



Testimony to the House Judiciary Committee
SB 106 Courts-judgments-exemptions from Execution
Position: Favorable

January 25, 2023

The Honorable Will Smith, Chair
Senate Judicial Proceedings Committee
Second Floor, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Judicial Proceedings

Honorable Chair Smith and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing today in support of SB 106.

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 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 Economic Action Maryland's 2018 report [No Exit](#), we found that in 2016, there were more than 27,000 property garnishments which include bank accounts 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.

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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.

SB 106 updates our statute which has remained unchanged for the past 30 years. SB 106 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.

SB 106 is particularly critical legislation now to meet this unprecedented moment. Many households continue to struggle with job loss, illness, and a fall in income from the pandemic. At the same time, inflation has led to a rise in rent, food, utilities, and auto insurance creating a strain on those households already living paycheck to paycheck. A 2020 United Way study found that 39% of Maryland families are struggling and find it difficult to meet their basic needs. An October 2020 poll found that 45% of African-American respondents in Maryland would have to either use credit or would be unable to pay an unexpected \$500 medical bill.

SB 106 responds to this critical moment by protecting a minimum level of assets for struggling families. 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.

SB 106 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. SB 106 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.

SB 106 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 SB 106 and urge a favorable report.

Best,

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