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My Take: Congratulations, Michigan. Now don't screw it up.

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Michigan was recently listed by CNBC as a Top 10 Place to do Business. It was a long hard road to get here, too.

That's because our state is still climbing out of a pandemic that saw thousands of restaurants and other small businesses close their doors for good. Those which remain struggle with supply chain issues, a tough labor market, inflation and more. Our local small businesses need all the support they can get.

But just as Michigan celebrates its economic achievements and all of the work the Whitmer Administration has done to bring us back, new legislation announced in Lansing would likely send us backward in the national economic rankings.

To understand why, let's look more closely at how our economy works. We all benefit from the ability to obtain goods and services on credit. But the continued functioning of our credit-based economy depends on small businesses and financial institutions being repaid after they extend that credit. Unfortunately, too many consumers fail to communicate once a debt collection process begins and due to this inaction, their wages and bank accounts can be garnished by court order.

Instead of encouraging more debtor-creditor communication, which would solve most debt situations, Michigan Senate Bill 408 and House Bill 4900 would create large new exemptions from garnishment for a select group of consumers. That means certain consumers could legally avoid paying their debts without even trying to find a responsible resolution.

While possibly well-intentioned, this extreme plan allows consumers with as much as \$17,000 in a bank account or \$60,000 in income to be exempt from court-ordered garnishment, even when they don't try to solve their debt issues. This would be true even if total household income is \$100,000 or more.

If this legislation becomes law, it is likely that no creditor will ever be repaid, even with a court-ordered garnishment judgment. As a result, its passage would harm our small businesses (like plumbers, accountants, lawn maintenance and more) because they will not be able to collect payment for the goods and services they provided. They will be forced to pass these losses on to everyone else or never get paid, which is not sustainable for most small businesses.

Additionally, by creating this new class of consumers who are not obligated to repay their debt, all Michigan families and small businesses will be hurt when it comes to obtaining credit. For example, the federal Consumer Financial Protection Bureau recently estimated “that a dollar decrease in the amount ... garnishable per week, decreases the credit card limit by \$10.04.”

This sobering analysis means that the availability of credit, like auto loans, mortgages, and credit card limits, would be drastically reduced for all of us if these bills become law, negatively impacting car sales, home sales and many other parts of our economy.

These identical bills are disguised as “helping the consumer” with credit card debt. The bills’ supporters will argue that credit card debt collectors are “clogging the courts,” many consumers don’t even know they are being sued and that they do not have the expertise to navigate our court system. However, this legislation cures none of these supposed ills and instead exempts a wide range of consumers from having to follow the rules of debt repayment in our credit-based economy.

In a state where small businesses and families have worked so hard to begin an economic comeback, the passage of SB 408 and HB 4900 — supported by wealthy out-of-state organizations pushing their policy agendas in Lansing with armies of lobbyists — would not be good for Michigan’s economy or families.

Let’s instead work to facilitate better communication between those needing to repay their debts and their creditors before they ever end up in court. And let’s provide more legal aid for those who do end up in court. Assisting consumers in resolving unpaid debts will help them improve their finances and remain active participants in our credit-based economy, which would benefit our entire state.

— *Michelle Born-Fischer of Bratschie & Born, P.C., has more than 17 years of experience as a West Michigan creditors rights attorney.*