

CRL_FAV_SB425

Uploaded by: Barkley-Denney, Whitney

Position: FAV

Testimony to the Senate Finance Committee
SB 425: Debt Collection - Exemptions From Attachment and Execution
Position: Favorable
February 14, 2020

Senator Delores G. Kelley, Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
Cc: Members, Economic Matters
Honorable Chair Kelley and Members of the Committee:

Thank you for the opportunity to submit this letter regarding HB 365/SB 425.

My name is Whitney Barkley-Denney, and I am Senior Policy Counsel with the Center for Responsible Lending (CRL), a non-profit, non-partisan policy and research organization dedicated to building family wealth through the elimination of predatory lending practices. CRL is affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

For more than five years, the Center for Responsible Lending has been engaged in research and policy regarding debt collection practices. Maryland Consumers Rights Coalition invited me to share CRL's work with you as you consider HB 365/SB 425.

Unfair Debt Collection Practices Harm People's Financial Well-Being

Although debt collection plays an important role in the functioning of the U.S. credit market, it may also expose American households to unnecessary abuses, harassment, and other illegal conduct. Debt collection is the leading cause for complaints to state and federal regulators, alike. It is estimated that 32% of Maryland residents with a credit report have debt in collections, with a median amount in collections of \$1,105. This burden of debt collection is not spread evenly through the state, as 43% of people in non-white neighborhoods that are credit visible have a debt in collection, compared with 25% in white neighborhoods.

Unscrupulous debt collection practices can have devastating and long-lasting consequences for consumers. When people are forced to fend off unnecessary debt collection, they may be unable to meet other necessary expenses or build assets for the future, such as saving for a down payment on a house or car or starting a small business. Unfair debt collection practices also scar people's credit scores, which then becomes a barrier to opportunities such as good jobs and affordable housing. Unlike states like North Carolina, Texas, South Carolina, and Pennsylvania, Maryland allows for another devastating consequence – wage garnishment. Garnishing wages can seriously hurt families who are already struggling to pay bills. Maryland, like other states around the country, needs to update the laws that protect residents' income and funds in bank accounts to allow them to continue to pay for necessities like food and shelter and ensure they do not fall into poverty at the hands of potentially unscrupulous debt collectors.

Debt Collection Reforms Do Not Restrict Access to Credit

As states seek to enact reforms to protect against debt collection abuses, debt collectors and debt buyers may claim that the law changes will restrict access to credit. A study of credit available before

Body and after debt collections reforms aimed at abusive debt buying practices in Maryland and North Carolina show in fact these claims are not warranted. While North Carolina's protections are stronger than Maryland's, the reforms enacted in both states in recent years are among the strongest examples of state laws providing protections against abusive collection practices by debt buyers. A 2016 analysis by Center for Responsible Lending analyzing credit markets in North Carolina and Maryland post reforms found that:

- Credit availability in North Carolina and Maryland appears to follow national trends rather than being impacted by regulatory changes.
- North Carolina and Maryland consumers seeking new credit cards generally fared better than consumers in peer states.
- Sub- and near-prime consumers in North Carolina and Maryland fared at least as well as those nationally and in peer states regardless of debt collection reforms aimed at debt buyers.

Critically, these trends held true even though North Carolina's laws are stronger than Maryland's current law and stronger than the reforms in HB 365/SB 425. In North Carolina, wage garnishment to collect a court judgment is prohibited for most consumer debts. Additionally, the state's statute of limitations is three years for all debts, and North Carolina's 2009 debt collection reforms not only extinguished debt buyers' right to sue on time-barred debt, but it also prohibits the collection of time-barred debt. Despite claims to the contrary, research on state-level reforms show that debt collection regulation can both protect consumers and credit access.

Thank you again for the opportunity to comment on this important legislation.

Sincerely,
Whitney Barkley-Denney
Senior Policy Counsel
Center for Responsible Lending

NCLC_FAV_ SB425

Uploaded by: Best, Michael

Position: FAV

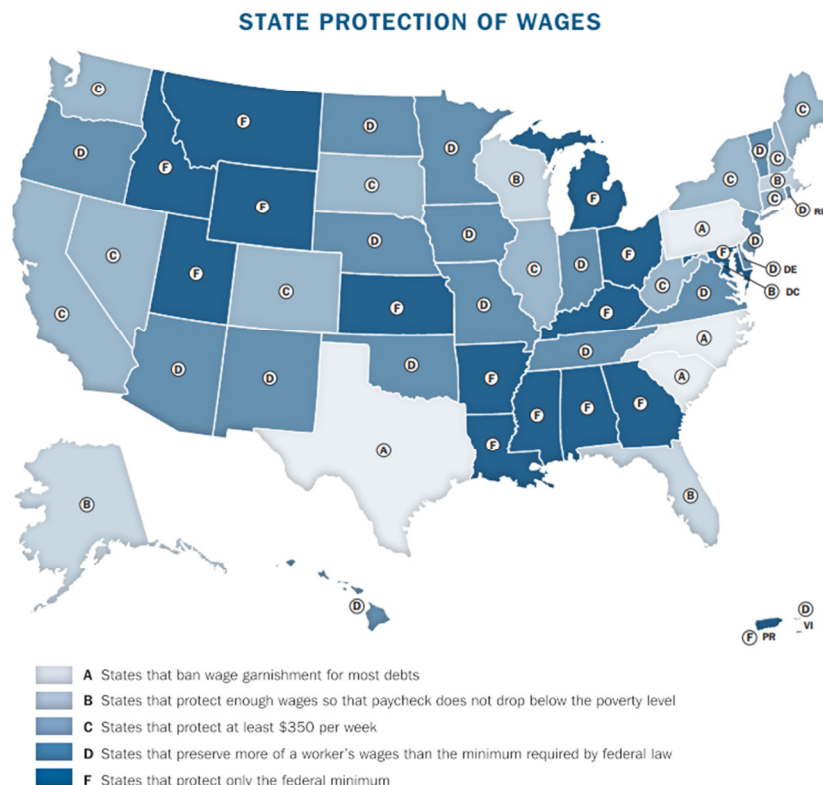
ANALYSIS OF MD. H.B. 365 / S.B. 425

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.

JOTF_FAV_SB425

Uploaded by: Dews, Christopher

Position: FAV



TESTIMONY IN SUPPORT OF SENATE BILL 425:

Debt Collection - Exemptions From Attachment and Execution

TO: Hon. Delores Kelley, Chair, and Members of the Finance Committee

FROM: Christopher Dews, Policy Advocate

DATE: February 14th, 2020

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates for policies and programs to increase the skills, job opportunities, and incomes of low-wage workers and job seekers in Maryland. JOTF supports Senate Bill 425 as a means to ensure that the wages of low-income individuals are not overly garnished due to judgments owed through attachment.

For the 10 percent of Marylanders living below the federal poverty line, the management and repayment of even small debts can be a major challenge. Though incarceration for failure to repay debt is illegal in the United States, creditors can obtain a “money judgment” through the courts, making a debt immediately payable to the creditor. For the low-wage worker, who often faces debt from payday loans, unpaid medical debt, and various other incidences of poverty, this is condemning. Their weekly wages barely keep them at the poverty line, and the over garnishment of wages often strips them of the ability to sustain their livelihood. In addition, this practice further plunges Maryland’s low-wage workers into poverty.

Currently, Maryland law exempts a worker’s wages from attachment at a rate of \$217.50 per week, or 75 percent of their wages, whichever is highest. For low-wage workers, this keeps them below the poverty line because it only allows them to keep \$11,310 a year. According to Progressive Now’s Maryland scorecard, more than 48 percent of Marylanders are burdened by rent costs, and 21.4 percent of households have experienced income volatility. Simply put, there is no way for an individual to sustain themselves, in this cost of living, with such little money.

Even further, in JOTF’s report, “The Criminalization of Poverty,” we detail just how this cycle keeps low-wage workers in a state of peril, but has little return on actual debts collected. In 2014, the District Court of Maryland issued more than 217,000 civil judgments, but less than 55,000 were paid in full. This means that these lawsuits are a huge administrative burden on the state that traps people in a cycle of poverty and yet is not an effective means of debt collection.

Senate Bill 425 seeks to address this issue by increasing the amount of wages that are exempt from attachment. This will allow our most vulnerable Marylanders the ability to remain at, or above the poverty level, while they work to pay off their debts. If enacted, Senate Bill 425 will raise the wage, so that

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

low-wage workers are able to keep 50 times the Maryland minimum wage. This means that a low-wage worker would be able to keep \$550 a week, or \$28,600 a year, as compared to the current law.

JOTF strongly supports any legislation that allows for Maryland's low-wage workers to provide for their families. We believe that what is proposed in Senate Bill 425 would do just that by preventing the garnishment of wages to the point of poverty. This will give our low-wage workers a fighting chance to maintain their livelihood. For this reason, we urge a favorable report of this bill.

JOTF_FAV_SB425

Uploaded by: Dews, Christopher

Position: FAV

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

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NACA_FAV_SB425

Uploaded by: Hyland, Kathleen

Position: FAV



National Association of Consumer Advocates

Testimony to the Senate Finance Committee

SB 425 – Debt Collection - Exemptions from Attachment

Position: Favorable

February 14, 2020

Senator Delores G. Kelley, Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
Cc: Members, Economic Matters

Honorable Chair Kelley and Members of the Committee:

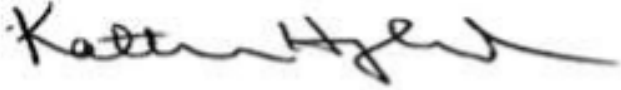
The National Association of Consumer Advocates is a nonprofit corporation whose members are private and public sector attorneys, legal services attorneys, law professors, and law students whose primary focus involves the protection and representation of consumers. NACA's mission is to promote justice for all consumers by maintaining a forum for information-sharing among consumer advocates across the country and by serving as a voice for its members and consumers in the ongoing struggle to curb unfair or abusive business practices that affect consumers. In pursuit of this mission, NACA advocates for wage garnishment protections for consumers and families.

I litigate post-judgment garnishment issues on behalf of consumers. The process is tedious and consumers often lack the resources to raise legitimate legal challenges. Judgment debtors are often the last to know when a wage garnishment has been filed with their employer, so do not have the ability to prepare for the loss in income. In addition, Maryland law allows bank account garnishment to occur simultaneously, which means that a consumer can have all of their assets frozen while their wages are reduced.

Marylanders need more protected wages in order to survive during the postjudgment collections process. In most cases, these individuals already had a negative credit event, and are paying higher interest rates on other debts, such as car payments and personal lines of credit. Depleting their coffers below the poverty level weakens a consumer's ability to rebound from financial problems without experiencing more default. It also limits the resources they have to challenge errors, such as bad service of process or mistaken identity, and to maintain a quality of life for their families while garnishment occurs.

Consumers and their families need more resources available to make ends meet during wage garnishments, and Maryland needs to modernize this law. SB 425 will provide these necessary resources. For this reason, we strongly urge a favorable report.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen Hyland". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kathleen P. Hyland, Esq. Maryland State Chair, NACA

MAP_FAV_SB425

Uploaded by: Jefferson, Stacey

Position: FAV



Member Agencies:

Advocates for Children and Youth
Baltimore Jewish Council
Behavioral Health System Baltimore
CASH Campaign of Maryland
Catholic Charities
Episcopal Diocese of Maryland
Family League of Baltimore
Fuel Fund of Maryland
Health Care for the Homeless
Homeless Persons
Representation Project
Job Opportunities Task Force
League of Women Voters of Maryland
Loyola University Maryland
Maryland Catholic Conference
Maryland Center on Economic Policy
Maryland Community Action
Partnership
Maryland Family Network
Maryland Hunger Solutions
Paul's Place
Public Justice Center
St. Vincent de Paul of Baltimore
Welfare Advocates

Marylanders Against Poverty

Stacey Jefferson, Chair
P: 410-637-1900 ext 8578
C: 443-813-9231

E: stacey.jefferson@bhsbaltimore.org

Margo Quinlan, Co-Chair
C: 410-236-5488

E: mquinlan@familyleague.org

TESTIMONY IN SUPPORT OF SB 425

Debt Collection - Exemptions From Attachment and Executions
Senate Finance Committee
February 14, 2020

Submitted by Stacey Jefferson and Margo Quinlan, Co-Chairs

Marylanders Against Poverty (MAP) supports SB 425 which updates Maryland's debt exemptions law to protect low income individuals and families.

This bill accomplishes this by changing the amount of wages of a judgment debtor that are exempt and includes insurance payments that are given for restoration, remediation work, or replacement in the exemption.

Families should not be plunged further into poverty, debt, and financial instability. Currently, there is a formula used that protects some amount of a person's wages. However, this amount is not enough for a person to be able to continue to provide basic needs for themselves or their families. This system pushes people into a cycle of debt. Limiting the amounts of funds that a family has to the point where basic needs are not covered, will lead to people borrowing money from other places. The individuals that **SB 425** will protect are already financially vulnerable. As the law currently stands, these people are at risk of facing greater financial instability.

Money received through insurance should be protected so families are not left vulnerable. **SB 425** protects property insurance payments for specific reasons. These payments should be protected, because it will safeguard individuals from being exposed. When assets are damaged, it can plunge people and families into a volatile situation.

SB 425 gives people and families the protection that they need to be in the best position to pay their debts.

MAP appreciates your consideration, and urges a favorable report on SB 425

Marylanders Against Poverty (MAP) is a coalition of service providers, faith communities, and advocacy organizations advancing statewide public policies and programs necessary to alleviate the burdens faced by Marylanders living in or near poverty, and to address the underlying systemic causes of poverty.

JCRC_FAV_SB425

Uploaded by: Levinsonwaldman, Ariel

Position: FAV



Joint Testimony by Tzedek DC and the Jewish Community Relations Council of Greater Washington to the Maryland Senate Finance Committee Regarding Senate Bill 425, An Act Concerning Debt Collection – Exemption from Attachment and Execution (February 14, 2020)

Chair Kelley, and members and staff of the Finance Committee: I am Ariel LevinsonWaldman, 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 introduced by Pam Beidle, 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 wellbeing. 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.

CASH_FAV_SB425

Uploaded by: McKinney, Robin

Position: FAV



SB 425 -Debt Collection - Exemptions From Attachment and Execution
February 14th, 2020
SUPPORT

Chair Kelley, Vice-Chair and members of the committee, thank you for the opportunity to provide testimony in support of Senate Bill 0425. This bill protects low income families from having a large amount of their wages garnished, and it protects property insurance payments from garnishment as well.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy.

This bill changes the amount of wages of a judgment debtor that are exempt, and it also includes property insurance payments that are given for restoration, remediation work, or replacement in the exemption. This is important, because families should not be garnished to the point that they are under the federal poverty line. Families near or below the federal poverty line experience financial volatility, which could lead to a domino effect of adverse events.

SB 425 updates a portion of our law that has not been updated in 30 years. Just because this law has not been updated, does not mean that the power of money has stayed the same. Currently, the law will protect \$217.50 per week from wage garnishment. \$217.50 a week in 1990 is the same purchasing power as \$108.10 a week in 2020 . At the same time, the cost of food, housing, and transportation¹ have increased. This means that through wage garnishment, low income families have little left over to cover basic needs. When families face financial hardships, they make difficult decisions. These decisions can have negative financial effects that hurt families in the long run.

SB 425 protects property insurance payments for certain reasons. Property insurance payments are used to replace or repair property damage. These funds should be protected. Damaged property is not only an inconvenience, but it can also leave families vulnerable to weather, rodents, and further damages that will cost more to fix in the future.

Both parts of this bill ensures that people are not entered into a cycle of debt. The bill will guarantee that people will be able to provide for themselves and their families through their wages instead of on credit.

People and families should be given the opportunity to pay their debts without being in risk of entering below the federal poverty line, and they should be to repair or replace property that is damaged.

Thus, we encourage you to return a favorable report on SB 425.

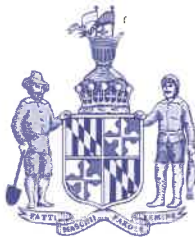
¹ https://www.bls.gov/data/inflation_calculator.htm

PICD_FAV_SB425

Uploaded by: McLane, John

Position: FAV

BRIAN E. FROSH
Attorney General



ELIZABETH HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General

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STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL

WRITER'S DIRECT DIAL NO.
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Senate Bill 425
Debt Collection – Exemptions From Attachment and Execution

Senate Finance Committee – Hearing: February 14, 2020

SUPPORT

The People's Insurance Counsel Division ("PICD") supports Senate Bill 425 as it is written. This bill will make a property insurance payment that an individual receives for restoration, remediation work, or replacement exempt from execution on a judgment.

Payments from an insurance company to a homeowner to repair damage to a home should be used for that purpose, not to pay another creditor. This is particularly important in matters where the insurance payment is to maintain the structural integrity of a home. For example, if the insurance payment is to repair damage to the roof of a house and the roof is not repaired, the house will suffer greater short and long-term damage.

For the above reasons and in the interests of Maryland insurance consumers, the PICD supports Senate Bill 425 and urges a favorable report.

A handwritten signature in blue ink, appearing to read "J.P. McLane".

John P. McLane
Assistant Attorney General
People's Insurance Counsel Division

CCCSMD_FAV_SB425

Uploaded by: Raynaud, Helene

Position: FAV



Consumer Credit Counseling Service of MD & DE, Inc.

6315 Hillside Court, Suite B, Columbia MD 21046

P 410 747-2050 F 410-312-7276 E info@cccsmd.org

Testimony to the Senate Finance Committee

SB 425 : Debt Collection - Exemptions From Attachment

Position: Favorable

February 14, 2020

Senator Delores G. Kelley, Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
Cc: Members, Economic Matters

Honorable Chair Kelley and Members of the Committee:

On behalf of Consumer Credit Counseling Service of Maryland and Delaware, Inc., dba CCCSMD, I am writing to ask you to support **SB 425** , which would increase the amount of wages that a low-wage worker can protect from garnishment.

When passed, **SB 425** will allow low-wage workers to protect 75% of wages or 50 times the Maryland minimum wage of \$11. This means a low-wage worker can protect \$550 a week, or \$28,600 a year from wage garnishment. Currently, Maryland only protects \$217 a week, or \$11,310 a year which is lower than the federal poverty line for an individual. **Today, a low-wage worker could work 40 hours a week, 52 weeks a year and be pushed below the federal poverty level to pay off a debt collector.**

Thirty-two other states do more to protect low-wage workers from financially devastating wage garnishment. Maryland lags behind the District of Columbia, Virginia, West Virginia, Delaware, and Pennsylvania, which doesn't garnish wages at all.

As households struggle to make ends meet, Maryland must update its draconian garnishment laws, which favor debt collectors over families attempting to get a fresh start and become financially stable.

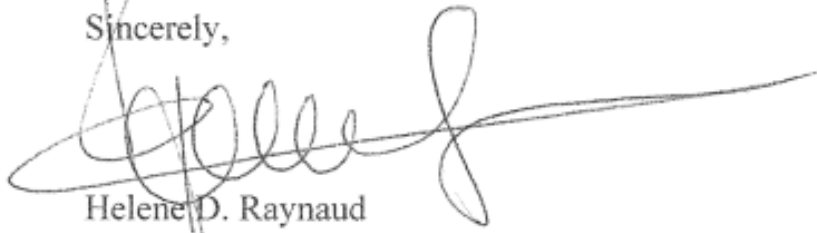
Since 1966, CCCSMD has helped thousands of financially burdened Marylanders find effective solutions to their debt obligations through a Debt Management Plan. And while we've been able to aid many by negotiating with their creditors to a mutually beneficial solution, we have been

challenged by situations where extreme measures such as wage garnishment amplify the financial hardship for the individual and their families making it nearly impossible to help them. This is especially true for those on the low end of the income spectrum.

Indeed, few options exist for those already struggling to make ends meet when they're faced with wage garnishments and many will need to make difficult decisions based on their limited financial capacity. These include whether to pay utilities or buy food for their families; some have to begin exploring last-resort options such as bankruptcy as their only method of protection. CCCSMD supports the passing of HB365 and SB425 to protect a larger portion of wages earned by low-income MD residents so they can continue providing for their families while at the same time satisfying their financial obligations.

For these reasons, we support SB 425 and ask for a favorable report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Helene D. Raynaud', with a long horizontal flourish extending to the right.

Helene D. Raynaud

President/CEO

PJC_FAV_SB425

Uploaded by: Rodwin, David

Position: FAV



David Rodwin, Attorney
Public Justice Center
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rodwind@publicjustice.org

SB 425: Debt Collection – Exemptions From Attachment and Execution

Hearing before the Finance Committee, Feb. 14, 2020

Position: SUPPORT

The Public Justice Center (PJC) is a not-for-profit civil rights and anti-poverty legal services organization which seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project works to expand and enforce the right of low-wage workers to an honest day's pay for an honest day's work. The PJC supports SB 425, which would raise the debt exemption threshold to account for the increasing cost of living.

SB425 will help families living in poverty provide for their basic needs. It is expensive to be poor. The cost of basic needs like rent, food, and energy has risen faster than other goods and services.¹ Due in part to this reality, nearly two-thirds of Americans have no emergency savings for things such as a \$1,000 emergency room visit or a \$500 car repair.² As a result, low-income families often must incur debts when there are emergency expenses. As the law stands now, low-wage workers may have even their very low wages garnished. HB 365 will raise the exemption threshold, allowing these workers to shield more of their earned wages from creditors. In that way, SB 425 will make it less difficult for low-wage workers to provide for their basic needs.

HB 365 addresses a problem facing many of the Public Justice Center's clients—who already contend with the theft of their wages. The clients of the PJC's Workplace Justice Project work in places like restaurants, assisted living facilities, and construction sites, and do work such as cleaning and direct care that society often takes for granted. They come to us when they have been victimized by wage-theft practices that deprive them of their hard-earned wages. Low-wage workers are especially likely to be victimized by wage-theft practices such as nonpayment of minimum wages or off-the-clock work required by the employer.³ At the same time, our low

¹ *It's Expensive to Be Poor*, The Economist, Sept. 3, 2015, available at <https://www.economist.com/news/united-states/21663262-why-low-income-americans-often-have-pay-more-its-expensive-be-poor>.

² *Most Americans Are One Paycheck Away from the Street*, MarketWatch, Jan. 31, 2016, available at <https://www.marketwatch.com/story/most-americans-are-one-paycheck-away-from-the-street-2016-01-06>.

³ *Employers Steal Billions from Workers' Paychecks Each Year*, Economic Policy Institute, May 10, 2017, available at <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year-survey-data->

wage clients often have debts from expenses like emergency hospital stays or rent disputes. These debts often lead to garnishments of their already very low wages—keeping them and their families in a perpetual financial crisis that threatens homelessness and hunger and worsens their and their families' mental health. HB 365 would address this problem and give our clients an opportunity to keep a roof over their children's heads and pay for other basic human needs before paying debt collectors.

For the foregoing reasons, the PJC SUPPORTS HB 365 and urges a FAVORABLE report. Should you have any questions, please call David Rodwin at 410-625-9409 ext. 249.

CPD_FAV_SB425

Uploaded by: Sakamoto-Wengel, Steve

Position: FAV

BRIAN E. FROSH
Attorney General

ELIZABETH F. HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General



WILLIAM D. GRUHN
Chief
Consumer Protection Division

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

Writer's Direct Dial No.

410-576-6307

February 14, 2020

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Steven M. Sakamoto-Wengel 
Consumer Protection Counsel for Regulation, Legislation and Policy

Re: Senate Bill 425 – Debt Collection – Exemptions from Attachment and Execution
(SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 425 sponsored by Senators Beidle, Augustine, Benson, Carter, Hayes, Kelley, Smith and Washington. The bill increases the amount of wages that a low-wage worker may protect from garnishment. Maryland currently falls behind 32 states in protecting debtors from excessive wage garnishment, including surrounding states. Senate Bill 425 would update Maryland's current formula to protect 75% of wages or 50 times the Maryland minimum wage. As the poverty rate in Maryland has increased 19% since 1990, workers are struggling with stagnant wages and to make ends meet. Senate Bill would also protect from collection proceeds received from a home insurance policy needed to repair the debtor's home. This bill considers such struggles of Maryland debtors and protects them from severe garnishments that affect their essentials, including shelter and basic amount of income, needed for daily life.

The Division believes that increasing the amount of wages that a low-wage worker may protect from garnishment will greatly assist debtors who are currently struggling with paying medical bills or who are living paycheck to paycheck. For these reasons, the Consumer Protection Division asks that the Senate Finance Matters Committee return a favorable report on Senate Bill 425.

cc: The Honorable Jill P. Carter
The Honorable William C. Smith, Jr.
The Honorable Mary Washington
Members, Finance Committee



SVO_FAV_SB425

Uploaded by: Santoni, Jane

Position: FAV



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Testimony to the Senate Finance Committee
SB425: Debt Collection - Exemptions From Attachment
Position: Favorable

February 14, 2020

Senator Kelley, Chair Senate Finance Committee

3 East, Miller Senate Office Building

Annapolis, Maryland 21401

Cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

We the undersigned organizations are writing to ask you to support SB 425 , which would increase the amount of wages that a low-wage worker can protect from garnishment.

SB 425 will update Maryland's current formula which has not been updated in more than 30 years. When passed, SB 425 will allow low-wage workers to protect 75% of wages or 50 times the Maryland minimum wage of \$11. This means a low-wage worker can protect \$550 a week, or \$28,600 a year from wage garnishment. Currently, Maryland only protects \$217 a week, or \$11,310 a year which is lower than the federal poverty line for an individual. **Today, a low-wage worker could work 40 hours a week, 52 weeks a year and be pushed below the federal poverty level to pay off a debt collector.**

Thirty-two other states do more to protect low-wage workers from financially devastating wage garnishment. Maryland lags behind the District of Columbia, Virginia, West Virginia, Delaware, and Pennsylvania, which doesn't garnish wages at all.

As costs for housing, medical costs, college, and other basic needs have skyrocketed, wages have remained stagnant. The result is that the poverty rate has increased 19% in Maryland since 1990, and that 35% of Maryland households are financially struggling, according to the United Way's 2019 ALICE report.

According to the Urban Institute, 30% of Maryland residents have a debt in collection. Forty percent of debts in collection are in communities of color who often have less access to credit and must take out larger loan amounts to pay for college or purchase a car. The majority of debts in collection are student loan, medical, auto, and credit debt.

As households struggle to make ends meet, Maryland must update its draconian garnishment laws, which favor debt collectors over families attempting to get a fresh start and become financially stable.

For these reasons, we support SB 425 and ask for a favorable report.

Sincerely,

Chelsea Cde

A handwritten signature in black ink, appearing to be 'M. J. Smith' or similar, written in a cursive style.

Beidle_FAV_SB425

Uploaded by: Senator Beidle, Senator Beidle

Position: FAV

PAMELA G. BEIDLE
Legislative District 32
Anne Arundel County

Finance Committee

Vice Chair
Executive Nominations Committee



James Senate Office Building
11 Bladen Street, Room 202
Annapolis, Maryland 21401
410-841-3593 · 301-858-3593
800-492-7122 Ext. 3593
Pamela.Beidle@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 14, 2020

Senate Bill 425
Debt Collection – Exemptions From Attachment and Execution

Thank you for the opportunity to introduce SB 425, Debt Collection – Exemptions From Attachment and Execution. The goal of SB425 is to update Maryland's 30 year old law and bring Maryland into alignment with surrounding states protections for low-income families who face debt collection.

SB 425 increases the amount of a debtor's wages that are exempt from attachment. Today, Maryland only protects the federal minimum - 75% of the disposable wages due or 30 times the federal minimum wage. As a result, a wage earner in Maryland 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.

SB 425 protects 50 times the State minimum hourly wage in effect at the time the wages are due. The bill also exempts specified property insurance payments from execution on a judgment.

The States exemption laws are a fundamental safeguard for families. SB 245 is designed to protect the essentials of daily life—including shelter and a basic amount of income—from seizure by a family's creditors.

SB 425 does not end wage garnishment - it provides a basic level of protection for the working poor to maintain a survival budget of \$550 per paycheck.

I respectfully request a favorable vote on **SB 425**.

Spencer_FAV_SB425

Uploaded by: Spencer, Renee

Position: FAV

**Testimony to the House Economic Matters Committee HB 365: Debt Collection - Exemptions From
Attachment Position: Favorable**

February 14, 2020

Senator Kelley, Chair Senate Finance Committee

3 East, Miller Senate Office Building

Annapolis, Maryland 21401

Cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

My name is Renee Spencer and I am a resident of Baltimore City, Maryland. I write to ask you to support SB 425, which would increase the amount of wages that a low-wage worker can protect from garnishment.

In 2004, my former landlord obtained a judgment against me in the Baltimore City District Court for almost \$3,000 in connection with the alleged breach of a residential lease. In 2005, my wages were garnished for almost \$3,000. Around \$300 was garnished from each of my pay checks, for a total of around \$600 per month. The total judgment was paid in 2005.

My former landlord failed to notify the court that the judgment had been paid in full and instead assigned the judgment to a judgment-buying company, The Judgment Group, that garnished my wages again in 2016. The Judgment Group claims that it is on a mission to promote justice for all. On its website, it touts that meeting its mission "requires we do everything we can within the confines of the law to get judgments paid because we agree with Dr. Martin Luther King, Jr., 'Injustice anywhere is a threat to justice everywhere.'" (<https://www.judgmentgroup.com/whyus-.html>). Twisting the legacy of social and economic justice further, the debt collector's admitted tactic with debtors is to "push the envelope on personal comfort."

I had only recently returned to work when my wages were garnished a second time for the same debt because I had been receiving cancer treatment. As a result, I was relying on those wages to pay medical expenses and other bills that I had incurred during my cancer treatment. Instead, approximately \$600 a month was taken out of my checks for the garnishment.

Please pass this bill to protect hard-working Marylanders who depend on their wages to pay for their housing, pay medical bills, and make car payments, among other necessities. Companies like The Judgment Group don't need your help. Your constituents do. Thank you.

Sincerely,



Renee Spencer

MVLS_FAV_SB425

Uploaded by: Sweeney, Christopher

Position: FAV



EXPANDING ACCESS TO JUSTICE FOR OVER 38 YEARS

MARYLAND HOUSE ECONOMIC MATTERS COMMITTEE TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE IN SUPPORT OF SB 425: DEBT COLLECTION – EXEMPTIONS FROM ATTACHMENT AND EXECUTION

FEBRUARY 14, 2020

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EXECUTIVE DIRECTOR
SUSAN FRANCIS

Senator Kelley and distinguished members of the Committee, thank you for the opportunity to testify in support of Senate Bill 425

My name is Christopher Sweeney and I am the Staff Attorney for the Workforce Development Project at the Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. Since MVLS' founding in 1981, our statewide panel of over 1,700 volunteer lawyers, has provided free legal services to over 85,000 Marylanders in a wide range of civil legal matters. In FY2019, MVLS volunteer and staff lawyers provided legal services to more than 5,000 people across the state. Through our Workforce Development project, we encounter many clients who face automobile insurance lapses and their collateral consequences. For the reasons explained below, we respectfully request you vote yes on SB 425.

MVLS' Workforce Development Project is a partnership with occupational training programs in Baltimore City, and is a continuation of the Mayor's Office's 'One Baltimore for Jobs' pilot program. The Mayor's Office of Employment Development began One Baltimore for Jobs as a response to the civil unrest in 2015. The project supports job programs, social services programs, and legal services programs in Baltimore, and connects those programs with support from state agencies such as the Office of Child Support and the MVA. Though funding for legal services via One Baltimore for Jobs has ended, MVLS has continued its part of the project and currently supports six workforce programs in Baltimore. MVLS works with Civic Works, Job Opportunities Task Force, Jane Addams Resource Corporation, Caroline Center, Biotechnical Institute of Maryland, Bon Secours Community Works, and Helping Up Mission to provide 'wrap-around' services – supplementing the trainees' social services with legal services. The goal of the program is to make participants more job-ready by reducing barriers to employment.

Each of the clients I serve through the Workforce Development Project is enrolled in courses to receive job skills training and certification in areas such as welding, machine operation, nursing, pharmacy tech, construction, and weatherization. These non-profit programs are free to students, and are aimed at providing re-entry opportunities for those who were previously incarcerated or who simply lacked educational and employment opportunities due to the experiences of poverty. Many clients whom we see through the Workforce Development Project have judgments against them from old credit cards, medical bills, and other sources. As they take steps to improve their lives and enter the workforce, they face the risk of wage garnishment once they begin to earn money for their families. SB 425 would reduce the burden on struggling families and allow more people to escape poverty.

The fear of wage garnishment is one of many burdens facing our clients who are seeking to enter the workforce. Upon completion of their training, they will be eligible for well-paying jobs, but their past debts can come back to haunt them in the form of a wage garnishment. They may finally be able to comfortably afford food and housing, only to lose up to 25% of their disposable income to garnishment. My clients are enrolled in job training in order to leave their pasts behind and enter the workforce. They are motivated to make their past slip-ups right, but 25% can mean dashed dreams for many people trying to get their lives on track.

SB 425 exempts more income from garnishment by updating the calculation to benefit low-wage workers. The bill would make exempt from garnishment the greater of 75% of disposable wages or the state minimum wage times 50 for the number of weeks in a person's pay period. This means that if a person gets paid every two weeks, \$1,010 of their income is exempt from garnishment. In other words, a person making less than \$1,010 every two weeks is protected from garnishment. The current calculation of 30 times the minimum wage means a person making more than \$606 every two weeks is subject to a 25% garnishment. The new calculation ensures that low wage earners are not crushed by the financial burden of wage garnishment. More disposable income for everyone means more money cycling back into the economy, and more opportunity for people to get out of debt.

Creditors certainly have a right to lawfully collect money owed to them. But the financial burden of wage garnishment prevents too many people from comfortably affording basic necessities. Our clients are often faced with tough decisions when upon completing their job training – the more money they earn, the more can be taken away through garnishment. Our government should not create a perverse incentive to earn less money to avoid garnishment. A lesser burden placed on struggling workers means more opportunity for people to get back on their feet. If passed, SB 425 would allow more people to enter the workforce free from the fear of not being able to afford basic necessities.

MVLS has been fighting to even the playing field for low income Marylanders for decades, and we know that these members of our community face significant financial obstacles when trying to put their lives back on track. The need for our volunteer attorneys is pressing, but legislation like SB 425 would lessen that burden. Lessening the burden of wage garnishment will help people to avoid the consequences as described above, to enter the workforce and become an active member of society. We at MVLS respectfully request that you vote yes on SB 425 .

Chair and members of the Committee, thank you again for the opportunity to testify.

Holland_FAV_SB425

Uploaded by: Turnbull, Emanwel

Position: FAV

February 14, 2020

Senate Finance Committee 3 East, Miller Senate Office Building Annapolis, Maryland 21401

SB 425 – Wage Garnishment - Exemptions

Position: Favorable

Chair, Members of the Committee,

I am an attorney at the Holland Law Firm, P.C., representing consumers all over Maryland. I am writing to express my strong support for SB425.

Whenever a wage garnishment drives a consumer's income below their immediate expenses, the consumer will be forced to do one of the following things: 1. Default on their current obligations, such as rent, payments on a car, food for their household. 2. Abandon their job to avoid the garnishment. 3. Borrow money (often from dubious sources) in an attempt to make ends meet.

None of these outcomes is in the interests of consumers, creditors or the public at large. Borrowing money simply adds another debt that the consumer cannot afford to repay. Changing jobs simply involves the consumer in a game of cat-and-mouse with their creditors, in which both consumer and creditor lose opportunities for pay and financial stability. Defaulting on current obligations leads to eviction, loss of transportation to work, and merely serves to create more defaulted debts, which, in time, result in further judgments and wage garnishments.

Maryland law recognizes this by automatically exempting a certain amount of income from garnishment. That amount is 75% of income (after involuntary deductions) above a threshold tied to the federal minimum wage. There is no other protection for wages: no special exemptions for heads of household, for undue hardship or any other reason. However, the exemption has not kept pace with the rising cost of living in Maryland. A minimum wage worker who is garnished is unlikely to be able to afford the ordinary and immediate costs of living. The consequence are tragic.

Some years ago, I was consulted by a low-wage worker. She worked nightshifts cleaning in a hospital. She had been garnished by a former landlord, and because of the garnishment she could not pay the rent. She handed me a stack of papers, said that she was so ashamed she couldn't pay her bills, and cried. On top of the stack was the writ of garnishment. But underneath, were the eviction action filed by her landlord, collection letters from other creditors, and, at the bottom, papers for two illegal, high-interest payday loans.

You will no doubt be told that wage garnishment is a last resort and it is used only where a consumer can pay, but refuses. That is not the experience of many consumers. His reality is more closely reflected by a consultation I recently had with a low wage worker who had been garnished by a debt buyer. He had been taken in by a debt-settlement scam and thought that the case was being taken care of. He explained to the debt buyer that the garnishment meant he couldn't pay his rent, or his car payment, and that he might be evicted or lose his car (and so, his job). He was willing to pay a reasonable amount, but the debt buyer told him it would only release the garnishment if he paid the judgment in full.

Creditors cannot be relied upon to judge what their debtors can afford to pay. Maryland law needs to more closely reflect a fair balance between the interests of debtors and creditors. The change proposed in HB365 is a fair balance – and is much more favorable to creditors than that of some of our neighbors: Pennsylvania does not allow wage garnishments for ordinary debts. The District of Columbia protects 75% of wages above its minimum wage—which is higher than Maryland's—and has a mechanism for exempting more in the event of undue hardship.

I urge the Committee to give SB425 a Favorable report.

Yours Sincerely,

Emanwel Turnbull Associate Attorney, The Holland Law Firm, P.C.

MCRC_FAV_SB425

Uploaded by: White, Marceline

Position: FAV



Maryland Consumer Rights Coalition

Testimony to the Senate Finance Committee
SB 425: Debt Collection - Exemptions From Attachment
Position: Favorable

February 14, 2020

Senator Kelley, Chair Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
Cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

MCRC is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here in strong support of SB 425.

The cost of living in Maryland has dramatically increased in the past few decades, but our rules to protect working families in financial distress have not kept pace. Between 1990-2016, poverty in Maryland increased by 19.1%.¹ Currently, 576,835 Marylanders are living in poverty throughout our state. At the same time poverty is deepening, housing costs are rising. Today, a person would have to earn \$28.87 per hour to be able to afford a market-rate, two bedroom apartment without spending more than 30% of their income.² According to the Prosperity Now 2018 report card, Maryland has dropped from 17th in the nation to 22nd in terms of residents financial security.

When an individual falls behind on their payments, the creditor can pursue a judgement against the individual. Once a judgement has been rendered, debt collectors can garnish wages, property, and bank accounts. In Maryland, there were 46,719 debt collection cases filed in Prince George's County, Baltimore County, and Baltimore City alone.³

Across Maryland, 42,586 Marylanders had their wages garnished in 2016. 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.

¹ [Maryland Poverty Profiles, Maryland Alliance for the Poor](http://mapadvocacy.org/wp-content/uploads/2018/01/Maryland-Poverty-Profiles_2018_1-15-2018_T.pdf).

http://mapadvocacy.org/wp-content/uploads/2018/01/Maryland-Poverty-Profiles_2018_1-15-2018_T.pdf

² *ibid*

³ Turnbull, Emanwel Calculations from Judiciary Case Search, 2017 (see Table 1)



It has been 30 years since Maryland raised its debt exemption threshold. We need to bring our exemptions up-to-date to account for the increased costs of living. We also need to update these exemptions so that Marylanders who are financially fragile, have a chance to get a fresh start and not get stuck in a debt spiral.

Currently 32 states are doing a better job than Maryland in regards to debt exemptions according to the National Consumer Law Center's report, *No Fresh Start*.⁴ In each of these 30 states, contrary to assertions of the opposition, access to credit remains robust, and debt collectors are able to both lend-and collect-upon their loans. In fact, Georgia is the only state along the Eastern Seaboard that rates as poorly as Maryland in protecting the wages of low-income workers. 17 states do better and access to credit remains intact and states remain able to collect on debts.

SB 425 updates Maryland's wage garnishment law by changing the formula used to set the amount of wages protected. Current law allows an individual to protect 75% of their wages or 30 times the federal minimum wage, whichever is greater. For a low-wage worker, this means they are able to protect \$217 per week, or \$11,310 a year from garnishment. The current federal poverty guideline for an individual is \$12,760. This means that currently in Maryland, an individual working full-time can be garnished to below the federal poverty level.

SB 425 will update Maryland's current formula to protect 75% of wages or 50 times the Maryland minimum wage of \$11. This means a low-wage worker can protect \$550 a week, or \$28,600 a year. Maryland lags behind surrounding states and the District of Columbia which just updated its wage garnishment law in December 2018 to 40 times the District's minimum wage law of \$13.25, or \$27,560 per year.

We support SB 425 because it will bring much needed relief to more than 550,000 low-wage, working families across Maryland. We support SB 425 and urge a favorable report.

Best,

Marceline White
Executive Director

⁴ <https://www.nclc.org/images/pdf/pr-reports/report-no-fresh-start.pdf>



Debt Collection Cases, Wage & Bank Garnishments, 2016

| County | Total Garnishments | Wage Garnishments | Property Garnishments |
|------------------|--------------------|-------------------|-----------------------|
| Prince George's | 19,059 | 9,963 | 9,096 |
| Baltimore County | 14,831 | 10,539 | 4,292 |
| Baltimore City | 12,829 | 9,888 | 2,941 |
| Montgomery | 7,146 | 3,228 | 3,918 |
| Wicomico | 3,242 | 2,938 | 304 |
| Charles | 3,106 | 1,678 | 1,428 |
| Harford | 3,073 | 1,954 | 1,119 |
| Howard | 2,527 | 1,392 | 1,135 |
| Frederick | 2,043 | 1,223 | 820 |
| Washington | 1,669 | 1,193 | 476 |
| Carroll | 1,228 | 762 | 466 |
| St. Mary's | 1,056 | 657 | 399 |
| Calvert | 910 | 543 | 367 |
| Worcester | 647 | 569 | 78 |
| Cecil | 634 | 399 | 235 |
| Dorchester | 538 | 402 | 136 |
| Allegany | 518 | 382 | 136 |
| Somerset | 476 | 417 | 59 |
| Caroline | 299 | 223 | 76 |
| County | Total Garnishments | Wage Garnishments | Property Garnishments |
| Talbot | 289 | 206 | 83 |



Maryland Consumer Rights Coalition

| | | | |
|--------------|---------------|---------------|---------------|
| Queen Anne's | 217 | 137 | 80 |
| Garrett | 146 | 87 | 59 |
| Kent | 128 | 88 | 41 |
| Total | 76,611 | 48,868 | 27,744 |

Source: Judiciary Case Search, 2016

MCRC_FAV_SB425

Uploaded by: White, Marceline

Position: FAV



FAQs on Raising the Debt Exemption Threshold – Support HB 365/SB425

The Policy Question:

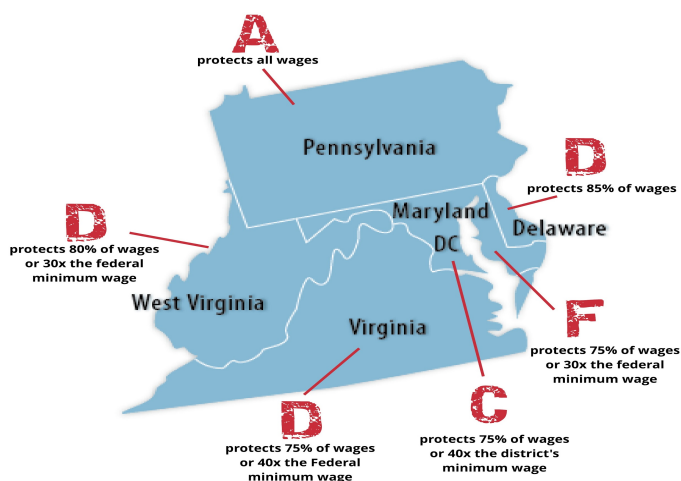
- Should repaying a debt plunge a person or family below the federal poverty line?
- How can a low-income worker stay afloat financially when at least 25% of their wages are taken from them each pay period?
- If 32 states have been able to raise what low-wage workers can protect from debt collectors without negative consequences, why can't Maryland?

What does HB365/SB425 do?

- HB365/SB425 raises the amount that low-wage workers protect from wage garnishment. **Maryland law hasn't been updated in 30 years.** Today, low-wage Maryland workers can protect \$217.50 per week or \$11,310 per year from wage garnishment – an income which is well **below** the federal poverty guidelines for an individual (\$12,490). \$11,310 is **less than half** of the federal poverty guidelines for a family of four.
- HB365/SB425 would change the exemption from 25% of wages or 30 times the federal minimum wage (\$7.25 per hour) to 25% of wages or 50 times the Maryland minimum wage (\$11 per hour).
 - This legislation would mean that a low-wage worker could protect \$550 a week, or \$28,600 a year. The formula is tied to **disposable wages**, not gross wages. Disposable wages is the figure always used in garnishment – any statement about gross wages is wildly inflates the actual money a worker will take home.

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. **Maryland lags behind surrounding states and the District of Columbia, which just updated its wage garnishment law in December, 2018 to 40 times the District's minimum wage law of \$13.25, or \$27,560 per year.** Among surrounding states, Maryland is the worst at protecting low-wage workers from wage garnishment. Nationally, we received an "F" grade by the National Consumer Law Center.





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. Anyone earning above \$28,600 will have 25% of their wages garnished to the limit protected.* While those earning \$28,600 a year and less will be exempt from wage garnishment, **debt collectors can still collect from these low-wage workers** through seizure of bank accounts, property, and vehicles. And they do!

Will raising the debt exemption harm Maryland's business competitiveness?

No – this is simply false. Thirty-two states have stronger laws than Maryland and maintain a competitive business environment. The creditors bar suggested it may be that these states have higher usury rate caps which would account for their competitiveness but that Maryland, with our 33% rate cap, would not be competitive. Again, as Table 1 illustrates, this is also false.

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

| State | Wage Garnishment Law | Usury Rate Cap | Competitiveness Ranking ¹ |
|----------------|-----------------------|----------------|--------------------------------------|
| 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 |

These states have higher protections for wages, similar usury rate caps to Maryland, and half rank as more competitive, while half rank as less competitive, showing no relationship between protecting wages, usury rate caps, and competitiveness.

How will this affect child support?

¹ [America's Top States for Business](https://www.cnbc.com/2017/07/11/americas-top-states-for-business-2017-overall-ranking.html), <https://www.cnbc.com/2017/07/11/americas-top-states-for-business-2017-overall-ranking.html>



Child support payments are not affected by this legislation – these protections only pertain to consumer debts, not child support.

How will this affect unpaid taxes?

This will not affect taxes. The federal and state government can seize tax refunds and use other means to ensure taxes are paid.

Why is HB365/SB425 Needed?

- **It lifts low-wage Marylanders out of a debt spiral**

For low-wage Marylanders, these debts of under \$5,000, compounded by attorneys fees and interest, feel insurmountable. If someone is working full-time at minimum wage, and 25% of each paycheck is goes to pay off a debt, it will be almost impossible for them to accumulate savings or any kind of financial stability. Any unexpected expense will push them into deeper debt. As consumers have testified, the amount currently taken from low-wage workers through wage garnishment means that they are forced to choose between food, utilities, rent, and medicine in order to satisfy a debt collector. *HB365/SB425 will enable low-wage workers to keep a little more of their income to save for an emergency or simply increase their financial stability.*

- **Protects small businesses**

As noted, many low-wage workers live at the financial margins. With so much of each paycheck going to a debt collector, many simply don't have enough money to pay for their other expenses and fall further behind. They borrow from Peter to pay Paul, as the saying goes. Passage of HB365/SB425 will give business owners more certainty that low-wage workers can pay their bills on time, which helps small businesses and property managers, as well as consumers.

- **Protects taxpayers**

Many low-wage workers lose their housing or ability to pay for adequate food or health care when they are so burdened by the debts and the amount taken from their paycheck each month. The costs to provide emergency housing, food supports, or health care to these individuals outweighs the amount that may be delayed by increasing the amount they can protect.

- **Incentivizes work**

Maryland has a number of programs and policies to support work and workforce development. However, as it stands, Maryland's wage garnishment law disincentivizes work. If a low-wage worker is garnished to below the federal poverty guidelines while working full-time, it may be better for the individual to stop working and collect disability or unemployment. Currently, our laws incentivize that choice. Passing HB365/SB425 would



Maryland Consumer Rights Coalition

allow workers to keep more of each paycheck and instead, incentivize working full-time, even at a minimum wage.

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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.¹

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.

¹ [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>



Maryland Consumer Rights Coalition

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

| State | Wage Garnishment Law | Usury Rate Cap | Competitiveness Ranking ² |
|----------------|-----------------------|----------------|--------------------------------------|
| 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 |

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

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

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The DC Council voted last month to approve updates to the District's law on wage garnishment. Supporters say it will help protect the city's lowest earners, but some in the industry warn that the changes could make it harder for some people to borrow money when they need to do so. (Photo by Chris Kain)

DISTRICT GOVERNMENT NEWS

Council votes for wage garnishment bill to protect DC's lowest earners

By Kalina Newman

Published on Jan 18, 2019

Lower-income DC residents struggling with debt are set to receive more protections for their wages under a new law the DC Council passed last month.

The Wage Garnishment Fairness Amendment Act of 2018 updates DC's existing law on wage garnishment — the practice by which creditors can intercept a person's income to collect debts — to protect those little more than the city's minimum wage. In practice, this will allow full exemptions from wage garnishment for those making less than \$27,560 a year in disposable income.

Introduced by at-large Council member Elissa Silverman and five colleagues, the legislation also sets partial limits on wage collection for employees in other income tiers, up to \$208,000 annually, and requires advance notification to debtors of a judge's order to garnish their wages.

The DC Council unanimously passed the bill on Dec. 18, after voting 8-5 against an amendment from Chairman Phil Mendelson that would have weakened the provisions. The legislation now moves on to Mayor Muriel Bowser for her signature and then to Congress for a legally required review period. For the law to take effect, the council would have to offset an estimated \$140,000 annual revenue loss incurred because the District government would be unable to garnish wages for unpaid taxes by people who qualify under the bill.



At-large DC Council member Elissa Silverman introduced the original bill to protect minimum-wage workers from garnishment of their earnings. (Photo courtesy of Elissa Silverman)

“Currently, the amount of wages protected from garnishment ... is not reflective of the higher cost of living in the District nor the council's own commitment to ensure all residents receive a living wage,” Ward 6 member Charles Allen said during debate at last month's meeting.

The existing wage garnishment law in DC uses a formula based on 40 times the federal minimum wage — now \$7.25 — to calculate how much of a person's weekly income is exempt from garnishment. With this formula, an employee making \$11,500 annually could have up to 25 percent of their weekly wages garnished by the DC Superior Court to cover their debts, without advance notice.

The National Consumer Law Center recently gave the District an “F” grade for its exemption law, noting that more than 30 states have protections higher than the federal minimum standard.

The Wage Garnishment Fairness Amendment Act increases the window of protection by more than \$19,000 a year, according to figures from the DC Fiscal Policy Institute. The bill lays out full exemptions for employees who make up to 40 times the District's hourly minimum wage – currently \$13.25 per hour. That figure will rise to \$14 on July 1, 2019, and to \$15 on July 1, 2020, with annual adjustments thereafter based on changes to the cost of living.

At the December meeting, Allen – who chairs the Committee on the Judiciary and Public Safety, which considered the bill – said legislators had discussed exempting “all weekly wages up to 60 times the District's minimum wage, but debt collectors suggested exempting 30 times the District's minimum wage, so we compromised.”



As chair of the Committee on the Judiciary and Public Safety, Ward 6 DC Council member Charles Allen worked out a compromise version of the bill that protects those earning up to 40 times the District's minimum wage from creditors garnishing any of their earnings. The current law sets a standard based on the much-lower federal minimum wage. (Photo courtesy of Charles Allen)

In practical terms, the compromise allows full exemption of wages earned for a 40-hour work week at minimum wage, which currently amounts to \$530.

During debate on the legislation, a majority of the council members sided against Mendelson's proposed amendment to lower the bill's exemptions to 35 times the District's minimum wage instead of 40. According to The Washington City Paper, lobbyist Rod Woodson shopped the amendment around to council members on behalf of two debt collection companies, Portfolio Recovery Associates and Encore Capital Group.

Council members Jack Evans, Kenyan McDuffie, Anita Bonds and Brandon Todd voted with Mendelson.

Silverman warned the amendment would “help debt collectors and ... hurt poor residents.”

In an interview with The DC Line, Silverman said “the [original] logic of the committee was very sound ... and I felt the beneficiary of the amendment was clearly the debt collectors, specifically Encore.” The companies, she said, stood to “make a little more money from our very hard-working, working-class District residents.”

At a public hearing last June, many of the bill's supporters framed wage garnishment as a civil rights issue.

April Kuehnhoff and Andrew Pizor, staff attorneys at the National Consumer Law Center, testified on behalf of their low-income clients. “A garnishment order can cause havoc in the personal finances of a family that is already struggling to pay even basic expenses,” Pizor and Kuehnhoff said in their written testimony. “Increasing wage exemption will allow those who need protection to make use of it so they can pay for living expenses, such as rent, food, childcare, transportation, or other necessities of daily living that may take priority over prior debts.”

Not everyone at the June 7 hearing supported the thrust of the legislation. Testifying against the bill was Jacques Cooper, an attorney representing the creditor debt collection law firm Scot & Associates.

Cooper argued that the bill would serve as an easy “bailout” option for debtors who do not need the assistance, and would also negatively impact DC consumers and businesses in the long term.

“Wage garnishment only affects consumers that completely disregard their debts and court notices,” Cooper said in a written summary of his testimony. “Many debtors refuse to communicate with creditors until a wage garnishment is already in place. ... The reality is that without the ability to garnish wages, a judgment would essentially become worthless and debtors would have no incentive or urgency to ever resolve their debts.”

That would end up discouraging lending by legitimate creditors, leading some to turn to payday lenders or loan sharks, he said.

“If creditors don’t think they’re going to get repaid on their loans, they’re not going to lend,” Cooper said in the summary. “It’s critical for struggling families and small business owners to have access to credit.”

At the June hearing, the DC Fiscal Policy Institute, the Legal Aid Society of the District of Columbia, and Tzedek DC – a legal services nonprofit that works with low-income residents – all testified separately in support of the bill in addition to issuing a more detailed joint statement to the DC Council with other advocacy groups.

After the bill’s passage last month, Tzedek DC applauded the progress in a statement with the Jewish Community Relations Council.

“[This bill] represents an important step forward towards a justice system that treats low-income community members dealing with debt-related challenges fairly,” Tzedek president Ariel Levinson-Waldman said in the release.



DC Council

Elissa Silverman

Legislation

Wage Garnishment

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Midland Funding to drop over 10,000 debt collection cases

By **Lorraine Mirabella, The Baltimore Sun**

MARCH 10, 2011

Midland Funding LLC will drop more than 10,000 debt-collection cases against Maryland consumers under a class action settlement approved Wednesday in Baltimore federal court.

The dismissed claims, mostly for unpaid credit card debt that Midland bought from creditors, total at least \$10.2 million, according to a court document filed Wednesday by the plaintiffs.

Consumers filed suit against Midland, a buyer and collector of debt, in September 2009, alleging "prolonged, illegal, and systematic abuse of thousands of Maryland residents." Plaintiffs alleged that Midland was operating as a debt collector without a state license, in violation of state and federal law, said Peter A. Holland, the attorney for class members. The settlement was reached in June and approved Wednesday by U.S. District Judge Richard D. Bennett.

Holland, principal of the Holland Law Firm in Annapolis, said the debt-collection cases were "an albatross" for the plaintiffs.

"It can impact your ability to get a job ... to get an apartment ... to get a loan," he said.

Of the settlement's approval, Holland said: "To get this type of relief in this economy, it's an extraordinary thing. It's a great day for a lot of consumers in Maryland."

Midland is a subsidiary of Encore Capital Group, a publicly traded company based in San Diego that buys defaulted consumer loans from banks, credit unions and utilities.

Encore Capital Group officials were pleased, the company said in a statement. "In the settlement of this class action lawsuit, the court made no finding of any wrongdoing by either Encore or Midland and there was no admission of liability."

Midland had been a client of the Mann Bracken law firm in Rockville, which handled debt-collection lawsuits before shutting down abruptly last year. Lawsuits and regulators accused the firm of failing to comply with debt-collection laws and harassing borrowers.

Besides dropping the consumer debt-collection cases, Midland agreed not to refile the lawsuits or to sell the : allows Midland to contact debtors for payment as is now licensed to collect debts in Maryland.

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Alabama court protects paychecks from debt collectors

Updated Jan 17, 2020; Posted Jan 15, 2020



The Heflin-Torbert Judicial Building, also known as the Alabama Supreme Court, Montgomery (AL.com file) Julie Bennett

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By **Sarah Whites-Koditschek | swhites-koditschek@al.com**

Low-income Alabamians are now allowed to protect a portion of their wages from debt collection, thanks to a new appeals court ruling.

The Alabama Court of Civil Appeals ruled last week that Alabamians have a constitutional right to protect up to 25 percent of their wages or paycheck from garnishment. A 2015 state law would have determined wages outside of personal property for the purposes

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Farah Majid, an attorney for Legal Services Alabama which challenged the constitutionality of the law, called the decision a win. "Putting food on your table, and being able to, you know, not be homeless and have transportation to and from work, those things are important," she said.

She said that low-income people must avoid destitution and unemployment in order to be able to pay their debts. She said millions of dollars in wages may be at stake, as her staff has dealt with hundreds of cases.

The Urban Institute, a Washington D.C. based policy group reports that 39 percent of Alabamians have debt in collection.

But Michael Godwin, the attorney representing the plaintiffs in the case, said he was disappointed with the decision. "It isn't that far off from theft," he said of failing to repay a debt.

Businesses shouldn't be obligated to act like charities, he said, and contracts should be enforceable.

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The case, Renter's Realty vs. Ieisha Smith, began as an eviction in Madison County in north Alabama. Legal Services Alabama challenged Renter's Realty's garnishment of Smith's paycheck following her eviction. Around the time her wages were garnished, Smith lost her job and became homeless.

Under the 2015 state law, debt collectors were allowed to garnish up to 25 percent of each paycheck, the limit set by federal law.

In its challenge, Legal Services Alabama argued that wages are personal property and that the state constitution protects up to \$1,000.

Renter's Realty argued that wages should not be considered personal property and that the \$1,000 exemption should not apply to every single paycheck, which would effectively allow anyone who received less than \$1,000 per check to avoid any garnishment.

Godwin says the group may appeal the decision to the Alabama Supreme Court.

He said the 2015 law came about as a compromise between Alabama advocates and debt collectors. According to Godwin, the ruling leaves debt collectors without a clear road map for garnishing wages.

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Without the ability to garnish wages, businesses are less likely to extend credit to consumers, he said.

"The sky will not fall if Defendants are required to pay some of their income towards

validly entered Court awarded judgements.” Renter’s Realty wrote in a brief for the

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The Alabama Apartment Association filed an amicus brief in support of Renter’s

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In order to claim the exemption when being sued for wage garnishments, Alabamians must take pro-active steps such as filling out a form with the court. Majid acknowledged that some people may not do this and will go on having a quarter of their paycheck garnished.

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The law allows employees to protect the first \$1,000 per paycheck, regardless of whether an employee is paid every week or every two weeks. So low-income employees paid every two weeks may have less protection than those paid weekly.

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She said wage garnishments create a negative domino effect in people’s lives and hurt their ability to meet their obligations.

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“When you're losing your paycheck to pay old debt, it's the people that you currently owe money to that that really get shafted,” she said.

Godwin said he’s not sure how widespread the impact of the ruling will be, but he believes it will hurt small companies.

“If you ask for a service that is provided and you don’t pay, in some ways, regardless of the reason, you know, you’re hurting business.”

Corrected on Jan. 17, 2020 at 1:36 pm to reflect Smith’s financial status.

Alabamians have little protection from asset seizures for unpaid debts, report finds

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(<https://www.consumeraffairs.com/>)

Debt collector reaches settlement with 41 states

Thousands of consumers will have debts forgiven



By **Mark Huffman**

12/13/2018 | ConsumerAffairs |

Finance News (https://www.consumeraffairs.com/news_index/financial.html)



Photo (c) Deoucefleur - Getty Images

A major debt-purchasing operation has reached a settlement with 41 states and the District of Columbia to resolve the states' investigation into debt-collection practices.

Encore Capital Group, Inc. and its subsidiaries Midland Credit Management, Inc. and Midland Funding, LLC, one of the nation's largest debt buyers, resolved a probe that alleged the companies collected money without verifying the money was actually owed.

“This multistate, multi-million dollar settlement establishes further safeguards to protect future borrowers from bad collection practices, in addition to providing judgment relief to existing debtors,” said Florida Attorney General Pam Bondi. Menu ▶

(<https://www.consumeraffairs.com/>)

Investigators claimed that Midland’s collection effort involved a high volume of lawsuits against consumers whose debt Midland had purchased. In that process, the states charged the company of signing and filing affidavits that the defendants owed money without verifying the information, including how much was owed. That process is called “robo-signing,” which was used repeatedly during the financial crisis to foreclose on homes.

Robo-signing

“The practice of robo-signing hurts consumers, especially our lower-income consumers who may not have the means to fight a debt collector in court,” said Mississippi Attorney General Jim Hood. “Midland illegally attempted to collect debts it had not verified through robo-signing and other illegal practices.”

According to Missouri Attorney General Josh Hawley, debt-buying companies purchase unpaid and overdue debts from creditors, such as credit card companies, usually for pennies on the dollar. When they can collect the full amount, the profit margin is huge.

“Debt buyers, including Midland, also take consumers to court to collect the debts they purchase,” Hawley said. “However, people are often unable to afford attorneys to defend the allegations and cases result in default judgments, hurting credit and putting people in jeopardy of having their wages garnished.”

Burden of proof is on the debt collector

But when debt buyers take consumers to court, they are required to verify that the consumer owes the money and state the exact amount of the debt. Investigators for the states charge this did not always happen.

Under the terms of the settlement, Midland will pay or forgive a number of debts in all 41 states, totalling several million dollars. The company is also required to change its affidavit signing and litigation process to ensure it is collecting the right amount from the correct debtor.

According to legal advice website Nolo.com (<https://www.nolo.com/legal-encyclopedia/debt-scavengers-zombie-debt-32240.html>), cases of consumers being sued for repurchased debt have risen dramatically in recent years. In some cases, the debtor is no longer required to repay because the statute of limitations has expired.

In some cases, Nolo.com says the consumer doesn’t owe the debt because the debtor is someone with the same or similar name.

What to do

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If contacted by a company that says it has purchased your old debt, Nolo.com advises not to talk to the debt collector on the phone; hang up. If contacted by mail, write a letter requesting validation of the debt. (<https://www.consumeraffairs.com>)

If you are sued, don't ignore it. If you fail to respond, the court will award the debt collector a default judgment against you.

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**By Mark Huffman**

Mark Huffman has been a consumer news reporter for ConsumerAffairs since 2004. He covers real estate, gas prices and the economy and has reported extensively on negative-option sales. He was previously an Associated Press reporter and editor in Washington, D.C., a correspondent for Westwood One Radio Networks and Marketwatch. [Read Full Bio→](https://www.consumeraffairs.com/about/staff/mark-huffman/) (<https://www.consumeraffairs.com/about/staff/mark-huffman/>)

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NO FRESH START IN 2019

HOW STATES STILL ALLOW DEBT COLLECTORS TO PUSH FAMILIES INTO POVERTY

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APPENDIX A

STATE PROTECTION OF WAGES

NCLC's Model Family Financial Protection Act Recommendation: 80 times federal or state minimum wage or 10% of disposable income (15% if weekly disposable income exceeds \$1200)

| STATE | AMOUNT PROTECTED |
|--|---|
| "A" States Ban Wage Garnishment for Most Debts | |
| North Carolina | All wages exempt if supporting a family |
| Pennsylvania | All wages exempt for most debts |
| South Carolina | All wages exempt |
| Texas | All wages exempt |
| "B" States Protect Enough Wages So That Paycheck Does Not Drop Below the Poverty Level (\$495.19 per week for family of four) | |
| Alaska | \$743 per week if debtor is sole support of debtor's household |
| District of Columbia | 75% of wages or 40 times D.C. minimum wage (\$14/hour); can be increased if undue hardship is shown |
| Florida | \$750 if wage earner is head of family |
| Massachusetts | 85% of gross wages or 50 times the greater of the federal or state (\$12/hour) minimum wage |
| Wisconsin | Federal poverty amount, based on family size, is exempt; also allows hardship exemption |
| "C" States Protect at Least \$350 per Week | |
| California | 75% of wages or 40 times state minimum wage (\$12/hour for large employers, otherwise \$11) or local minimum wage; more if debtor proves that higher amount is needed. Garnishment is limited to 50% of amount in excess of 40 times state or local minimum wage. |
| Colorado | 80% of disposable income or 40 times state minimum wage (\$11.10/hour); also allows hardship exemption |
| Connecticut | 40 times federal or state (\$10.10/hour) minimum wage |
| Maine | 75% of wages or 40 times federal or state (\$11/hour) minimum wage |
| Illinois | Garnishment is limited to 15% of gross wages or the amount in excess of 45 times federal or state (\$8.25/hour) minimum wage |
| Nevada | 82% of wages or 50 times federal minimum wage |
| New Hampshire | 50 times federal minimum wage |

| STATE | AMOUNT PROTECTED |
|--|--|
| “C” States Protect at Least \$350 per Week (continued) | |
| New York | Garnishment is limited to 10% of gross wages, or amount in excess of 30 times federal or state minimum wage. State minimum wage varies from \$11.10 to \$15/hour. Also prohibits garnishment if debtor receives public assistance or would be qualified to receive it if wages were reduced by the garnishment |
| South Dakota | 80% of wages or 40 times federal or state (\$9.10/hour) minimum wage, plus \$25 per dependent |
| Washington | For consumer debt, 80% of disposable earnings or 35 times state minimum wage (\$12/hour) |
| West Virginia | 80% of wages or 50 times federal minimum wage |
| “D” States Preserve More of a Worker’s Wages Than the Minimum Required by Federal Law | |
| Arizona | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but allows reduction in case of hardship |
| Delaware | 85% of wages |
| Hawaii | Protects all but 5% of the first \$100 in wages, all but 10% of next \$100, and all but 20% of remainder |
| Indiana | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but allows reduction in case of hardship |
| Iowa | For debts arising from consumer contract, protects 75% of wages or 40 times minimum wage; also places dollar cap on amount that can be garnished in a year |
| Minnesota | 75% of wages or 40 times federal minimum wage. Also exempts wages of anyone who is, or was within the last 6 months, eligible for public assistance |
| Missouri | 90% of wages for head of family |
| Nebraska | 85% of wages for head of household |
| New Jersey | 90% of wages if under 250% of poverty |
| New Mexico | 75% of wages or 40 times federal minimum wage |
| North Dakota | 75% of wages or 40 times federal minimum wage, plus \$20 per dependent |
| Oklahoma | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but allows hardship exemption. |
| Oregon | Protects the greater of 75% of wages or \$254/week |
| Rhode Island | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but also prohibits garnishment for one year after receipt of public assistance |
| Tennessee | Federal minimum (75% of wages or 30 times federal minimum wage), plus \$2.50 per week for each dependent child under age 16 |
| Vermont | For debt arising from consumer credit transaction, 85% of wages or 40 times federal minimum wage; more if debtor shows need |
| Virgin Islands | 90% of wages |
| Virginia | 75% of wages or 40 times federal minimum wage. If household income does not exceed \$1,750/month, additional exemptions of \$34/week for one child, \$52/week for two, and \$66/week for three or more |

| STATE | AMOUNT PROTECTED |
|--|--|
| “F” States Protect Only the Federal Minimum | |
| Alabama | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Arkansas | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Georgia | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Idaho | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Kansas | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Kentucky | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Louisiana | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Maryland | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Michigan | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Mississippi | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Montana | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Ohio | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Puerto Rico | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Utah | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |
| Wyoming | Only protects the federal minimum, 75% of wages or 30 times federal minimum wage |

MCRC_FAV_SB425

Uploaded by: White, Marceline

Position: FAV

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Chapter 5 of Title 16 of the District of Columbia Official Code to prevent wage garnishment from an individual making 40 times the minimum hourly wage or less, to limit the amount that can be garnished from the wages of an individual making more than 40 times the minimum hourly wage, to allow an individual to file a motion to exempt wages from attachment under section 16-572 by making a claim of undue financial hardship, and to require a judgment creditor to give notice to a judgment debtor whose wages will be garnished.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Wage Garnishment Fairness Amendment Act of 2018”.

Sec. 2. Chapter 5 of Title 16 of the District of Columbia Official Code is amended as follows:

(a) The table of contents is amended by adding new section designations to read as follows:

“16-572a. Motion to exempt wages from garnishment.

“16-572b. Notice to judgment debtor regarding wage garnishment.”.

(b) Section 16-572 is amended to read as follows:

“§ 16-572. Attachment of wages; percentage limitations; priority of attachments.

“Notwithstanding any other provision of subchapter II of this chapter:

“(1)(A) Where an attachment is levied upon wages due a judgment debtor from an employer-garnishee, the attachment shall become a lien and a continuing levy upon the gross wages due or to become due to the judgment debtor for the amount specified in the attachment to the extent of 25% of the amount by which the judgment debtor’s disposable wages for that week exceed 40 times the minimum hourly wage, as prescribed in section 4 of the Minimum Wage Act Revision Act of 1992, effective March 25, 1993 (D.C. Law 9-248; D.C. Official Code § 32-1003) (“minimum hourly wage”), in effect at the time the wages are payable.

“(B) In the case of wages for any pay period other than a week, the Mayor shall, by regulation, prescribe a multiple of the minimum hourly wage equivalent in effect to that set forth in subparagraph (A) of this paragraph.

“(2) The levy shall be a continuing levy until the judgment, interest, and costs thereof are fully satisfied and paid, and in no event may moneys be withheld, by the employer-garnishee from the judgment debtor, in amounts greater than those prescribed by this section.

“(3) Only one attachment upon the wages of a judgment debtor may be satisfied at one time.

“(4) Where more than one attachment is issued upon the wages of the same judgment debtor and served upon the same employer-garnishee, the attachment first delivered to the marshal shall have priority, and all subsequent attachments shall be satisfied in the order of priority set forth in § 16-507.”.

(c) New sections 16-572a and 16-572b are added to read as follows:

“§ 16-572a. Motion to exempt wages from garnishment.

“(a) Notwithstanding § 16-572, a judgment debtor may seek to exempt additional wages from attachment under § 16-572 by making a claim of undue financial hardship by filing a motion with the Superior Court of the District of Columbia (“court”).

“(b) Upon the filing of a motion under subsection (a) of this section, the court shall hold a hearing as soon as practicable, but no later than 30 days after the motion is filed, unless the movant requests a later date.

“(c) The court shall prepare and make available a form that would allow a judgment debtor to easily identify the basis for the judgment debtor’s request for wages to be exempt from attachment. The form shall include space for the judgment debtor to identify, at a minimum, the following:

“(1) That the judgment debtor receives public assistance from any of the following sources or programs, if applicable:

Program;
“(A) Temporary Assistance for Needy Families

Responsibility;
“(B) Program on Work, Employment, and

“(C) General Assistance for Children program;

“(D) Supplemental Security Income;

“(E) Interim Disability Assistance;

“(F) Medicaid; or

“(G) D.C. Healthcare Alliance or similar health benefits;

“(2) A list of the judgment debtor’s household income;

“(3) The number of people in the judgment debtor’s household; and

“(4) A list of the household expenses, including:

“(A) Housing;

“(B) Utilities;

“(C) Health-related expenses;

“(D) Child care;

“(E) Food and household supplies;

- “(F) Education;
- “(G) Transportation;
- “(H) Clothing;
- “(I) Child support; and
- “(J) Other circumstances, including recurring payments, creating

financial hardship.

“(d)(1) At the hearing on a motion filed pursuant to this section, the court shall determine whether the amount required to be paid to the judgment creditor as calculated pursuant to § 16-572 creates an undue financial hardship for the judgment debtor; provided, that, for a movant who indicates that he or she receives public assistance from any of the sources listed in subsection (c)(1) of this section, there shall be a presumption that the amount required to be paid to the judgment creditor as calculated pursuant to § 16-572 creates an undue financial hardship.

“(2) If the court makes a determination of undue financial hardship pursuant to paragraph (1) of this subsection, the court shall grant the motion and:

“(A) Determine the amount of disposable wages to be exempted from attachment under § 16-572 necessary to avoid undue financial hardship;

“(B) Promptly issue an order modifying the existing writ of attachment, clearly identifying the dollar amount of disposable wages exempted from attachment, and instructing the employer-garnishee that the employer-garnishee shall not collect an amount during any pay period that causes the judgment debtor’s disposable wages for the pay period to drop below the exempted amount determined pursuant to subparagraph (A) of this paragraph; and

“(C) Send a copy of the order to the employer-garnishee at the address stated on the existing writ of attachment.

“(e) A judgment creditor may file a motion requesting that the court review an order issued pursuant to subsection (d) of this section to see whether, due to changed circumstances, the amount required to be paid to the judgment creditor as calculated pursuant to § 16-572 would no longer create an undue financial hardship or whether the amount of disposable wages needed to be exempted from attachment under § 16-572 to avoid undue financial hardship has changed; provided, that the judgment creditor shall not file a motion pursuant to this subsection before 18 months have passed since the court issued the order pursuant to subsection (d) of this section or since the court most recently reviewed the order pursuant to this subsection.

“16-572b. Notice to judgment debtor regarding wage garnishment.

“On the date that the judgment creditor serves a writ of attachment on an employer-garnishee, the judgment creditor shall also mail to the judgment debtor at his or her last known address, by certified and first class mail, a copy of the writ of attachment. The writ of attachment shall be accompanied by a notice to the judgment debtor containing the following or substantively similar language:

“Notice to Judgment Debtor Regarding Wage Garnishment

“Why am I receiving this? The enclosed Writ of Attachment is a copy of a legal document that has been issued to your employer. You are receiving this notice because the plaintiff in the court case shown on the Writ of Attachment obtained a money judgment against you. A money judgment is a court’s decision that you owe money to someone else (the “judgment creditor”). The judgment creditor is now seeking garnishment of your wages. Garnishment is a process in which a portion of an employee’s wages are taken each pay period in order to pay money owed to a judgment creditor.

“Will my wages be garnished? If so, how much? D.C. law automatically protects certain amounts of wages from garnishment. For example, if you earn 40 times the D.C. minimum hourly wage per week or less (in other words, if you work the equivalent of full-time hours at minimum wage, or less), your earnings are fully protected against garnishment and nothing will be taken from your paycheck. However, if you earn more than that, your employer may be required to withhold a portion of your wages to pay to the judgment creditor. The amount of garnishment is calculated based on the formula stated on the Writ of Attachment.

“Is there anything I can do? If you are already protected from garnishment, or if you can afford the amount that will be taken out of your paycheck to pay the judgment creditor, you do not need to do anything. However, judgment debtors subject to wage garnishment have the right under D.C. Official Code § 16-572a to request that the court adjust the amount of wages subject to garnishment based on financial hardship. To make such a request, you or your attorney must go to the court and file a motion. In addition, there may be circumstances under which you may be able to ask the court to undo the judgment. If you file a motion to adjust the amount of wages subject to garnishment based on financial hardship, you should provide a copy of the motion to your employer immediately so that the garnishment can be put on hold until the court makes a decision.”.

(c) Section 16-573 is amended as follows:

(1) Subsection (a) is amended by striking the phrase “that percentage of the gross wages payable to the judgment debtor for the pay period or periods ending in such calendar month to which the judgment creditor is entitled under the terms of this section” and inserting the phrase “that percentage of wages payable to the judgment debtor for the pay period or periods ending in such calendar month to which the judgment creditor is entitled under the terms of this subchapter” in its place.

(2) Subsection (b) is amended by striking the phrase “on which it is based, the employer shall make no further payments to the judgment creditor” and inserting the phrase “on which it is based, or the filing of a motion seeking an exemption under § 16-572a, the employer shall not withhold from the judgment debtor or pay to the judgment creditor” in its place.

(3) Subsection (d) is amended to read as follows:

“(d) Under this section, except as provided in § 16-577, the employer-garnishee shall not withhold from the judgment debtor or pay to the judgment creditor any portion of the gross wages payable to the judgment debtor for any week in which the judgment debtor’s disposable

wages do not exceed 40 times the minimum hourly wage, as prescribed in section 4 of the Minimum Wage Act Revision Act of 1992, effective March 25, 1993 (D.C. Law 9-248; D.C. Official Code § 32-1003), in effect at the time the wages are payable.”.

Sec. 3. Applicability.

(a) Section 2(b) shall not apply to a writ of attachment issued before the effective date of this act.

(b)(1) This act shall apply upon the date of inclusion of its fiscal effect in an approved budget and financial plan.

(2) The Chief Financial Officer shall certify the date of the inclusion of the fiscal effect in an approved budget and financial plan, and provide notice to the Budget Director of the Council of the certification.

(3)(A) The Budget Director shall cause the notice of the certification to be published in the District of Columbia Register.

(B) The date of publication of the notice of the certification shall not affect the applicability of this act.

Sec. 4. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 5. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

ENROLLED ORIGINAL

24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

Chairman
Council of the District of Columbia

Mayor
District of Columbia

PRA Group_UNF-SB425

Uploaded by: Bellamy, Lorenzo

Position: UNF



Memorandum in Opposition

February 14, 2020

State of Maryland SB 425 Senate Committee on Finance

Dear Members of the Committee on Finance:

On behalf of PRA Group, Inc. and its wholly-owned subsidiaries (collectively, "PRA"), I'm writing in **opposition** to SB 425. This bill renders courts' valid judgments virtually meaningless and would have a detrimental impact on the availability of affordable credit to Maryland consumers.

PRA is a publicly-traded company that, through its subsidiaries, purchases portfolios of consumer receivables from major banks and partners with individuals as they repay their obligations and work toward financial recovery. We are a leader in the debt purchasing industry and take our leadership obligations within our industry seriously. We work with consumers to resolve their obligations and typically offer a steep discount on the face value of the debt. In addition, we charge no interest or fees on our unsecured debt portfolios.

Despite our very consumer-focused approach, we sometimes must resort to litigation to recover debt obligations from consumers with the ability to pay but not the willingness. When we do proceed to litigation and a court awards a judgment for a valid debt obligation, wage garnishment is the primary way we collect on the judgment. If the garnishment law that governs this last-resort process has no teeth, courts' judgments will be rendered meaningless.

Garnishment is a well-established, court-supervised, formal procedure that allows us and other judgment creditors to seek repayment by collecting a small fraction of a non-paying judgment debtor's wages. Obtaining a garnishment order requires creditors such as retailers, banks and credit unions, financial services companies, professional service firms, private student loan lenders, and a variety of small businesses to go through a lengthy, costly and rigorous legal process.

As currently drafted, SB 425 would limit the amount of funds a judgment creditor may garnish from a consumer's wages by substantially increasing the amount of a consumer's disposable earnings that would be exempt from attachment. The consumer's disposable earnings would need to exceed 50 times the Maryland state minimum hourly wage before they are subject to wage garnishment. Even then, 75% of the consumer's disposable income would remain exempt



from wage garnishment. This is a substantial change to the current law, but the ultimate impact of the proposed law change would not be on judgment debtors. The ultimate impact of SB 425 will be felt by Maryland consumers who seek credit to get a mortgage, car loan, or credit card. The unintended consequences of SB 425 will be to disincentivize lenders from doing business in Maryland, therefore causing the availability of credit at reasonable prices to go down. For this reason, it is critical to maintain a reasonable level of wage garnishment so that Maryland continues to be a state where creditors who have extended money and have not been repaid are able to recoup the outstanding debt owed to them. Without the ability to recoup valid debt obligations, creditors will have little incentive to lend money to Maryland consumers in the first place.

Thank you very much for your attention in this important matter. Please feel free to contact me directly for any further information.

Best regards,

Elizabeth A. Kersey
Vice President, Communications and Public Policy
PRA Group
150 Corporate Boulevard
Norfolk, VA 23502
Elizabeth.Kersey@PRAGroup.com
(757)961-3525 (office)
(757)641-0558 (mobile)

Jessica Gibson_UNF_SB425

Uploaded by: Gibson, Jessica

Position: UNF

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

Encore Capital Group_UNF_SB425

Uploaded by: Gibson, Sonia

Position: UNF



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,

Encore Capital Group, Inc. and its wholly-owned subsidiaries (collectively, “Encore”) submit this letter in **opposition** to Senate Bill 425. While well-intended, this legislation would render courts’ valid judgments virtually meaningless, and would have a severely negative impact on the availability of affordable credit to Maryland consumers. Simply put, the bill’s drastic overhaul of creditors’ ability to collect on court judgments would have many negative unintended consequences for the 671,000 Maryland consumers we serve.

By way of background, Encore is a publicly-traded company and a leading provider of debt recovery solutions for consumers, with more than 60 years of experience helping consumers toward a better life. Through its subsidiaries, our company purchases portfolios of credit card receivables from major banks and partners with individuals as they repay their obligations and work toward financial recovery. We take a consumer-centric approach to helping consumers resolve their obligations, and each of our 8,500 employees takes great pride in this. We voluntarily cease or suspend collections where consumers demonstrate a hardship.¹ Additionally, last year we forgave over \$5 million in debt to consumers in Maryland.

Still, even with our consumer-centric approach, we sometimes have to utilize litigation as a last resort. A key priority for us is to try to communicate with our consumers to resolve their debt obligations, and we typically offer flexible payment plans and deep discounts on the account balances of our consumers. In addition, we charge no fees or pre-judgment interest on the debt we purchase. Still, for a small segment of consumers who we believe have the ability, but not the willingness, to repay their obligations, litigation is a path we sometimes take after years of attempting to work with the consumer outside of the legal process. The attached timeline shows a typical path to wage garnishment, where we have attempted to work with the consumer or notify them of their options 17 times prior to a wage garnishment.

When we do proceed to the last resort of litigation and a court awards a judgment for a valid debt obligation, we believe that judgment should be enforced, and the debt obligation should be repaid. When we obtain a judgment issued by a Maryland court of law, wage garnishment is the primary way we are

¹ See Encore’s Consumer Bill of Rights, Article 2 (attached).



able to collect on the judgment. If the garnishment law has no teeth, courts' judgments will be rendered meaningless.

Garnishment Is a Valid Method to Collect on Court-Ordered Judgments

Garnishment is a well-established, court-supervised, formal procedure that allows us and other judgment creditors to seek repayment by collecting a small fraction of a non-paying judgment debtors' wages. Obtaining a garnishment order requires creditors such as retailers, banks and credit unions, financial services companies, professional service firms, and a variety of small businesses to go through a lengthy, costly and rigorous legal process.

By Drastically Increasing Exemptions from Garnishment, SB 425 Would Render Courts' Valid Judgments Virtually Meaningless

As introduced, SB 425 exempts from garnishment any disposable earnings equaling 50 times the *state* minimum wage – up from the current law's 30 times the *federal* minimum wage. Using the state minimum wage of \$15 an hour in 2025, Maryland consumers earning up to approximately \$50,000 gross salary would be entirely exempt from repaying their debt obligations (estimating a 22% difference between gross salary and disposable wages²). As such, a consumer would have to earn over \$50,000 to even start to be subject to wage garnishment and even then, the greater of 75% of disposable wages or \$750 per week in take home wages would be protected from garnishment.

While Encore believes that protections should be provided for consumer who are in financially difficult situations or are undergoing hardships, we cannot support the proposal's blanket, no-questions-asked exemption for *all consumers*. It makes sense to consider individual life circumstances when determining who needs financial protection and who does not. For example, a single mother earning \$50,000 annually and supporting several children may need an exemption from wage garnishment in order to afford the necessities of life. In contrast, a married wage-earner from a dual-income household, raising no dependents and earning \$50,000 annually needs fewer protections. Applying the same automatic garnishment exemptions to all wage-earners does a disservice to consumers by reducing creditors' ability to collect and therefore reducing affordable credit.

Maryland law already provides a robust exemption for consumers from judgement creditors in the form of a \$6,000 bank account or personal property exemption. This exemption is guaranteed once the consumer files a simple document with the court, making it one of the most consumer-friendly exemptions in the country.

The changes to the law proposed in SB 425 combined with the existing protections for consumers in the state, would mean that the courts' valid judgments would be unenforceable for the vast majority of consumers who have incurred a debt obligation but are unwilling to pay it back.

² The term "disposable wages" are the amount of earnings left after legally required deductions e.g., federal, state taxes, Social Security, unemployment insurance and medical insurance. (See Maryland Courts "Frequently Asked Questions," located at <https://mdcourts.gov/sites/default/files/court-forms/district/forms/civil/dccv065br.pdf/dccv065br.pdf>)



The Availability of Credit for All Maryland Consumers Would Decline

This inequity doesn't just impact creditors and the consumers who failed to repay their valid debt obligations. The inequity will harm a far greater segment of society -- Maryland consumers who seek credit to get a mortgage, car loan, or credit card, the majority of which *do* repay their valid debt obligations. Simply put, the availability of credit at reasonable prices will go down. Numerous research studies in recent years have shown just this – that placing more restrictions on the collection of validly owed debt causes the availability of credit to decrease.³ As Professor Todd Zywicki of the Mercatus Center at George Mason University found in his comprehensive research, greater restraints on creditors' remedies will reduce the supply of lending and raise prices, at the expense of other consumers who may end up paying more or obtaining less access to credit.⁴ Another recent study noted that cumbersome regulation has “restricted the availability of financial products and credit, particularly for low-income borrowers, young people, and minorities.”⁵ Finally, a recent study from the Harvard Kennedy School of Government noted that a 250% surge in credit card related restrictions by regulators since 2007 has contributed to a 50% drop in annual credit card originations to lower-risk-score Americans.⁶

It is critical to maintain a reasonable level of wage garnishment so that Maryland continues to be a state where creditors who have extended money and have not been repaid are able to recoup the outstanding debt owed to them. Without the ability to recoup valid debt obligations, creditors will have little incentive to lend money to Maryland consumers in the first place. We ask you to consider these unintended consequences and urge the Committee to issue an unfavorable report on SB 425.

Thank you for your attention to this important matter. Please feel free to contact me directly at 858-309-6923 for any further information.

Sincerely,

Sonia Gibson
National Government Affairs

Enclosure

³ *Debt Collection Agencies and the Supply of Consumer Credit*, Philadelphia Federal Reserve Working Paper 15-23 (June 2015). See also Fonseca, Julia, *Access to Credit and Financial Health: Evaluating the Impact of Debt Collection* (Staff Report No. 814). Federal Reserve Bank of New York, May 2017.

⁴ Todd J. Zywicki, *The Law and Economics of Consumer Debt Collection and its Regulation*. Mercatus Center at George Mason University (September 2015).

⁵ *Dodd-Frank At 5: Higher Costs, Uncertain Benefits*, American Action Forum (July 2015).

⁶ Marshall Lux and Robert Green, *Out of Reach: Regressive Trends in Credit Card Access*, Harvard Kennedy School of Government (April 2016).

Kersey_UNF_SB425_

Uploaded by: Kersey, Elizabeth

Position: UNF



Memorandum in Opposition

February 14, 2020

State of Maryland SB 425 Committee on Finance

Dear Members of the Committee on Finance:

On behalf of PRA Group, Inc. and its wholly-owned subsidiaries (collectively, "PRA"), I'm writing in **opposition** to SB 425. This bill renders courts' valid judgments virtually meaningless and would have a detrimental impact on the availability of affordable credit to Maryland consumers.

PRA is a publicly-traded company that, through its subsidiaries, purchases portfolios of consumer receivables from major banks and partners with individuals as they repay their obligations and work toward financial recovery. We are a leader in the debt purchasing industry and take our leadership obligations within our industry seriously. We work with consumers to resolve their obligations and typically offer a steep discount on the face value of the debt. In addition, we charge no interest or fees on our unsecured debt portfolios.

Despite our very consumer-focused approach, we sometimes must resort to litigation to recover debt obligations from consumers with the ability to pay but not the willingness. When we do proceed to litigation and a court awards a judgment for a valid debt obligation, wage garnishment is the primary way we collect on the judgment. If the garnishment law that governs this last-resort process has no teeth, courts' judgments will be rendered meaningless.

Garnishment is a well-established, court-supervised, formal procedure that allows us and other judgment creditors to seek repayment by collecting a small fraction of a non-paying judgment debtor's wages. Obtaining a garnishment order requires creditors such as retailers, banks and credit unions, financial services companies, professional service firms, private student loan lenders, and a variety of small businesses to go through a lengthy, costly and rigorous legal process.

As currently drafted, SB 425 would limit the amount of funds a judgment creditor may garnish from a consumer's wages by substantially increasing the amount of a consumer's disposable earnings that would be exempt from attachment. The consumer's disposable earnings would need to exceed 50 times the Maryland state minimum hourly wage before they are subject to wage garnishment. Even then, 75% of the consumer's disposable income would remain exempt



from wage garnishment. This is a substantial change to the current law, but the ultimate impact of the proposed law change would not be on judgment debtors. The ultimate impact of SB 425 will be felt by Maryland consumers who seek credit to get a mortgage, car loan, or credit card. The unintended consequences of SB 425 will be to disincentivize lenders from doing business in Maryland, therefore causing the availability of credit at reasonable prices to go down. For this reason, it is critical to maintain a reasonable level of wage garnishment so that Maryland continues to be a state where creditors who have extended money and have not been repaid are able to recoup the outstanding debt owed to them. Without the ability to recoup valid debt obligations, creditors will have little incentive to lend money to Maryland consumers in the first place.

Thank you very much for your attention in this important matter. Please feel free to contact me directly for any further information.

Best regards,

Elizabeth A. Kersey
Vice President, Communications and Public Policy
PRA Group
150 Corporate Boulevard
Norfolk, VA 23502
Elizabeth.Kersey@PRAGroup.com
(757)961-3525 (office)
(757)641-0558 (mobile)

MDDCCUA_UNF_SB425

Uploaded by: Murray, Rory

Position: UNF



Chairwoman Delores Kelley
3 East
Miller Senate Office Building
Annapolis, MD 21040

SB425: Debt Collection - Exemptions From Attachment and Execution
Testimony on Behalf of MD|DC Credit Union Association
Position: Oppose

Chairwoman Kelley, Vice-Chair Feldman and Members of the Committee,

On behalf of the MD| DC Credit Union Association and the 84 Credit Unions and their 1.9 million members that we represent in the State of Maryland, we appreciate the opportunity to testify on this legislation. Credit Unions are member-owned, not-for-profit financial cooperatives whose mission is to promote thrift and provide access to credit for provident and productive purposes for our members. We respectfully oppose this bill.

It is important to know, first and foremost, that credit unions very rarely pursue judgments to garnish wages. The credit union movement is best known for our customer service, willingness to help members in need, and our primary purpose of helping our members gain financial freedom. In the rare case that a credit union pursues wage garnishment to recoup funds, you can rest assured that all other avenues have been pursued first. Accordingly, if a credit union does pursue wage garnishment to recoup funds, a significant amount of time and costs have already been spent to try to remedy the situation. In other words, when we pursue wage garnishment, we really have no other options.

As member-owned, democratically controlled, financial cooperatives, the only funds that we can lend or use to create new products (other than grants and other sporadically timed programs) for our members are the funds that come from the members themselves. As democratically controlled institutions, when the decision is made to pursue garnishment, it is made by our members. If we cannot collect funds from those who fail to pay what they owe, it directly harms the other members. This is not fair to the other members, and for that reason, we oppose this bill which may make it more difficult for credit unions to garnish wages.

Please do not hesitate to contact me at 443-325-0774 or jbratsakis@mddccua.org, or our VP of Advocacy, Rory Murray at rmurray@mddccua.org should you have any questions. Thank you for your consideration.

Sincerely,

John Bratsakis
President/CEO
MD|DC Credit Union Association

Schlee_UNF_SB425

Uploaded by: Schlee, David

Position: UNF



MARYLAND-DC CREDITORS BAR ASSOCIATION, INC.

OPPOSE SB 425

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 Senate Bill 425** 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 SB 425 and urges an unfavorable report.