SB31_SponsorTestimony
Uploaded by: Senator Ellis
Position: FAV

ARTHUR ELLIS, CPA
Legislative District 28
Charles County

DEPUTY MAJORITY LEADER

Finance Committee

Senate Chair
Joint Committee on the
Management of Public Funds

Chair, Charles, St. Mary's and Calvert
Counties' Senate Delegation

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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Sponsor Written Testimony: Favorable

Senate Bill 31: Commercial Law – Attachments of Wages – Exemptions (Exempt Income Protection Act)

January 28, 2025

Chair Beidle, Vice Chair Hayes, and esteemed members of the Finance Committee:

I am Senator Arthur Ellis, representing District 28. I am writing to express my support for Senate Bill 31 and to respectfully request the Finance Committee to issue a favorable report.

This legislation seeks to amend Maryland's wage attachment laws to provide greater financial protection for our residents, particularly those who are most vulnerable to financial hardship. According to the 2024 Asset Limited, Income Constrained, Employed (ALICE) report, 39% of Maryland households cannot afford the state's cost of living. This includes both families living below the Federal Poverty Level and those who, despite being employed, struggle to meet basic needs due to insufficient income.[1] Currently, Maryland law allows debtors to protect 75% of their disposable wages or 30 times the state minimum hourly wage from garnishment, whichever is greater.

Senate Bill 31 proposes to increase the number of wages exempt from attachment, ensuring that individuals subject to wage garnishment retain adequate income to meet essential living expenses. Specifically, the bill raises the exemption threshold to 150% of the federal poverty level for weekly income as determined by the United States Department of Health and Human Services for a household of the judgment debtor's size multiplied by the number of

[1] United for Alice, Retrieved from https://www.unitedforalice.org/state-overview/Maryland

weeks during which the wages due were earned, and any medical insurance payment deducted from an employee's wage by the employer.

The Maryland General Assembly has a long history of supporting measures that protect the rights and well-being of our workforce. Senate Bill 31 continues this tradition by offering critical financial safeguards for Maryland residents. This legislation strikes an important balance between supporting individuals facing financial difficulties and promoting economic stability in our state. Thank you for your consideration of this important legislation. I urge the committee to issue a favorable report on Senate Bill 31.

Sincerely,

Arth Ellis

Arthur Ellis

SB0031 - MBA - FWA - GR25.pdf
Uploaded by: Evan Richards
Position: FWA

SB 31 - Commercial Law - Attachment of Wages - Exemptions (Exempt Income Protection Act)
Committee: Senate Finance Committee
Date: January 30, 2025
Position: Favorable with Amendments

The Maryland Bankers Association (MBA) **SUPPORTS** SB 31 **WITH AMENDMENTS** that limit a judgment debtor's household size to ONE in 15-601.1(b)(ii). Without this amendment, MBA has concerns that tying the exemption to the U.S. Department of Health and Human Services' Federal Poverty Level will significantly increase the level of exemptions, therefore forcing creditors to reevaluate the circumstances in which credit is issued.

Extending credit requires balancing the borrower's desire to use a lender's funds with the lender's need to recover those funds. If a lender's ability to recover debts is weakened, it becomes more unfeasible for them to extend credit. The proposed exemption increases in SB 31 will complicate lending decisions and could ultimately reduce credit offerings to Marylanders. An amendment that restricts consideration of household size will give creditors more assurance that they will be able to recoup funds should a debtor default on their loans.

Accordingly, MBA strongly urges the issuance of a **FAVORABLE** report on SB 31 **WITH AMENDMENTS**.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding more than $194 billion in deposits in almost 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

MDCC_SB31_FWA.pdf
Uploaded by: Grason Wiggins
Position: FWA

MARYLAND
Chamber of Commerce

Senate Bill 31

Date: January 28, 2025
Committee: Senate Finance
Position: Favorable with Amendments

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

Senate Bill 31 (SB 31) requires employers who may not be a party to an adjudicated debt to notify a judgement debtor of the amount of their wages that are not subject to a garnishment attachment, the method used to calculate the amount of the attachable wages, and the procedure by which the judgement debtor may contest the attachment under Maryland law.

Under current law, judgement debtors receive ample notice of both the debt and garnishment of wages. For example, pursuant to Maryland Rule 3-646(c)(3-4), a writ of garnishment must notify the individual who is having their wages garnished of (1) their right to contest the garnishment by filing a motion asserting a defense or objection, and (2) potential state or federal exemptions.

In addition to the writ of garnishment, Maryland law currently requires judgement debtors to receive additional information regarding their garnishment. For example, MD Code, Commercial Law, § 15-605(a), requires judgement creditors to provide the individual who is having their wages garnished with a written statement that shows all payments that have been credited to the account within 15 days of the end of each month. Additionally, the judgement creditor must notify the individual who is having their wages garnished within 15 days of the judgement being satisfied.

Considering the notice and continuous update requirements already established under Maryland law, the Maryland Chamber is concerned that SB 31 is placing an additional notice requirement on employers who may not have been a party to the adjudicated debt.

For these reasons, the Maryland Chamber of Commerce respectfully requests the committee strike the new language on page 2 of SB 31.

HCCC_SB31_UNFAV.pdf
Uploaded by: Andrew Griffin
Position: UNF

January 30, 2025

Legislative Position: Unfavorable
Senate Bill 31
Commercial Law - Attachment of Wages - Exemptions
Senate Finance Committee

Dear Chairwoman Beidle and members of the committee:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county's business community.

As introduced, House Bill 393 (HB 393) requires employers, who may not be a party to an adjudicated debt, to notify a judgement debtor of the amount of their wages that are not subject to a garnishment attachment, the method used to calculate the amount of the attachable wages, and the procedure by which the judgement debtor may contest the attachment under Maryland law. Under current law, judgement debtors already receive ample notice of both the debt and garnishment of wages. For example, pursuant to Maryland Rule 3-646(c)(3-4), a writ of garnishment must notify the individual who is having their wages garnished of (1) their right to contest the garnishment by filing a motion asserting a defense or objection, and (2) potential state or federal exemptions.

In addition to the writ of garnishment, Maryland law currently requires judgement debtors to receive additional information regarding their garnishment. For example, MD Code, Commercial Law, § 15-605(a), requires judgement creditors to provide the individual who is having their wages garnished with a written statement that shows all payments that have been credited to the account within 15 days of the end of each month. Additionally, the judgement creditor must notify the individual having their wages garnished within 15 days of the judgement being satisfied. Considering the notice and continuous update requirements already established under Maryland law, the Howard County Chamber is concerned that HB 393 is placing an additional notice burden on employers who may not have been a party to the adjudicated debt.

To remedy the concern, the Howard County Chamber suggests striking lines 20 through 27 on page two of SB 31. The Howard County Chamber respectfully requests an **unfavorable report on SB 31 as drafted**, however, with the adoption of the aforementioned amendment we would be neutral.

Sincerely,

Kristi Simon
President & CEO
Howard County Chamber of Commerce

CDN UNFAVORABLE SB31.pdf
Uploaded by: Claudia Wilson Randall
Position: UNF

COMMUNITY DEVELOPMENT NETWORK OF MARYLAND

Testimony to the Senate Finance Committee
SB31 Commercial Law - Attachment of Wages - Exemptions
(Exempt Income Protection Act)
POSITION: Unfavorable
January 30, 2025

Honorable Chair Beidle and Members of the Finance Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non- profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities.

SB31 alters the way in which wages are protected from garnishment. In 2020, this committee and the General Assembly passed HB0365/SB425 which updated debt exemption in Maryland for the first time in more than 30 years to allow individuals to keep the greater of 75% of wages or 30 times the Maryland minimum wage.

CDN is in opposition to SB31. Despite its title, it will effectively roll back wage protections for low-income households and families living paycheck to paycheck.

SB31 would shift the calculation of wages that are exempt from garnishment. SB31 would retain the 75% of disposable wages but strike 30 times the Maryland minimum wage and replace it with 150% of the federal poverty level.

SB31 provides a modest $20 increase in protection from current law but in practice would make it difficult for families to receive that $20 increase. To prove household size, the debtor would have to go to court or somehow attest or otherwise prove household size. Essentially, fewer families would receive the $20 increase and the majority of low-income households would see a reduction in protections.

For these reasons, we oppose SB31 and urge an unfavorable report.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network

1.28 SB 31- Commercial Law - Attachment of Wages -

Uploaded by: Lonia Muckle

Position: UNF

CASH CAMPAIGN OF MARYLAND

SB 31 - Commercial Law - Attachment of Wages - Exemptions (Exempt Income Protection Act)
Senate Finance Committee
January 30, 2025
<u>OPPOSE</u>

Chair Beidle, Vice-Chair and members of the committee thank you for the opportunity to submit testimony in respectful opposition to Senate Bill 31. This bill will effectively roll back wage protections for low-income households and families living paycheck to paycheck

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than $10,000 annually. More than half earn less than $20,000.**

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SB 31 alters the way in which wages are protected from garnishment. In 2020, this committee and the General Assembly passed HB0365/SB425 which updated debt exemption in Maryland for the first time in more than 30 years to allow individuals to keep the greater of 75% of wages or 30 times the Maryland minimum wage.

SB 31 would shift the calculation of wages that are exempt from garnishment. SB 31 would retain the 75% of disposable wages but strike 30 times the Maryland minimum wage and replace it with 150% of the federal poverty level for weekly income based on the household size.

SB 31 provides a modest $20 increase in protection from current law but in practice would make it difficult for families to receive that $20 increase. To prove household size, the debtor would have to go to court or somehow attest or otherwise prove household size. Essentially, fewer families would receive the $20 increase, and the majority of low-income households would see a reduction in protections.

<u>For these reasons, we respectfully oppose SB 31 and urge an unfavorable report.</u>

EconAction SB31 UNF (1).pdf
Uploaded by: Marceline White
Position: UNF

Testimony to the Senate Finance Committee

SB31 Commercial Law - Attachment of Wages - Exemptions (Exempt Income Protection Act)

Position:Unfavorable

January 30, 2025

The Honorable Pam Beidle, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance

Honorable Chair Beidle and members of the committee::

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights, equity and housing justice for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here in strong opposition to SB31. Despite its title, it will effectively roll back wage protections for low-income households and families living paycheck to paycheck.

SB31 alters the way in which wages are protected from garnishment. In 2020, this committee and the General Assembly passed HB0365/SB425 which updated debt exemption in Maryland for the first time in more than 30 years to allow individuals to keep the greater of 75% of wages or 30 times the Maryland minimum wage.

SB31 would shift the calculation of wages that are exempt from garnishment. SB31 would retain the 75% of disposable wages but strike 30 times the Maryland minimum wage and replace it with 150% of the federal poverty level for weekly income based on the household size.

SB31 also states that federal benefits such as Social Security, SSDI, and unemployment are exempt from garnishment. These federal benefits are generally already exempt from garnishment.

The net effect of SB31 would be a modest $20 increase in protection from current law. The problem is in the execution of the law. In order to prove household size, the debtor would have to go to court or somehow attest to the size of their household which increases the onus on the debtor and likely reduces the number of debtor households that would avail themselves of this benefit. This provision would weaken Maryland's current law and create more obstacles for households struggling with debt to receive their lawful protections[1]. Rather than roll back protections and join states like Oklahoma and Nebraska that have similar anemic laws, Maryland should reject this benevolent-sounding bill that harms low-income families.

Financial precarity and housing instability is on the rise. Despite recent gains, the purchasing power of wages continues to lag behind the rising costs of utilities, food, housing, and healthcare. Today working families find that the costs of groceries, housing, and utilities are 22% higher than four years ago with increased utility and insurance costs on the horizon. In terms of housing, U.C. Berkeley's Housing Precarity Risk Model ranks the Baltimore-Columbia-Towson MSA as the fifth most vulnerable nationally for displacement[2]. The model suggests 400,882 Maryland households live in neighborhoods at higher and highest risk for displacement.

Potential Amendments.

While families struggle to make ends meet, we need to help them by expanding hard fought-for protections, not weakening them. **If this committee wants to expand protections for workers, they could simply protect a flat flat $650 per week which would not require the debtor to go to extra lengths to assert that protection. Or if you wish to tie it to FPL, then tie it to 200% FPL which would increase protections for workers.**

While well-intentioned, SB31 sets back working families and financial hardship. For all these reasons we oppose SB31 and urge an unfavorable report.

Best,

Marceline White
Executive Director

1 https://www.propublica.org/article/old-debts-fresh-pain-weak-laws-offer-debtors-little-protection
2 https://www.urbandisplacement.org/maps/housing-precarity-risk-model/

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Tax ID 52-2266235

SB31_NFIB_unfav (2025).pdf
Uploaded by: Mike O'Halloran
Position: UNF

NFIB-Maryland – 60 West St., Suite 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: Senate Finance Committee

FROM: NFIB – Maryland

DATE: January 30, 2025

RE: **OPPOSE SENATE BILL 31** – Commercial Law – Attachment of Wages – Exemptions

Founded in 1943, NFIB is the voice of small business, advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. With more than 250,000 members nationwide, and nearly 4,000 here in Maryland, we work to protect and promote the ability of our members to grow and operate their business.

On behalf of Maryland's small businesses, NFIB is concerned with a specific provision of Senate Bill 31 – legislation that changes the exemption level on disposable wages for garnishment purposes.

NFIB is concerned with language – 15-603 (C) – that would place new notification requirements on employers. Specifically, an employer would be required, under SB31, to notify the debtor, in writing, of the amount of wages exempt from attachment, the method used to calculate the amount of attachable wages, and the procedure by which a debtor can protest the attachment.

This requirement should be the duty of the judgement creditor. A creditor is already saddled with reporting requirements to the employer under 15-605 of the Commercial Law statute. Adding this new requirement to a creditor makes more sense than an employer. A creditor is in a better position to know how the amount of attachable wages was calculated rather than an employer who, under current law, acts as an intermediary between creditor and debtor.

For these reasons, **NFIB opposes SB31** as introduced, and requests an unfavorable report.

Encore Capital Group_Opposition to MD SB 31.pdf
Uploaded by: Sonia Gibson
Position: UNF

encore
CAPITAL GROUP
Better Solutions. Better Life.

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 income[2] 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 consumer[3]. 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.

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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,

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).