HB 661
Consumer Protection and Debt Collection-
Protecting Marylanders from types of unfair wage garnishment

Wage garnishment is a legal process where a portion of an individual's paycheck is withheld to repay debts, such as unpaid loans, medical debt, or other obligations.

Currently in Maryland, an individual can reserve 75% of their income from wage garnishment, or 30x the Maryland minimum wage in order to cover basic living expenses. For a low-wage Maryland worker, this amount would be $397.50 per week or $20, 670 per year. This income level is well below the United Way's ALICE report survival threshold which is $34,680 a year for a single earner. [1]

Debt collectors, under the Consumer Protection Act, are required to provide receipt of each payment to a debtor after their wages have been garnished to show the total amount paid and the amount remaining. However, because there are no penalties associated with this regulation, debt collectors fail to do this, which may result in debtors paying beyond what was owed with no chance at reimbursement.

Reform is needed because Maryland receives a 'C' grade in wage protection.[2] For low-income debtors, many of whom have families and dependents to take care of, the wages garnished from their income can mean the difference between stability and basic needs insecurity. Also, current law does not account for the drastic increases in prices for necessities fueled by inflation. The cost of living in Maryland has risen dramatically. In 2018 the United Ways' ALICE Report survival income threshold for Maryland was $26,052. In 2021, It rose to $34,680.

Here is a ranking of comparable states and their gradings in wage protection:

Delaware and New Jersey- 'D'- protecting a little over the required federal minimum.
Pennsylvania, Florida, and Texas- 'A'- bans wage garnishment for most debts.
Virginia and West Virginia- 'C'- protecting at least $350 per week.
Washington D.C.- 'B'- protects wages enough so that paychecks do not drop below the poverty level.

This bill

- ➔ Changes the amount of wages that are exempt from wage garnishment from 30 to 40 times the state minimum hourly wage in effect at the time wages are due.
- ➔ Requires creditors to provide a written statement showing each payment that was credited to the account of the debtor that month, and the manner in which each payment was credited (direct or wage garnishment). AND, imposes penalties for violating this regulation.

For more information please contact:
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[1] United Ways of Maryland 2023 ALICE Report
[2] Gradings in this factsheet can be referenced here:
www.nclc.org/resources/no-fresh-start-2022-will-states-let-debt-collectors-push-families-into-poverty/