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**Testimony to the Senate Judicial Proceedings Committee
HB 322 Courts-judgments-exemptions from Execution
Position: Favorable**

March 22, 2022

The Honorable William C. Smith, Jr., Chair
Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, MD 21401
Cc: Members, Senate Judicial Proceedings Committee

Honorable Chair Smith and Members of the Committee:

Since 1966, Consumer Credit Counseling Service of Maryland and Delaware, Inc. (CCCSMD) - a Maryland 501c3 non-profit housing and credit counseling agency - has provided Maryland residents with financial education, debt management and budgeting tools to improve their financial well-being. This bill is consistent with CCCSMD's mission to improve the financial lives of the individuals and families we serve and supports our vision to help transform communities where everyone has a chance to become financially independent.

What the bill does

State exemption laws provide protections for families from income or property garnishment. The goal of state exemption laws is to protect households from financial ruin and leave families with enough assets that they can make a fresh start as they repay debt.

Maryland law provides \$6000 of protection for all of an individual's property-home, car, cash, and other valuables. To protect these assets, an individual must elect to protect them. **Very few Marylanders are aware of or able to take these exemptions and as a result almost all of their income and property can be garnished to satisfy a debt.**

HB322 sets an automatic exemption for \$500 that an individual can protect in their bank account from creditors.

Debt Collection

In 2016 more than 27,000 Maryland residents had their bank accounts or other property seized to satisfy a debt. In Maryland, the debts that residents many struggle with are medical debt and student loan debt. Medical debt is unlike other debts where there is little consumer choice and the individual is seeking care for an emergency or emergent illness. Student loan debt is usually considered a 'good' kind of debt but stagnant wages and costly interest rates mean that those graduating with degrees may be saddled with high interest loans that are difficult to pay.

Economic Equity and Racial Justice

A majority of the debt collection lawsuits and these garnishments took place in low-income communities or communities of color.

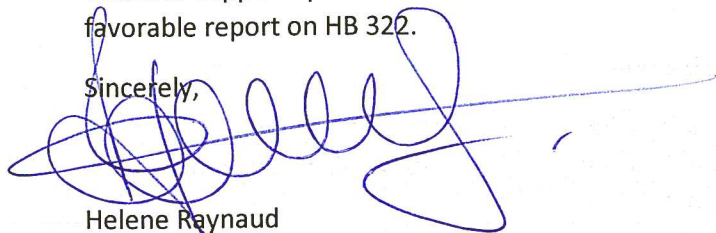
HB 322 is particularly critical legislation now to meet this unprecedented moment. A 2020 United Way study found that 39% of Maryland families are struggling and find it difficult to meet their basic needs. Many pandemic protections including financial assistance and eviction moratoriums are waning or have disappeared.

Yet, as COVID-19 continues to affect Maryland residents, particularly Black and Brown workers concentrated in essential services, many will face unexpected medical bills and other financial setbacks. In fact, an October 2020 Gonzales poll that MCRC commissioned found that 45% of African-American respondents would have to either use credit or would be unable to pay an unexpected \$500 bill.

This amount-\$500-is not very much for creditors but our analysis shows it will help protect approximately 50% of Maryland residents in collection from having their bank account zeroed out.

CCCSMD supports policies that end the criminalization of poverty. We ask that the Committee issue a favorable report on HB 322.

Sincerely,



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