legislative process. We thank the Committee for taking up this important issue.