

SB 408 HB 4900

An **extreme** economic experiment that will **hurt all of us**

- ✘ **Encourages debtors to avoid debt repayment**, leaving them unable to secure new credit.
- ✘ **Small businesses** are left with nothing, hurting those who create jobs.
- ✘ **Hurts all Michigan citizens with more expensive or less available credit**, including those playing by the rules.

THE PROBLEM	THE SOLUTION
Individuals facing collections can often work out a solution, but too many consumers fail to communicate, leading to lawsuits, garnishment, and high court caseloads. SB 408 and HB 4900 encourage debtors to avoid repayment.	<p>Instead of using SB 408 and HB 4900 to endlessly avoid debt repayment to small businesses, we must encourage debtors to:</p> <ul style="list-style-type: none"> Communicate with debt collectors before legal action commences. Require courts to notice and educate debtors about avoiding garnishment after a default judgment. Those overwhelmed by debt after working toward a solution should pursue bankruptcy.

SB 408 & HB 4900 CLAIMS	THE REALITY
Debt collection cases flood the courts due to overzealous collectors.	This is caused by debtors avoiding repayment, increasing caseloads . SB 408 and HB 4900 encourage debtors to avoid repayment, making things worse.
Authorizes courts to send notices informing consumers of their rights.	MCBA agrees that consumers must be educated to resolve debts before lawsuits occur and notified by courts of default judgments and ways to avoid garnishment.
Protect EITC from garnishment.	Non-issue. MCBA does not seek to garnish EITC or Home Heating Credit.
State laws haven't kept pace since 1964 with changing debt collection practices.	Misleading: Michigan increased exemptions in 2005 for debtors filing bankruptcy. Michigan's 2004 Judgment Lien Law does not allow home foreclosure . SB 408 and HB 4900 nullify this bi-partisan, modern reform.
Increase garnishment exemptions and create a \$15,000 "wildcard" exemption .	SB 408 and HB 4900 are extreme economic experiments which will increase the cost of credit and lending for all consumers and decrease its availability , especially for low-income earners. The "wildcard" exempts up to \$17,000 in a single bank account.
Increase garnishment exemption amounts every three years for inflation.	By massively increasing exemptions and then mandating automatic increases, SB 408 and HB 4900 create a unique class of consumers who may never escape debt.
SB 408 and HB 4900 require financial institutions to review/analyze 90 days of bank deposits.	<u>This is an unreasonable big government requirement that puts financial institutions at risk of being sued and facing damages, fines, and attorney fees.</u>
<u>No mention</u> of legal aid in SB 408 or HB 4900.	MCBA supports legal aid to consumers via increases in court filing fees, instead of SB 408 and HB 4900's de facto debt forgiveness . Debts are resolved at a 10x higher rate when debtors have access to legal aid. Debtors need legal counsel, not SB 408 and HB 4900.
<u>No mention</u> of Michigan's current garnishment protections.	Michigan law already empowers debtors to file petitions to stop wage garnishments and allow a judge to determine a fair monthly payment on a judgment (MCL 600.6201)



Debtors with up to \$17,000 in a bank account will avoid legal debt collection

Current Michigan Law	
\$17,000 in bank account	\$17,000
No current exemption	
Available for garnishment	\$17,000

SB 408 and HB 4900 Propose	
\$17,000 in bank account	\$17,000
Up to \$17,000 exemption	
Available for garnishment	\$0

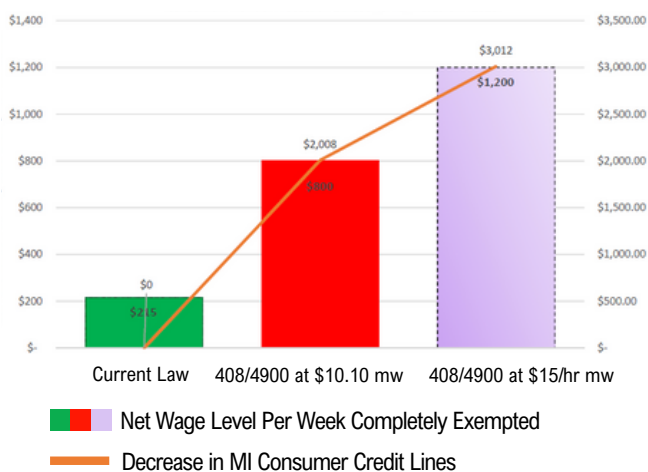
A debtor earning \$60,000 per year could not be wage garnished, even with a household income of \$100,000 or more

Wage garnishment comparison: (\$60,000/52 weeks = \$1,154 gross per week)

Current Michigan Law	
\$1,154.00 gross weekly income (\$807.69 net after deductions)	\$807.69
Less current MI wage garnishment exemption (30x federal min. wage)	-\$217.50
Available for garnishment	= \$590.19
x 25% garnishment rate	
Paid weekly to the judgment creditor	= \$147.55

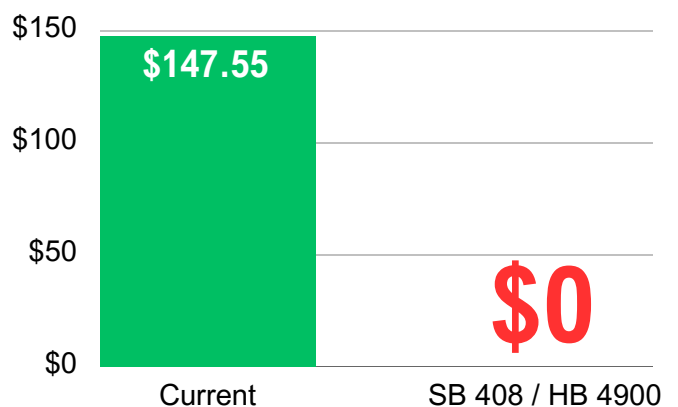
SB 408 and HB 4900 Propose	
\$1,154.00 gross weekly income (\$807.69 net after deductions)	\$807.69
Less SB 408 proposed wage garnishment exemption (80x Michigan min. wage)	-\$808.00
Available for garnishment	= (\$0.00)
x 10% garnishment rate	
Paid weekly to the judgment creditor	\$0

SB 408 and HB 4900 decrease Michigan median credit card limits by increasing garnishment exemption levels



Under SB 408 and HB 4900, small businesses won't get paid for their goods & services

Even an individual debtor with a \$60,000 income cannot be garnished.



Weekly debt repayment garnishment amount