

February 14, 2020

Senate Finance Committee 3 East, Miller Senate Office Building Annapolis, Maryland 21401

SB 425 – Wage Garnishment - Exemptions

Position: Favorable

Chair, Members of the Committee,

I am an attorney at the Holland Law Firm, P.C., representing consumers all over Maryland. I am writing to express my strong support for SB425.

Whenever a wage garnishment drives a consumer's income below their immediate expenses, the consumer will be forced to do one of the following things: 1. Default on their current obligations, such as rent, payments on a car, food for their household. 2. Abandon their job to avoid the garnishment. 3. Borrow money (often from dubious sources) in an attempt to make ends meet.

None of these outcomes is in the interests of consumers, creditors or the public at large. Borrowing money simply adds another debt that the consumer cannot afford to repay. Changing jobs simply involves the consumer in a game of cat-and-mouse with their creditors, in which both consumer and creditor lose opportunities for pay and financial stability. Defaulting on current obligations leads to eviction, loss of transportation to work, and merely serves to create more defaulted debts, which, in time, result in further judgments and wage garnishments.

Maryland law recognizes this by automatically exempting a certain amount of income from garnishment. That amount is 75% of income (after involuntary deductions) above a threshold tied to the federal minimum wage. There is no other protection for wages: no special exemptions for heads of household, for undue hardship or any other reason. However, the exemption has not kept pace with the rising cost of living in Maryland. A minimum wage worker who is garnished is unlikely to be able to afford the ordinary and immediate costs of living. The consequence are tragic.

Some years ago, I was consulted by a low-wage worker. She worked nightshifts cleaning in a hospital. She had been garnished by a former landlord, and because of the garnishment she could not pay the rent. She handed me a stack of papers, said that she was so ashamed she couldn't pay her bills, and cried. On top of the stack was the writ of garnishment. But underneath, were the eviction action filed by her landlord, collection letters from other creditors, and, at the bottom, papers for two illegal, high-interest payday loans.

You will no doubt be told that wage garnishment is a last resort and it is used only where a consumer can pay, but refuses. That is not the experience of many consumers. His reality is more closely reflected by a consultation I recently had with a low wage worker who had been garnished by a debt buyer. He had been taken in by a debt-settlement scam and thought that the case was being taken care of. He explained to the debt buyer that the garnishment meant he couldn't pay his rent, or his car payment, and that he might be evicted or lose his car (and so, his job). He was willing to pay a reasonable amount, but the debt buyer told him it would only release the garnishment if he paid the judgment in full.

Creditors cannot be relied upon to judge what their debtors can afford to pay. Maryland law needs to more closely reflect a fair balance between the interests of debtors and creditors. The change proposed in HB365 is a fair balance – and is much more favorable to creditors than that of some of our neighbors: Pennsylvania does not allow wage garnishments for ordinary debts. The District of Columbia protects 75% of wages above its minimum wage—which is higher than Maryland's—and has a mechanism for exempting more in the event of undue hardship.

I urge the Committee to give SB425 a Favorable report.

Yours Sincerely,

Emanwel Turnbull Associate Attorney, The Holland Law Firm, P.C.