National Consumer Law Center
Fighting Together for Economic Justice

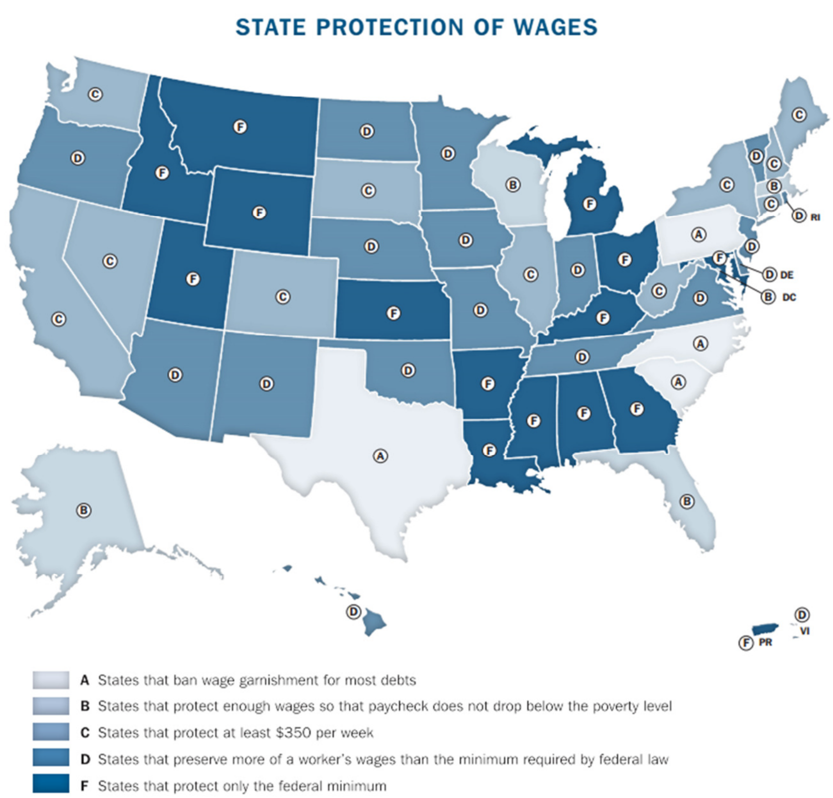
ANALYSIS OF MD. H.B. 365 / S.B. 425

February 11, 2020

Md. H.B. 365 / S.B.425, which would amend Md. Code, Comm. Law § 15-601.1 to increase the amount of wages that are exempt from garnishment, would be an important step toward strengthening Maryland's weak protections for families struggling with debt.

State exemption laws are a fundamental safeguard for families. These laws are designed to protect the essentials of daily life—including shelter and a basic amount of income—from seizure by a family's creditors. Exemption laws protect debtors and their families from poverty, and preserve their ability to be productive members of society. By preserving the income and assets that debtors need to continue to get to their jobs and pay the rent, exemption laws also save costs that taxpayers would otherwise have to bear for services such as emergency shelter and foster care. They also deter predatory lending. Creditors are less likely to make unaffordable loans if they know they will have to rely on the debtor's ability to repay the debt, not on seizure of the debtor's household goods or on wage garnishment that pushes the family below the poverty line.

Maryland ranks very poorly in comparison to other states in its protection of debtors and their families. In our 2019 report, *No Fresh Start in 2019: How States Still Let Debt Collectors Push Families Into Poverty* we ranked gave Maryland's protections of wages the **lowest grade, an F**:



With the District of Columbia's 2018 increase to the amount of wages it protects, all of the jurisdictions bordering Maryland now provide more protections for their workers' wages than Maryland. Indeed, of the 17 states on the Eastern Seaboard (CT, DE, DC, FL, GA, ME, MD, MA, NC, NH, NJ, NY, PA, RI, SC, VT, WV), only Georgia ranks as poorly as Maryland.

In addition to the **F** Maryland earned for protection of **wages**, it earned a **C** for protection of the **family car** and **bank account**, and **F** grades for protection of the family **home** and **household goods**. Overall, taking all five of these categories into account, Maryland earned a D. Only six states scored lower.

Unlike the majority of states, Maryland currently provides no protection for wages beyond the federal minimum, which protects the greater of 75% of disposable earnings or 30 times the federal minimum wage. As a result, a wage earner can be left with a weekly paycheck of just $217.50 per week, *less than half of the federal poverty level* for a family of four. (The 2020 poverty level is $26,200 per year, which comes to $503.85 per week).

H.B. 365 / S.B.425 would be a very significant step toward rectifying the low level of protection of debtors' wages in Maryland. It would exempt 75% of disposable earnings or 50 times the state minimum wage, which is currently $11. The result would be to protect $550 a week in disposable earnings.

H.B. 365 / S.B.425 would represent a major improvement for working families, bumping Maryland up to a **B** for protection of wages together with Alaska, the District of Columbia, Florida, Massachusetts, and Wisconsin. More importantly, it would ensure that Maryland law protects families living at the poverty level from the garnishment of income needed to pay for food, shelter, and other basic costs of living.

About NCLC. The National Consumer Law Center (NCLC) is a non-profit organization, founded in 1969, that works to advance fairness in the marketplace for low-income consumers. This analysis was prepared by April Kuehnhoff, a Staff Attorney at NCLC whose work focuses on advocacy for fair debt collection. She is the co-author of NCLC's Fair Debt Collection and a contributing author to Surviving Debt.