



## Press Release

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### **ADVISORY: Emergency Assistance Provided by the CARES Act is Exempt from Seizure by Creditors and Debt Collectors.**

**BALTIMORE, MD (April 30, 2020)** - Maryland Attorney General Brian E. Frosh issues the following Advisory concerning emergency assistance being provided to Maryland residents pursuant to the federal Coronavirus Aid, Relief and Economic Security (CARES) Act. This Advisory is being issued consistent with the Governor's Executive Order 20-04-29-03 issued April 29, 2020 and relates to the Attorney General's enforcement of the Maryland Consumer Protection Act and Debt Collection Practices Act.

The CARES Act "provide[s] emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic." Section 2-2201 of the CARES Act provides cash assistance to individuals and families subject to means-tested eligibility criteria. Specifically, the Act provides for a one-time cash payment in the form of a refundable tax credit, identified as a "recovery rebate" in the amount of \$1,200 for each eligible individual and \$2,400 in the case of eligible individuals filing a joint return, plus an additional \$500 for each dependent child. Individuals with higher incomes will receive a smaller payment or no payment whatsoever.

The payments under the CARES Act are in the nature of emergency support, designed to support the basic needs of tens of millions of Americans, such as paying for rent, mortgages and food. Accordingly, the CARES Act exempts the recovery rebates from collection for debts owed to State and Federal governments.

Executive Order 20-04-29-03, issued by Governor Hogan on April 29, 2020, also protects Maryland residents against actions to collect debts against the CARES Act recovery rebates, including prohibiting garnishment of such payments. The Executive Order further prohibits Maryland banks and credit unions from exercising their right of setoff against CARES Act recovery rebates. The CARES Act recovery rebates are to be treated as protected payments, similar to other benefit payments provided to Maryland residents for essential needs. The Executive Order exempts collection of child support from the prohibition.

The Attorney General hereby advises any entity or individual seeking to engage in collection efforts against CARES Act recovery rebates in violation of the Executive Order that doing so would violate Maryland's Debt Collection Practices Act, Md. Code Ann, Com. Law §§ 14-201, *et seq.* and Consumer Protection Act, Md. Code Ann., Com. Law §§ 13-101, *et seq.*, and be subject to enforcement and the penalties as provided in those statutes. Under § 14-202(8) of the Maryland Debt Collection Practices Act, it is illegal for a person collecting a consumer debt to "[c]laim,

attempt, or threaten to enforce a right with knowledge that the right does not exist.” The Consumer Protection Act, in addition to prohibiting violations of the Debt Collection Practices Act, also prohibits any unfair, abusive or deceptive practices in the collection of consumer debts. A person violating the Consumer Protection Act is subject to injunctive relief, restitution, and civil penalties of up to \$10,000.00 per violation.