



TZEDEK DC

Legal Help for People in Debt



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**Testimony by Ariel Levinson-Waldman of Tzedek DC to the
Committee on the Judiciary & Public Safety on Bill 22-0572,
The Wage Garnishment Fairness Amendment Act of 2017**

June 7, 2018

Chairman Allen and members and staff of the Judiciary Committee: Good morning, I'm Ariel Levinson-Waldman, President and Director-Counsel at Tzedek DC. I'm honored to be joined today by Rabbi Batya Glazer of the Jewish Community Relations Committee of Greater Washington, the central community relations agency of the organized Jewish community in the DC region. The JCRC has authorized us to express their support for Tzedek DC's testimony today. Rabbi Glazer, I am happy to say, is also a member of Tzedek DC's Advisory Council.

Thank you Chairman Allen for your leadership and for the opportunity to testify on the proposed bill, the Wage Garnishment Fairness Act of 2017. Thank you as well to Councilmember Silverman and colleagues for sponsoring this bill.

Tzedek DC is a non-profit legal services group organized in 2015 and 2016 by leaders of the Greater Washington Jewish, civil rights, business, and civic communities. Tzedek DC's mission is to safeguard the legal rights of low-income DC residents facing debt related legal crises. Headquartered at the University of the District of Columbia David A. Clarke School of Law, Tzedek DC provides free legal services and, in partnership with community groups, preventative community education programs to low- and moderate-income DC households of all faiths and backgrounds.

Over half of our clients are women, and nearly all are from communities of color. Our organization has represented DC residents that have been negatively affected by the wage garnishment laws as those laws currently stand. Today, you will hear directly from some of them, as well as from other community members who will benefit from the improved fairness the proposed bill would bring.

Tzedek DC strongly supports this bill, which would bring much-needed reform to DC's wage garnishment rules. In particular, we urge the Council to view this issue through a civil rights lens. In 2016, 45% of DC residents who live in predominantly non-white zip codes and who have a credit report had at least one debt in collection listed on their credit report. Many of these alleged debts will ultimately be the subject of debt collection lawsuits. And as studies have shown and our own experiences confirm, debt collection suits are disproportionately targeted at communities of color, even when controlling for income.¹

Currently, DC law allows wage garnishment against individuals making 150% of the poverty line or more. This means that individuals who make more than

\$18,210 annually can have well over 20% of their disposable income garnished. To state it plainly, today's law is regressive: it disproportionately affects those who earn less and penalizes those who are already struggling to make ends meet.

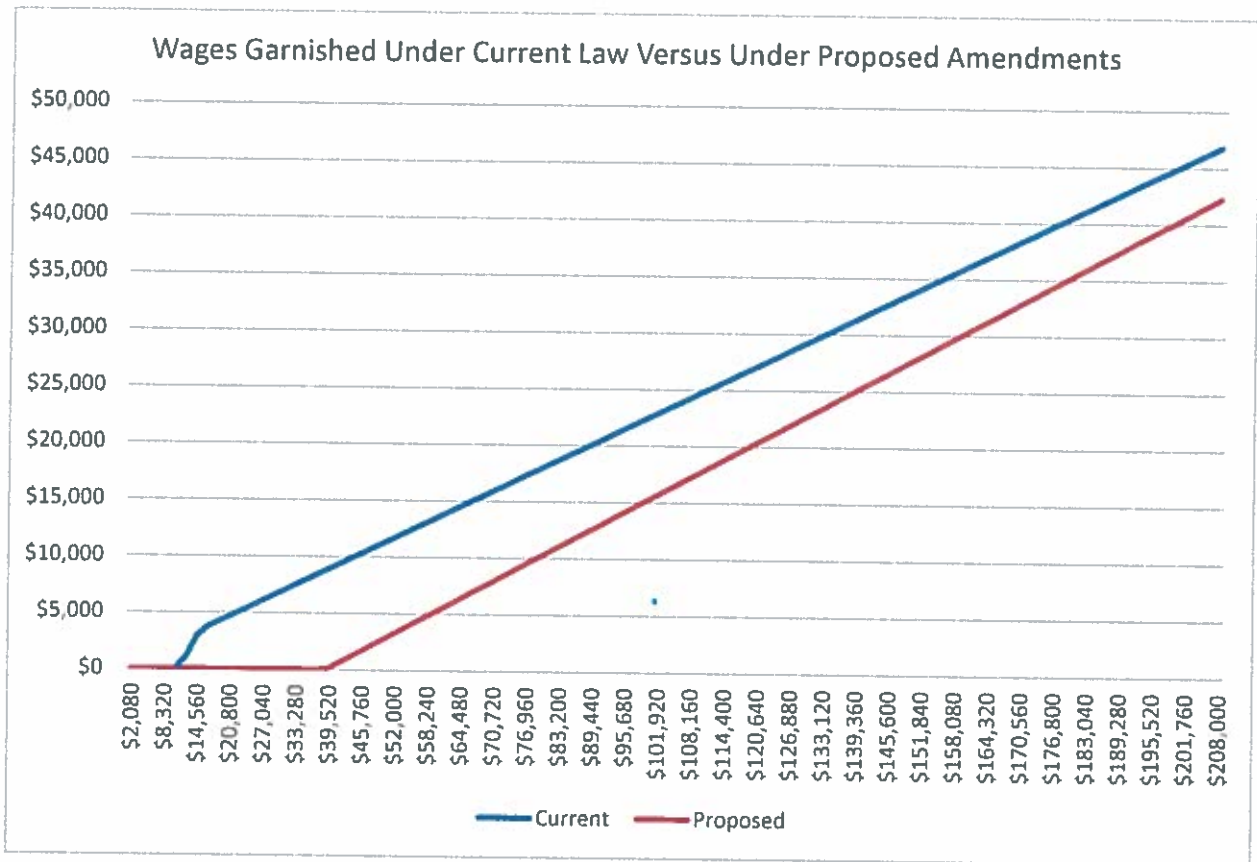
The harms that result for vulnerable DC families are both financial and emotional. You are hearing today directly from Tzedek DC's client Cecile, an immigrant to our country from the Democratic Republic of Congo who supports her family with wages from her work as a nursery school teacher. Cecile, without a word of prior notice, was faced with a loss of over 20% of her paycheck by a judgment creditor and has described to you the trauma of that experience.

Another client of Tzedek DC's, Thomasⁱⁱ, is an elderly man who has suffered debilitating medical issues that left him unable to work. His husband, the sole bread winner in the household, had a judgment against him stemming from a defaulted loan from many years ago. His income had been roughly \$23,000 a year, but the wage garnishment made it impossible for the two of them to pay for all of their basic living expenses. As in Cecile's case, this was an unknown garnishment that appeared without notice. Thomas's husband found out about the defaulted loan and the wage garnishment only when he received his paycheck from his employer. This left the family confused, and with little understanding of why the wages had been garnished in the first place. Tzedek DC helped the family discover the underlying defaulted loan and advised the couple on their best options moving forward. Ultimately, because of the financial strain this garnishment placed on the couple, they were forced to pursue bankruptcy. The current rule is regressive, because it hurts lower income individuals more severely than higher income earners.

The illustrative graph and chart below, developed by our colleagues in the advocacy community, show the differences between garnishment amounts under the current and proposed D.C. law, at various income levels.

Percent of Gross Income Garnished				
Hourly Wage	Annual Wage (full-time hours)		Current Law	Proposed
\$5	\$10,400		0%	0%
\$11	\$22,880		23%	0%
\$20	\$41,600		23%	2%
\$30	\$62,400		23%	9%
\$40	\$83,200		23%	13%
\$50	\$104,000		23%	16%
\$60	\$124,800		23%	17%

(For purposes of this chart, disposable income is assumed to be 90% of gross.)



Tzedek DC supports the proposed bill because it provides a fair restructuring of wage garnishment *proportional to disposable income*. For instance, under the proposed rule a family of four making roughly \$42,000 a year would have a maximum garnishment of \$650 annually, versus the roughly \$10,000 currently allowed, thereby adding in a critical new layer of protection for vulnerable families who need time to pay off or otherwise address large outstanding debts.

Finally, the bill will also require debt collectors to provide advance notice to those who are at risk of a garnishment, allowing them a short time to either properly prepare financially, or to seek to resolve the issue outside of garnishment. As the law currently stands, debt collectors are not required to notify individuals that their wages are about to be garnished. Consequently, most learn that their wages have been garnished only from their employers, when they get their paycheck and discover that a sizable portion is missing. This is often shocking to our community members. On a disturbingly regularly basis, we have clients come to our offices in tears from the emotional distress caused by these surprise wage garnishments, which at that point have already begun. And, frequently but not surprisingly, these individuals have had no opportunity to properly prepare for the garnishment and are at higher risk for falling behind in other bills once the garnishment is in effect. The notice requirement of the bill is a long-overdue and straightforward, justified reform for the sake of fairness to low-income residents subjected to the stresses of wage garnishment in DC.

Thank you for considering Tzedek DC's views in support of the bill, and we welcome your questions.

¹ See, e.g., Paul Kiel, *Unseen Toll: Wages of Millions Seized to Pay Past Debts*, (Pro Publica Sept. 15, 2014), available at <https://www.propublica.org/article/unseen-toll-wages-of-millions-seized-to-pay-past-debts>

▪ Alias

Testimony to the Judiciary Committee of the Council of the District of Columbia by DC Resident Cecile Tshibuabua In Support of The Wage Garnishment Fairness Act of 2017

Good Morning. My name is Cecile Tshibuabua. I am a Ward 4 resident and a nursery school teacher in DC. I was born in the Democratic Republic of Congo and immigrated to the DC area in 1974. I am here today to share my story of facing wage garnishment in DC and to support the law being proposed to the Council to make the wage garnishment rules fairer.

In 2009, I bought a car. I was able to make payments on the car for a year, but then my nursery school position changed from full- to part- time and I could no longer afford the car payment. The dealership repossessed the car *and* began sending me letters saying that I still owed over \$6,000 on the car.

In 2017, my employer began to garnish my wages. The lawyer who worked on behalf of the car finance company had never informed me before that about them seeking to garnish my wages. I asked the business manager at my job why there was money missing from my paycheck and I was told that twenty-three percent of my paycheck was being garnished. As I later learned, I was sued for this debt and received a default judgment, which the company then used to begin garnishing my wages. I did not learn about the lawsuit or the default judgment until I saw my check be cut by over 20 percent from the garnishment.

The garnishment had a large, negative impact on my life. I was no longer able to afford my rent and I had to send my children to live with their father, while I moved in with my friend Rachel. I was also unable to contribute financially to help take care of my mother, who suffers from sciatic nerve pain which has confined her to a wheel chair. At times, these experiences led me to tears.

After moving in with Rachel, I was fortunate enough in 2017 to be referred to Tzedek DC. Their team helped me find a solution and negotiate a resolution with the finance company

having my wages garnished to end the wage garnishment and the lawsuit. Since then, I have been able to resume payments to support my mother's healthcare and soon hope to be able to live in my own residence.

As I look back on the situation today, it is not right that I received no notice of the garnishment before it happened or that the company could take away such a high percentage of my income as a teacher. I hope this Committee will take steps to fix these problems. Thank you.