



**HB 1520– Courts – Exemption from Judgment – Alterations and Additions
Hearing on March 11, 2026 – Judiciary Committee
Position: FAVORABLE**

Maryland Legal Aid (MLA) submits its written and oral testimony on HB 1520 in response to a request from Delegate Chris Tomlinson.

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, and consumer law. Housing and consumer cases involving a threat to housing are the largest portion of MLA cases. Because HB 1520 creates additional protections for person to retain real and personal property through increased exemptions that could be claimed inside and outside of bankruptcy, MLA testifies in strong support of HB 1520.

Maryland has no homestead exemption. A person who owns a home in Maryland can only protect a small amount of equity if they are able to file for bankruptcy. Since the original bankruptcy homestead exemption¹ passed in 2010 (Md. Cts. and Jud. Proc. ²§ 11-504(f)(1)(i)(2)), home values have increased exponentially. In 2010, the median home value was \$289,300.00. The current median home value in Maryland is \$451,221.00³, an increase of \$161,921.00. Conversely, the bankruptcy homestead exemption has only increased \$10,075.00 from \$21,500.00 to \$31,575.00. The Maryland homestead bankruptcy exemption is tied to the federal bankruptcy exemption. This legislation would create an exemption of at least \$300,000 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.

In addition, Maryland is far out of step with the nationwide 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 exemptions⁴. The increase in the homestead exemption that this law would provide would bring Maryland much more into the mainstream on this issue.

¹ 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.

² <https://www2.census.gov/library/publications/2013/acs/acsbr12-20.pdf>

³ <https://www.fool.com/money/research/average-house-price-state/>

⁴ https://www.nclc.org/wp-content/uploads/2026/01/2025_Report_No-Fresh-Start_State-Summaries.pdf

Limited exemptions have real-life consequences for homeowners and consumers in Maryland. In our experience, if a homeowner has more than \$50,000.00 worth of equity in their property, they cannot file a Chapter 7 bankruptcy without risking having the bankruptcy trustee sell 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 to cure a mortgage default without paying all their other debts under the bankruptcy code⁵. This makes a Chapter 13 an unrealistic and unaffordable option for most of the clients that MLA represents.

Ms. M in Prince George's County is a good example of this. Ms. M has to take care of five family members, including an elderly mother and three grandchildren. She defaulted on her mortgage due to an illness, but was determined to keep the home for her grandchildren. The mortgage servicer, PHH Mortgage, refused to allow her to modify the mortgage, leaving a Chapter 13 Plan as her only option to keep the home. She works six days a week as a caregiver in order to support 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 to the bankruptcy court in order to stay in her home. If this law passes, she 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 burden that Ms. M currently has.

HB 1520 also includes an additional provision outside of the increased homestead exemption that MLA also strongly supports. It provides for any child tax credit or earned income tax credit that a debtor receives to be exempt from judgment. HB 1520 allows MLA's clients to keep the full amount of a tax credit that they desperately need.

A state's exemptions are not a way for debtors to get out of paying debt, but are a choice of what the state determines to be of value. If a debtor 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, however, that is not protected in full. The current Maryland exemption statute harms Marylanders in financial trouble that have the fewest assets and fewest options- the old, the urban poor and the rural poor. MLA testifies in strong support of HB 1520 because it seeks to correct this imbalance. If you have further questions, please contact William Steinwedel, Deputy Advocacy Director for Homeownership Preservation, at wsteinwedel@mdlab.org.

⁵ 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).