



## Memorandum of Opposition

February 20, 2024

To: Maryland House Economic Matters Committee Members

From: PRA Group, Inc.

Re: **Opposition to HB 661 (Del. Charkoudian) Eliminates Wage Garnishment for Most Judgment Debtors**

On behalf of PRA Group, Inc. and its wholly-owned subsidiaries (collectively, "PRA"), I am writing in **opposition** to House Bill 661 ("HB 661"). While PRA strongly supports efforts to protect consumers from economic harm, this bill may have an unintended negative impact to consumers and businesses.

PRA is a publicly-traded company that, through its subsidiaries, purchases portfolios of consumer receivables from major banks. PRA partners with individuals as they repay their obligations, working toward financial recovery. We work with consumers to resolve their obligations and typically offer a discount on the face value of the debt. In addition, we typically charge no interest or fees on debt we purchase domestically. PRA is also a willing participant to any action that combats unethical behavior that harms consumers and legitimate businesses.

Wage garnishment is the primary last option for creditors to recover on court-ordered judgments for unpaid debts, and HB 661 would exempt the vast majority of debtors from wage garnishment. Certainly, it is important to address concerns of debtor hardship, and we would support wage garnishment exemptions for debtors who notify their creditors of a medical or financial hardship.

Our key concerns with HB 661 are as follows:

- The proposed language would slash the allowable wage garnishment to 0% for \$49,000 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, no-questions-asked. According to the Census Bureau<sup>1</sup>, the average individual income in Maryland is \$49,000, meaning the average consumer would be entirely exempt from wage garnishment, the primary method for repayment of judgments.
- Delegates Charkoudian's and 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. Also, under current law as created by HB 365, wage garnishment exemption levels automatically increase as the state minimum wage increases. Maryland's minimum wage has increased significantly over the years to now being \$15 per hour. Because the current law increases garnishment protections automatically as the minimum wage increases, routinely updating garnishment laws 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/>



- Additionally, 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.
- As discussed, 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.
- 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 an enormous 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 (CFPB) 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** <sup>2</sup>.

For the reasons above, we strongly **OPPOSE HB 661** and urge you to **issue an unfavorable report**.

Thank you very much for your attention in this important matter. Please feel free to contact me directly if we may be of assistance.

Best regards,

Elizabeth Kersey  
Senior Vice-President, Communications and Public Policy  
PRA Group  
150 Corporate Boulevard  
Norfolk, VA 23502  
[Elizabeth.Kersey@PRAGroup.com](mailto:Elizabeth.Kersey@PRAGroup.com)  
(757) 961-3525 (office)  
(757) 641-0558 (mobile)

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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