



**SB 939– Bankruptcy Proceedings – Exemptions from Execution – Residential
Real Property
Hearing on March 5, 2026 – Judicial Proceedings Committee
Position: FAVORABLE WITH AMENDMENTS**

Maryland Legal Aid (MLA) submits its written and oral testimony on SB 939 in response to a request from Senator Shaneka Henson.

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. Maryland Legal Aid (MLA) appreciates the opportunity to testify in support of this vital legislation. We are the state's largest nonprofit law firm, representing thousands of low-income Marylanders every year in civil legal cases involving a wide range of issues, including family law, housing, public benefits, consumer law. SB 939 creates a homestead exemption allowing for the protection of home equity in bankruptcy and as amended, from judgment creditors outside of bankruptcy. MLA testifies in strong support of SB 939, as amended to protect Marylanders homes from creditors both inside and outside bankruptcy, to protect Marylanders who live and own homes.

Despite the fact that homeownership is the most important way for low-income and middle-class citizens to build wealth¹, Maryland is only one of a hand full of states that has no exemption specifically focused on a person's homestead that protects homeowners from judgment creditors. Under current law a Maryland homeowner may file bankruptcy for a limited dollar amount to protect their homestead and only under certain circumstances. The homestead exemption² passed in 2010³ is tied to the federal homestead bankruptcy exemption. In 2010, the median home value in Maryland was \$289,300.00⁴. The current median home sales price in Maryland is \$495,038⁵, an increase of \$161,921.00. The bankruptcy homestead exemption has only increased \$10,075.00 from \$21,500.00 to \$31,575.00 since 2010. SB 939 creates an exemption of at least \$150,000 for all homeowners, which would be much more reflective of the increases in home equity that have occurred in Maryland in the last fifteen years.

¹ <https://www.habitat.org/our-work/impact/research-series-how-does-homeownership-contribute-to-wealth-building>

² The current homestead exemption is \$31,575 and can only be claimed as part of a bankruptcy filing. It cannot be claimed outside of bankruptcy. The only "exemption" that can be claimed outside of bankruptcy is a \$6,000.00 exemption of any property, including real property.

³ Md. Cts. and Jud. Proc. § 11-504(f)(1)(i)(2)

⁴ https://planning.maryland.gov/MSDC/Documents/American_Community_Survey/2010-2012/Chart_County/Chart_H4_Median_Value.pdf

⁵ <https://www.mdrealtor.org/Portals/22/adam/Page%20Elements/6PbyCYFmAUuCknSNNK36Ag/January/January%202026%20Housing%20Statistics.pdf>

MLA supports amending SB 939 to permit homeowners the ability to raise the homestead exemption outside of bankruptcy. Maryland is far out of step with the national trend on this issue. The National Consumer Law Center gives Maryland a D grade overall for exemptions available to consumers and a F grade for available homestead exemptions⁶. The increase in the homestead exemption that SB 939 brings Maryland much more into the mainstream on this issue.

Limited exemptions have real-life consequences for homeowners and consumers in Maryland. If a homeowner has more than approximately \$40,000.00 worth of equity in their property, a judgment creditor with a judgment has a basis to sell the home at a sheriff's sale. Should the homeowner choose to protect their home by filing for bankruptcy, they cannot file a Chapter 7 bankruptcy without the risk that the bankruptcy trustee sells their home for the benefit of the creditors. In addition, if a homeowner has substantial equity in their home, they cannot file a Chapter 13 bankruptcy to cure a mortgage default without paying all their other debts under the bankruptcy code⁷. This makes a Chapter 13 an unrealistic and unaffordable option for most of the clients that MLA represents.

Ms. M, a low income homeowner in Prince George's County is a good example of the current challenge homeowners face. Ms. M cares for a family of five, including an elderly mother and three grandchildren. She defaulted on her mortgage due to illness, but was determined to keep the home for her grandchildren. The mortgage servicer, refused to allow her to modify the mortgage, leaving a Chapter 13 Plan as her only option to keep the home. She is employed six days a week as a caregiver and pays into her Chapter 13 Plan and mortgage payment. Unfortunately, because of the current exemption statute in Maryland, she has to also pay all of her other debts, which means that she has to pay over \$2,500 and her monthly mortgage payment to the bankruptcy court in order to stay in her home. If this legislation becomes law, Ms. M would only have to pay the regular monthly mortgage payment and the mortgage arrears, which would still be very difficult, but would relieve some of the financial burden that Ms. M currently has.

State exemptions are not a way for debtors to avoid paying debt, but are a choice of what the state determines to be of value. If a debtor in Maryland has a \$4.5 million dollar 401K, that is completely protected by Maryland's exemption statute. If a debtor has a \$50,000.00 house without a mortgage, that is not protected in full. The current Maryland exemption statute harms Marylanders in financial trouble that only have a homestead as their most valuable asset and most often those persons are the elderly and low income persons across the State. MLA in strong support of SB 939 because it seeks to correct this imbalance. If you have further questions, please contact William Steinwedel, Deputy Advocacy Director for Homeownership Preservation, at wsteinwedel@mdlaborg.

⁶ https://www.nclc.org/wp-content/uploads/2026/01/2025_Report_No-Fresh-Start_State-Summaries.pdf

⁷ This is known as the liquidation test. Basically, creditors must receive the same amount that they would receive in a Chapter 7 in a Chapter 13 Plan. 11 U.S.C. § 1325(a)(4).

