

February 14, 2020

The Honorable Delores G. Kelley, Chairwoman
Committee on Senate Finance
3 East Miller Senate Office Building
Annapolis, MD 21401

RE: MD Senate Bill 425 (Beidle)—OPPOSE

Dear Chairwoman Kelley and Members of the Committee,

My name is Jessica Gibson, I am a Maryland resident, practicing attorney, and member of the state creditors bar. I am writing to voice my opposition to **Senate Bill 425**. In an industry that seeks and encourages voluntary payment arrangements, the wage garnishment process is a last resort for creditors and at present, there are strict processes in place that ensure consumers that should be exempt are not inappropriately subjected to wage garnishment. This legislation would be devastating to a judgment creditor's ability to recuperate delinquent debt obligations and would have negative unintended consequences on consumers and the Maryland economy.

Current law already offers robust protections for consumers. The litigation process and wage garnishments as means of collection are desperate final attempts for creditors. By the time we are pursuing wage garnishment, a consumer has been contacted numerous times in regard to the debt and has had numerous opportunities to contact creditors to resolve. Unfortunately, in many cases, the consumer has not communicated in return.

Still, creditors adhere to strict processes to ensure mistakes are not made and that the consumer is protected from involuntary collection efforts, as appropriate. For example, many creditors stay collection on judgments for 30 days to avoid any mistakes, review accounts, and allow the consumer ample time to file a motion to vacate. Once the garnishment process initiates, consumers are notified via mail, directly from the court, of the pending wage garnishment and can file for any applicable exemptions. This process ensures that consumers are not surprised by a reduction in their income once the garnishment goes into effect. Creditors also review accounts to see if consumers are on active payment plans prior to garnishment or if they meet hardship criteria that would exempt them from wage garnishment partially or entirely. Additionally, after a garnishment takes effect, consumers still have the opportunity to contact creditors and ask for adjustments including a reduced withholding that better reflects what they are able to afford. If they feel that the garnishment amount is too high, and can also establish hardship, the garnished amount can be adjusted.

Finally, creditors lend money with the expectation that it will be repaid. If passed, this bill would exempt large numbers of consumers from repaying their debt. If creditors believe they will not recover these losses, they are significantly less likely to lend in the first place, if at all. The result will be that those consumers who need credit the most will have a harder time obtaining traditional credit. This includes single moms trying to get through the month to pay rent, buy groceries and pay for daycare. It also includes business owners and entrepreneurs,

which serve as the backbone of economic strength in Maryland. In no uncertain terms, with this legislation, creditors would be forced to limit the amount and number of loans offered to small business owners and entrepreneurs.

I urge you to consider other methods of helping Maryland residents that will not have these specific impacts and negative unintended consequences.

Sincerely,

Jessica Gibson