

# Protect Michiganders from Outdated Debt Collection Policies

## Breaking down the Garnishment Modernization Act

Current garnishment exemptions in Michigan *do not* leave working families with a livable wage, allowing bank accounts and state tax credits to be almost entirely wiped out by debt collectors.

### Michigan's garnishment protections are out of date.

#### ■ Debt collection cases are the most common type of court case after traffic tickets.

Today, **over a third** of cases brought in Michigan's District Courts are by out-of-state debt collectors suing consumers to collect money owed from past-due medical, credit card, and other household expenses. **One in 50** Michiganders face these lawsuits, and this rate is almost double in communities of color. The majority of these cases result in a **garnishment of state-income tax returns, wages, or money in a bank account**.

#### ■ State laws haven't kept pace with changing debt collection practices.

Michigan's current garnishment exemption laws have not been significantly updated since 1964, and do not account for modern technology, the growth of the debt buying industry, and **inflation**. This stagnant policy can plunge Michiganders deep into financial insecurity.

### What does this bill do?

■ **Prevents** the recently increased state Earned Income Tax Credit (EITC) from going directly to private, out-of-state debt collectors.

■ **Protects** more wages, bank account funds, public benefits, vehicles, and homes from seizure by debt collectors so families can meet their day-to-day needs while paying off debts.

■ **Modernizes** the process for claiming and adjusting garnishment exemption by making it:

- ✓ **Adjust for inflation:** Requiring the Legislature to update all exemption amounts every 3 years to account for inflation based on Consumer Price Index.
- ✓ **More straightforward for consumers:** Authorizing the court to send notices informing consumers of the garnishment process and their rights to empower meaningful participation.
- ✓ **More effective:** Clarifying the procedure and exemptions for bank account garnishments to include traceable wages, pensions, and public benefits; and avoid seizure of co-mingled income in joint bank accounts.
- ✓ **Flexible:** Allowing people with low or no home equity to apply \$15,000 worth of unused homestead exemptions to other assets.

## The Act is in line with successful reforms in other states.

### ■ Comparing Michigan’s garnishment exemptions to other states

	Current Michigan Law	Arizona	South Carolina	Wisconsin	Garnishment Modernization Act
<b>Wages</b>	\$217.50	\$831	All wages	\$503.85	\$808
<b>Bank Account</b>	\$0	\$5,000	\$6,700	\$5,000	\$2,000 + \$15,000 in unused exemptions
<b>Car</b>	\$1,000	\$15,000	\$13,400	\$4,000	\$15,000
<b>Home Value</b>	\$3,500	\$400,000	\$67,000	\$75,000	\$250,000
<b>State Public Benefits</b>	No protection	EITC and child tax credits	Local public assistance, unemployment, veterans, and disability benefits	Wisconsin Works, kinship care, cash assistance, and state SSI	All means tested state benefits & EITC

### ■ How the bill protects Michiganders:

