



Maryland Consumer Rights Coalition

**Testimony to the House Judiciary Committee
HB 322 Courts-judgments-exemptions from Execution
Position: Favorable**

February 9, 2022

The Honorable Luke Clippinger, Chair
House Judiciary Committee
House Office Building, Room 101
Annapolis, Maryland 21401
cc: Members, House Judiciary Committee

Honorable Chair Clippinger and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances economic rights and financial 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 writing today in support of HB322.

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 a \$6000 wildcard exemption —one that that the debtor can use to protect a variety of types of property. In Maryland, the wildcard exemption means you can choose to use that \$6000 to protect a portion of your house, car, money in your bank account, tools, jewelry, and other items. In comparison, Mississippi does a better job than Maryland. Mississippi protects a home worth \$75,000 but then also provides a \$10,000 wildcard exemption to cover the debtor's car, bank account, household goods, and all other property.

Currently, the exemption in Maryland is not self-executing, which means that the debtor must know that these exemptions exist and elect to take them. Very few do.

In MCRC's 2018 report [No Exit](#), we found that in 2016, there were more than 27,000 property garnishments which include bank account or garnishment of other property. Our report also documented that there were more debt collection lawsuits and garnishments in communities of color than in majority-white communities. Our finding mirrors those in national reports that



documented that debt collection lawsuits disproportionately affect communities of color. This recommendation was one of the key policy recommendations in our 2018 report. This recommendation was also adopted by AG Frosh's Access to Justice Commission as a response to the COVID-19 pandemic.

HB322 updates our statute which has remained unchanged for the past 30 years. HB322 sets an automatic exemption for \$500 that an individual can protect in their bank account from creditors. The reason for this protection is self-evident: an individual needs to be able to keep some money to use for food, housing, utilities, and other basic needs until they receive their next paycheck.

While we believe that struggling families should be able to protect more from exemptions—at least \$1300 which is the average rent for a one-bedroom apartment—this legislation reflects a real compromise—we would prefer to pass a \$500 exemption this year to protect low-income households who are struggling amidst the pandemic and rising rental prices than work for the next 3-4 years to achieve a higher exemption down the road. It is critical to pass HB 322 this year and establish this protection now as federal and state protections wane.

HB322 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. While unemployment is at 6.3 percent, certain sectors including hospitality and information services have been particularly hard-hit, throwing thousands of low-wage workers, predominantly Latinx & Black workers out of jobs. Others have seen their hours reduced or their small businesses close. As many continue to be unemployed and others (primarily women) leave their jobs in order to manage their child or eldercare responsibilities, financial hardships will increase. These financial strains, coupled with the potential for costly medical bills—and the long-term medical care needed by many COVID-19 survivors mount, may become overwhelming. Many will have problems paying their bills. Advocates anticipate a tsunami of debt collection filings for debts \$5000 or less.

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.

HB322 responds to this economic and health crisis by updating our outdated formulas for protecting assets. The 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.



In addition to directly assisting homeowners, the legislation will also protect taxpayers from having to pay for emergency food and shelter for these struggling families; will support landlords, banks, and others because the household will have money to spend in the community.

HB322 will protect the household because if all money were zeroed out of a bank account, the individual would be hit with costly overdraft fees, deepening poverty and making it even harder to recover. HB 322 is easy for banks to manage since the amount is self-executing and it saves the courts time and money in terms of processing exemptions. In fact, Maryland banks have already demonstrated their ability to execute this kind of protection when in 2020 they protected stimulus funds from garnishment. This process will be much simpler than that one was and they were able to extend those protections with little preparation. Moreover, a number of states already have automatic bank account exemptions and banks in Maryland that are part of a national chain can simply reach out to other regions for guidance since these banks are already doing this in several other states.

HB322 extends some much-needed protections for financially struggling Maryland families, saves taxpayers and the state money, ensures that landlords, utilities, banks and others continue to receive payment for loans, bills, etc., and reduces costs and time for banks and for courts.

For all these reasons, we support HB322 and urge a favorable report.

Best,

Marceline White
Executive Director