



Testimony to the Economic Matters Committee

HB 661 Consumer Protection and Debt Collection - Exemptions From Attachment and Requirements on Judgment Creditors

Position: Favorable

February 20, 2024

The Honorable C.T. Wilson, Chair

Economic Matters Committee

Room 231, House Office Building

Annapolis, Maryland 21401

cc: Members, Economic Matters Committee

Honorable Chair Wilson and Members of the Committee,

We are writing today in strong support of HB 661.

HB 661 increases the amount of wages an individual can protect from garnishment from 30x the state minimum wage or 75% of weekly wages to a flat rate of \$750 a week or 85% of weekly wages whichever is greater. This legislation is crucial for addressing the financial challenges faced by low-income individuals that have been exacerbated by the rising cost of living.

Currently, Maryland's wage protection holds a 'C' grade according to the National Consumer Law Center's evaluation of state wage protection practices, with workers being able to protect the greater of \$450 a week or 75% of their weekly wages. In order to reach a 'B' grade, state law must allow workers to protect enough wages so that their weekly paycheck does not drop below the federal poverty line, around \$600 per week for a family of four.¹ HB 661 would bring Maryland up to a 'B' grade by letting Marylanders keep more of their hard earned wages in their pockets.

¹ https://nclc.org/wp-content/uploads/2023/12/2023_Report_No-Fresh-Start_Table-1.pdf

Despite Maryland having a relatively low poverty rate compared to other states, at 9.4%, areas with concentrated populations of people of color have much higher poverty rates. For example, Baltimore City, a majority Black city, has a poverty rate of 21.8%.² Considering these racial disparities in wealth and income, Black and Brown communities are especially impacted by debt and burdensome debt collection practices. In 2016, over 50,000 people had their wages garnished.³ Considering a majority of these people lived in counties with high populations of people of color such as Prince George's County and Baltimore City, wage garnishment is also an issue racial equity.

Although the recent rise in the state minimum wage has slightly increased the amount an individual can protect from garnishment, the cost of living has risen dramatically over the past few years, leaving many working families unable to keep up with expenses while managing their debt.

For low-income debtors supporting families, garnished wages can determine the precarious balance between financial stability and insecurity. For example, the average weekly grocery bill for a family of four in Maryland is \$300,⁴ which leaves debtors with only \$150 a week left over for additional expenses under current law. This additional \$300 protected under HB661 would mean a world of difference to these families that are already struggling to make ends meet while paying off their debts. Additionally, because this bill ties the amount of wages an individual can protect to the Consumer Price Index, it is a long lasting solution that accommodates further changes to the cost of living.

Putting food on the table and keeping the heat on should not be considered luxuries that come second after paying off debt. This bill acknowledges that, although these workers have debts to repay, excessive garnishment of wages only puts people back into the financial situations that led them into debt in the first place.

For these reasons, we support HB661 and urge your favorable report.

Signed,

Zoe Gallagher, Policy Associate Economic Action Maryland

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Debra Gardner, Legal Director, Public Justice Center

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Camila Reynolds-Dominguez, Policy Advocate and Legal Impact Coordinator, FreeState Justice

² <https://www.marylandmatters.org/2020/09/07/survey-shows-md-s-poverty-rates-and-the-racial-gap-beneath-them/>

³ <https://cnsmaryland.org/2019/05/20/md-s-consumer-advocates-push-for-new-debt-collection-laws/>

⁴ <https://www.unitedforalice.org/maryland>

Claudia, Wilson Randall, Executive Director, Community Development Network of Maryland