



TO: Members, Michigan House of Representatives & Michigan Senate
 FROM: Coalition Opposing SB 408 & HB 4900
 DATE: February 2, 2024
 RE: Oppose SB 408/HB 4900: Bad for Debtors, Small Businesses & Families

On behalf of thousands of local small businesses and millions of Michigan residents who depend on the functioning of our credit-based economy, we strongly encourage you to oppose SB 408/HB 4900.

This legislation has the appearance of assisting financially struggling Michiganders but instead will cause negative results for debtors, families, small businesses and more.

SB 408/HB 4900 will:

- Trap debtors in a lifetime of debt, cutting them out of the credit-based economy.
- Create this new class of debtor who never has to pay their debts, even if they earn up to \$60,000 per year and hold \$17,000 in the bank. (And exempted income rises to \$89,000 if Michigan’s minimum wage rises to \$15/hour.)
- Institute complicated and overarching exemptions for homes, vehicles and bank accounts that also nullify appropriate garnishment judgements.
- Reduce available credit for all residents – including those who paid their debts.
- Increase the cost of credit for everyone – car loans, mortgages and credit cards
- Stop local small businesses from being paid. That means your local plumbers, landscapers, accountants – anyone who invoices customers
- Damage our state’s economic growth

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Who is advancing this economically damaging plan?

This effort is being pushed by an out-of-state entity, the Pew Charitable Trusts, with \$6 billion in assets and a small army of lobbyists stationed in Lansing.

Who gets hurt by SB 408/HB 4900?

- **Families with unpaid debt:** Instead of helping consumers with debt to re-enter our credit-based economy through a repayment plan or settlement, their debts would remain on the books, limiting their ability to obtain new credit in the future for things like credit cards and car loans. Their ability to effectively participate in our credit-based economy would forever be limited.
- **Local small businesses** won't get paid for the goods and services they provide. Think about the local appliance repair shop, accountant, plumber, electrician, dry cleaner, lawn maintenance, and everybody else who invoices for work performed.
- **Everyone who has made an effort to pay their bills:** The cost of credit, like car loans, will rise as others are excused from repaying debt. Worse yet, the availability of credit would decline as debts are "excused." They face higher costs from businesses who aren't paid by others, increased interest rates as debts are left unpaid, and then have their credit lines reduced through no fault of their own. These issues will, obviously, also damage small businesses in your districts whose customers rely on loans and credit.

Alternative & Effective Solutions

- Encourage debtors to communicate during the collection process to create repayment plans or even settle debts, avoiding court altogether.
- Increased education on debtor rights and navigating the court system must be done by our courts, as MCBA has proposed.
- Bankruptcy education will also help those in over their head financially to eventually re-enter the credit-based economy via bankruptcy.
- If Pew truly wants to help, they should use their massive financial resources to fund legal aid and financial education for consumers.

These extreme bills will produce negative results for debtors, small businesses and families.

Please oppose SB 408 and HB 4900.