



MARYLAND/DC  
CREDITORS BAR ASSOCIATION, INC.



Mid-Atlantic Collectors Association  
Serving members in Delaware, Maryland, Pennsylvania, West Virginia, and the District of Columbia



**Date:** February 20, 2024

**To:** Maryland House Economic Matters Committee Members

**From:** ACA International, Encore Capital Group, Maryland DC Bar Association, Mid-Atlantic Collectors Association, National Creditors Bar Association, PRA Group, Receivables Management Association International (RMAI),

### **Opposition to HB 661- Consumer Protection and Debt Collection- Exemptions from Attachment and Requirements on Judgment Creditors**

The trade associations and companies listed above oppose HB 661. Wage garnishment is the primary last option for creditors to recover on court-ordered judgments for unpaid debts. This bill proposes to eliminate wage garnishment for most judgment debtors and will reduce access to credit for Maryland consumers.

Our key concerns with HB 661 are as follows:

- The proposed language would slash the allowable wage garnishment to 0% for approximately \$23.5/hr. (\$938/wk. or \$49,000/yr.) or less *gross* salary earners, needlessly exempting them from *any* wage garnishment, and making them judgment proof. This exemption is not need-based and would apply to all debtors based on individual pay, with no-questions-asked. According to the Census Bureau<sup>1</sup>, the average individual income in Maryland is \$49,000/yr., meaning the average consumer would be entirely exempt from wage garnishment, the primary and last option for repayment of judgments.
- To address the concerns of debtor hardship, we would support wage garnishment exemptions for debtors who notify their creditors of a medical or financial hardship. Unfortunately, rather than consider a need-based proposal, this legislation would largely eliminate wage garnishment for the vast majority of judgment debtors.
- For those not entirely exempt from garnishment, HB 661 would cut the allowable garnishment percentage from 25% to 15% of wages. This reduction will harm consumers by extending the timeline of wage garnishment and increasing their total interest paid to satisfy the judgment.
- Delegate Charkoudian's and former Delegate Dumais' recent legislation on this very topic (HB 365 from 2020) more than doubled the floor level for exempt salaries by creating a wage garnishment formula dependent on state, instead of federal, minimum wage. Due to HB 365's enactment and the \$15/hr. state minimum wage, the exemption levels were changed from approximately \$272/wk. to \$563/wk. in *gross* wages. Also, due to HB 365, wage garnishment exemption levels automatically increase as the state minimum wage increases and routinely updating exemptions with the Consumer Price Index, like HB 661 seeks to do, is unnecessary.

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<sup>1</sup> United States Census Bureau, <https://data.census.gov/>

- Just last year under Delegate Lopez’s House Bill 42, Maryland’s bank garnishment exemption was increased to an automatic \$500 across the board, regardless of income. This protection applies to each bank account the debtor owns (\$500 automatically shielded in each bank account from creditors) on top of the state’s wage garnishment protections. It would be premature for the Legislature to pass another proposal to hamper the ability to recover on judgments without waiting to see the impacts of the recent changes in law.
- The unintended consequence of this legislation is that if creditors are unable to recover on outstanding debts using the last option of wage garnishment, access to affordable credit will be further restricted for consumers who need it the most. There is a significant amount of academic research finding that creating barriers to the legitimate collection of debt results in higher interest rates and less access to credit for low credit score consumers. Most recently, research by the Consumer Financial Protection Bureau in 2023 showed that decreasing garnishment by just \$1 per week decreases median credit card limits by \$10.04, and that the National Consumer Law Center’s Model Family Financial Protection Act (which HB 661 appears to emulate) would decrease credit limits by \$1,294 per consumer<sup>2</sup>.
- HB 661 seeks to add additional and unnecessary notices and requirements to existing law. Maryland law already requires that judgment creditors submit monthly creditor reports to both the employer and the consumer. HB 661 would unnecessarily require judgment creditors to retain these creditor reports for 90 days after the garnishment ends. This proposal also requires judgment creditors to add a full itemized payment history on any notice of judgment satisfaction to the employer and the Court, regardless of whether payments were received from a wage garnishment. And finally, the bill would make any violation of the wage garnishment law an “Unfair, Abusive, or Deceptive Trade Practice” under the Maryland Consumer Protection Act and would create a separate civil cause of action against judgment creditors. However, existing wage garnishment law already imposes a penalty for failure to comply and permits the Court to dismiss a wage garnishment and award attorney fees and costs to the debtor.

For the reasons above, we strongly oppose HB 661 and urge you to issue an Unfavorable Report.

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<sup>2</sup> *Using the Courts for Private Debt Collection: How Wage Garnishment Laws Affect Civil Judgments and Access to Credit.* Consumer Financial Protection Bureau (2023)