

# Protect Michigan Families from Losing their Homes and Cars in Bankruptcy

## Bankruptcy is meant to protect people from being trapped in poverty by debt

Bankruptcy is the last resort for families with overwhelming debt. Without the fresh start bankruptcy offers, people would be unable to get back on their feet and participate in the economy again. But bankruptcy can't help families climb out of debt if it fails to protect the family home, car, and money for basic necessities.

Bankruptcy exemption limits provide a floor preventing creditors from taking everything, because it is not in the public interest to leave people destitute. Someone who files for bankruptcy can protect the equity in their property up to the limit in various categories; the rest goes to pay their bills. The bankruptcy trustee can seize an asset that is over the limit, like a car, home, earned income tax credit, unemployment benefits or cash in a banking account.

## Michigan's Bankruptcy Exemptions are Outdated

Inflation has left Michigan's exemptions far behind other states. Michigan's current homestead exemption of \$46,125 (\$69,200 for seniors) is just 20% of the state's median home value. And Michigan offers no protection for a minimum amount in a bank account or funds derived from the EITC or public benefits.



Median MI Home Value

**\$230,000**

MI Home Bankruptcy Exemption

**\$46,125 (20%)**

*Home appreciation has far outstripped the Michigan bankruptcy homestead exemption; Homes can appreciate more in 3 months than the entire \$46,125 exemption.*

County	Median Sold Price	One Month Difference - 2/23 - 3/23
Oakland	\$319,950	+\$14,674 (+4.8%)
Wayne	\$180,599	+\$2,013 (+1.1%)
Macomb	\$229,606	+\$14,615 (+6.8%)
Kalamazoo	\$235,240	+\$13,801 (+6.2%)
Grand Traverse	\$388,726	+\$61,543 (+18.8%)



Avg Used Car Price

**\$27,000**

MI Vehicle Bankruptcy Exemption

**\$4,250 (16%)**



Max MI EITC 2023

**\$2,229**

MI Bankruptcy Exemption for EITC/benefits

**\$0**

## ➤ What does this bill do?

- **Protects the homestead** by raising the amount of equity protected to \$250,000 (\$350,000 for seniors). Seniors often have higher home values because they have been paying their mortgage for decades, but they have lower average earning ability to replace lost equity.
- **Accounts for home appreciation** during the bankruptcy case, so that people do not lose their homes due to fluctuations in value.
- **Protects a car** up to \$15,000 in value, closer to the cost of a modest used car. Exempting a vehicle will help maintain access to jobs, school, and medical care.
- **Protects ability to work** by exempting up to \$5000 in phones and computers and up to \$10,000 in tools needed for work.
- **Protects funds traced to public benefits and a limited amount** to pay utilities, rent, mortgages and other necessities by exempting:
  - The earned income tax credit, unemployment, disability, and worker's compensation benefits in a bank account.
  - Other property not to exceed \$2000 in value, plus up to \$15,000 of any unused homestead exemption. Applying unused homestead exemption enables renters and those with little/no home equity to benefit from bankruptcy.

## ➤ Whom does it protect?

- **Working families and seniors** who need a fresh start.
- **Taxpayers** who pay for public benefits. Those benefits will now go to their intended purpose of supporting vulnerable Michigianians, rather than being seized by creditors. And taxpayers won't have to cover additional benefits to support people rendered homeless or unable to work by excessive debt seizures.

## ➤ How does this bill compare to other states' homestead exemptions?

- **Minnesota, \$450,000; Ohio, \$161,000**
- **Florida, Texas, Arkansas, Kansas, Iowa, Oklahoma, South Dakota and the District of Columbia have unlimited homestead exemptions.**

## ➤ Why is this bill important?

- **A healthy bankruptcy system is needed to keep old and unpayable debts from clogging up the state's economy.**
- **Public benefits should go to public purposes, not to out-of-state debt buyers.**
- **Michigan families should not have to choose between debt relief and keeping their home, car, or enough money to make their next mortgage, rent or utility payment.**