



January 28, 2025

Senate Bill 31 (Senate Finance Committee)

Encore Capital Group - Memorandum in Opposition

Dear Members of the Senate Finance Committee:

On behalf of Encore Capital Group, Inc. and its wholly owned subsidiaries (collectively, “Encore”), I’m writing in **opposition** to Senate Bill 31. This legislation would automatically exempt a significant population of judgment debtors from any wage garnishment, with no consideration of their financial circumstances or ability to repay. Wage garnishment is a critical way that debtors repay their obligations as ordered by the courts. This legislation is not only drastic and unnecessary, but it is also completely unworkable as drafted because it shields a debtor’s income by household *size* – information that a creditor or employer processing the garnishment order would not generally know. This extreme legislation would eliminate wage garnishment for most judgment debtors, reduce the recovery of unpaid debts, and ultimately reduce access to credit for thousands of Maryland consumers. The issues with the Bill are myriad, and include:

- **The Average Judgment Debtor Would Be Automatically Exempt from Any Wage Garnishment.** Current Maryland law already protects 75% to 100% of take-home wages from garnishment depending on the level of the debtor’s earnings. However, this proposal would entirely exempt a judgment debtor in a four-person household making \$58,500 or less *gross* individual income. This level of automatic exemption is far greater than the average individual’s income in Maryland of \$51,689.¹ We support exempting consumers in hardship - as evidenced by our industry-first Consumer Bill of Rights - but the proposal is not based on true consumer need, and would make debtors judgment proof, regardless of whether other household members have income, with no questions asked.
- **The Legislation Is Unworkable, as it Ties to Household Size, Which a Judgment Debtor’s Employer Does Not Know.** The proposed language exempts from garnishment debtors earning between \$28,170 and \$97,470 in gross individual income² based on the size of their household. However, the size of the judgment debtor’s household is not information that creditors and employers know or are entitled to know, so implementing this provision would be nearly impossible.
- **Enacted Bills in Recent Years Have Already Created Significant Wage and Bank Garnishment Reforms.** Maryland has already enacted legislation drastically restricting wage and bank garnishment multiple times over the past several years. In 2020, House Bill 365 was enacted

¹ U.S. Census Bureau, located at <https://www.census.gov/quickfacts/fact/table/MD/BZA110222>.

² Approximating a 20% difference between gross and disposable (net) wage



that more than doubled the floor level for exempt salaries by creating a wage garnishment formula dependent on state, instead of federal, minimum wage. HB 365 also created automatic wage garnishment exemption increases as state minimum wage increases. Beyond that legislation, in 2023 House Bill 42 increased Maryland's bank garnishment exemption to an automatic \$500 across the board, regardless of income. This protection applies in addition to 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.

- **This Legislation Will Cause the Availability of Affordable Credit to Decline for Maryland Consumers.** The unintended consequence of this legislation is that it will hamper the efforts of judgment creditors to collect (through wage garnishment) on the valid judgments they hold. There is a significant amount of academic research, however, 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 Senate Bill 31 appears to emulate) would decrease credit limits by \$1,294 per consumer³. As a result, if this Bill were to pass, access to affordable credit will be restricted for Maryland consumers who need it the most.

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 the reasons above, we strongly oppose SB 31 and urge you to issue an Unfavorable Report.

Thank you for your attention to this important matter. Please feel free to contact me directly at sonia.gibson@encorecapital.com for any further information.

Sincerely,

A handwritten signature in black ink that reads "Sonia Gibson".

Sonia Gibson
Director, National Government Affairs

³ *Using the Courts for Private Debt Collection: How Wage Garnishment Laws Affect Civil Judgments and Access to Credit*. Consumer Financial Protection Bureau (2023).