

What is wage garnishment?

Wage garnishment is a legal process where a portion of an individual's paycheck is withheld to repay debts, such as unpaid loans or other financial obligations.



Currently, Maryland holds a 'C' grade in state protections from wage garnishment

Background

In 2020, Economic Action MD fought to alter Maryland wage protections so that debtors can protect more of their hard earned wages from garnishment. Currently, a debtor can protect 75% of their income from wage garnishment, 30x the Maryland minimum wage. In other words, low-wage Maryland workers can protect \$450 per week or \$23,400 per year from wage garnishment – an income which is still below the federal poverty guidelines for a family of four (\$30,000 a year), and well below the United Way's ALICE report survival threshold (\$34,680 a year for a single earner and \$81,948 for a family of four).¹

Additionally, debt collectors, under Maryland Court Rule 3-646,² are required to provide receipt of each payment to a debtor after their wages have been garnished to show the total amount paid and amount remaining. However, many debt collectors fail to do this, which often results in debtors paying beyond what they owed with no chance at reimbursement.



In 2018, The United Way's household survival budget for food for a family of four was \$884/month
In 2021 that number skyrocketed to \$1,247/month

Why further reform is needed

- Despite reform in 2020, Maryland still receives a 'C' grade in wage protection, compared to states with an 'A' grade such as North Carolina and Texas³
- For low-income debtors, many of whom have families and dependents to take care of, the wages garnished from their income can mean the difference between stability and basic needs insecurity
- Current law does not account for the drastic increases in prices for necessities fueled by inflation
- The cost of living has risen dramatically in Maryland, with the United Ways' ALICE Report survival income threshold raising from \$26,052 a year in 2018 to \$34,680 in 2021

Recommendation - HB661

This bill:

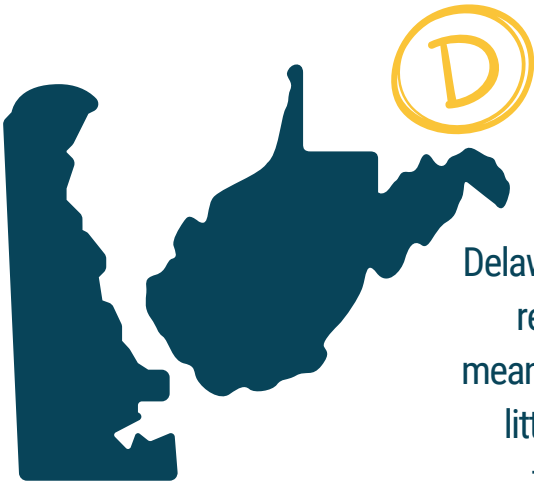
- Changes the amount of wages that are exempt from wage garnishment, allowing workers to keep more of their hard-earned dollars. This bill changes the amount eligible for protection from 30x the state minimum wage or 75% of weekly wages to the greater of either \$750 a week or 85% of weekly wages. This amount protected is also adjusted according to changes in the Consumer Price Index every three years in order to account for further changes to the cost of living.
- Requires creditors to provide a written statement showing each payment that was credited to the account of the debtor that month, and the manner in which each payment was credited (direct payment or wage garnishment). This would help to prevent overpayment and stop debt collectors from further taking advantage of those struggling financially.

We must reform our wage garnishment law to account for the rising cost of living to give workers subject to wage garnishment a fighting chance at lasting financial stability.



Wage Garnishment Protections: How Maryland Stacks Up Against Other States

After legislative changes in 2020, Maryland went from an 'F' grade in wage protections to a 'C' grade, but where do we stand compared to our neighbors?



Delaware and West Virginia received a 'D' grade, meaning they only protect a little over the required federal minimum.



Washington, DC, received a 'B' grade, for protecting wages enough so that paychecks do not drop below the poverty level.



Virginia and New Jersey received a 'C' grade, protecting at least \$350 per week from garnishment.



Pennsylvania received an 'A' grade, banning wage garnishment for most debts.

There is more work to be done

Although Maryland has improved its wage garnishment laws, the current protections do not match up with the rise in the cost of living that has occurred over the past three years. A 'C' might technically be a passing grade, but we should aim for more than mediocrity, we should aim for excellence. Let's give low-income workers a fighting chance towards financial stability and become a leader in consumer protections.

Support HB661