



**Testimony in Support of Senate Bill 349  
Medical Debt – Complaints for Money Judgment and Real Property Liens  
Judicial Proceedings Committee  
Hearing Date: January 29, 2025  
Position: FAVORABLE**

*Maryland Legal Aid (MLA) submits its written and oral testimony on SB 349 in response to a request from Senator Sara Love.*

Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents, including abused and neglected children, nursing home residents, and veterans. With 12 offices serving residents in each of Maryland's 24 jurisdictions, MLA handles civil legal cases involving a wide range of issues, including family law, housing, public benefits, consumer law, and criminal record expungements. MLA supports SB 349.

MLA has significant experience with the effect of medical debt, consumer debt collection, foreclosures, and bankruptcies. SB 349 expands protections against medical debt for consumers and prevents a judgment lien on owner-occupied residential property as the result of a contract or breach of contract for the payment of medical debt.

### **The Problem and Its Impact**

Medical debt disproportionately affects low-income Marylanders, creating a cycle of financial distress that undermines stability and perpetuates inequality. National studies reveal that medical debt is the leading cause of bankruptcy in the United States<sup>1</sup>. In Maryland, nearly 20% of residents reported having unpaid medical bills, with the burden falling disproportionately on minority and low-income households<sup>2</sup>. Without adequate protections, many Marylanders face the devastating consequences of liens on their homes due to unpaid medical bills—an issue that SB 349 directly addresses.

Foreclosure is another severe hardship affecting Marylanders and a leading cause of bankruptcy, as well. In the most recent DHCD publication on Property Foreclosure Events,

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<sup>1</sup> See Business Insider, “Medical bankruptcy: What it is, what it means, and why it's so common in the United States”, <https://www.businessinsider.com/personal-finance/credit-score/medical-bankruptcies#:~:text=Medical%20debt%20is%20the%20leading,before%20taking%20out%20medical%20loans.>

<sup>2</sup> See Maryland Matters, “Medical debt can lead to a compounding troubles for low-income Marylanders, particularly for Black families”, <https://marylandmatters.org/2023/07/25/medical-debt-can-lead-to-a-compounding-troubles-for-low-income-marylanders-particularly-for-black-families/>.



Maryland’s foreclosure rate is the 4<sup>th</sup> highest in the nation behind NJ, NV, and SC<sup>3</sup>. Maryland actually “improved” to 4<sup>th</sup> after posting one of the largest quarterly declines of foreclosure activity in the nation<sup>4</sup>. Despite this “improvement”, our state average foreclosure rate of 12.8% is significantly higher than the national average of 7.6%. A distressed homeowner in mortgage default and facing foreclosure is often battling other debt collections actions, as well, and medical debt is a top cause<sup>5</sup>. [Source?].

At Maryland Legal Aid, we witness the harsh realities of medical debt on a daily basis. One anonymous client, a single mother from Baltimore, faced insurmountable medical debt after her child required emergency surgery. Despite her best efforts to manage payments, a lien was placed on her home after she was sued and a judgment entered, preventing her from refinancing her mortgage to cover essential living expenses. This unnecessary financial obstacle caused cascading hardships, including threats to her housing stability.

Another client, a self-employed plumber from Annapolis, suffered a severe injury that required extensive medical treatment. Although he had basic health insurance, the coverage was insufficient, leaving him with substantial out-of-pocket expenses. Unable to keep up with the mounting medical bills, he was sued, and a lien was placed on his home, jeopardizing his business and personal life. This situation forced him to consider selling his home to settle the debt, highlighting the dire need for legislative intervention.

### **How SB 349 Addresses the Issues**

SB 349 prevents medical creditors from creating judgment liens on owner-occupied residential properties. This provision ensures that families can maintain their homes without the additional burden of losing equity or facing foreclosure due to medical expenses. Furthermore, by requiring complaints for money judgments to explicitly identify medical debt and the defendant’s primary residence, the proposed legislation promotes transparency and accountability in debt collection processes.

It is the goal of MLA to prevent foreclosure, preserve homeownership and reduce the economic burdens of systemic poverty. Oftentimes, representing a client in financial distress is an exercise in peeling back many layers of accumulated problems – insufficient income, loss of employment, delinquent taxes, collections, utility shutoffs – all these issues impacting the security and stability for individuals, families, children, and those who want to age-in-place. SB 349

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<sup>3</sup> Property Foreclosure Events. <https://dhcd.maryland.gov/Documents/ForeclosureRpts/ForeclosureMD-23Q3.pdf>

<sup>4</sup> Id

<sup>5</sup> See CNBC, “This is the real reason most Americans file for bankruptcy”, [https://www.cnbc.com/2019/02/11/this-is-the-real-reason-most-americans-file-for-bankruptcy.html?\\_source=sharebar|email&par=sharebar](https://www.cnbc.com/2019/02/11/this-is-the-real-reason-most-americans-file-for-bankruptcy.html?_source=sharebar|email&par=sharebar).



prevents creating an additional layer of problems – it prevents a lien against the person’s home as the result of unpaid medical debt. While it may be believed that judgment liens for medical debt are rare, judgments entered in the District Court of Maryland for Baltimore City are, as a matter of law pursuant to Md. Rule 3-621, automatically placed against any property that the Defendant has in Baltimore City. In other counties, the matter must be brought in the circuit court land records for a judgment lien to attach.

### **Supporting Data**

According to a 2024 study by the Johns Hopkins Bloomberg School of Public Health, households with medical debt are three times more likely to experience housing instability than those without such debt. Moreover, medical debt accounts for approximately 58% of all debt collection actions in Maryland, disproportionately impacting communities of color and individuals in rural areas. SB 349 aligns with these findings by targeting a significant driver of financial distress and improving equity across the state.

By prohibiting liens on primary residences for medical debt, SB 349 protects Maryland families from financial burden and safeguards housing stability. Maryland Legal Aid strongly supports this bill as a necessary step toward promoting economic justice and health equity for all Marylanders.

SB 349 expands current Maryland law that prohibits hospitals from placing liens on patients' homes due to outstanding medical debt<sup>6</sup>. SB 349 applies to all outstanding medical debt arising from medically necessary services. In doing so, SB 349 gives homeowners some relief from encumbrances that block available financial solutions to housing related issues. Because this bill provides expanded protections against medical debt for consumers and prevents liens against owner-occupied residential real property, MLA urges a favorable report on SB 349.

For these reasons, Maryland Legal Aid requests a favorable report on SB 349.

Respectfully Submitted,

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<sup>6</sup> Medical Debt Protection Act of 2021 also prohibits hospitals from garnishing the wages of patients who qualify for free or reduced-cost medical care; check a patient’s eligibility for financial assistance before filing a lawsuit; required to refund patients if they are deemed eligible for financial assistance within 240 days of billing.



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