OREGON

CREDIT UNIONS

March 6, 2023
House Business & Labor Committee

Chairs Holvey, Vice-Chairs Elmer and Sosa and Members of the Committee, thank you for the opportunity to provide comments on HB2008.

2.3 million Oregonians trust credit unions as their preferred financial services partners. Credit unions' not-for-profit, cooperative structure inherently holds them accountable to the members they serve. They look out for members' financial well-being by providing financial education, loans to first-time homebuyers, support for rural communities, and more. Caring for the community is in credit unions' DNA. You'll find them supporting non-profits, contributing to charities, and volunteering in their communities.

Assisting Oregonians with their financial dreams is what we do every day. Several of our credit unions have spent countless hours teaching financial education in Oregon classrooms, at community and senior centers, as well as providing free seminars to their members. A GoWest Community Impact survey found that in 2021, credit unions in Oregon provided free financial education to 17,000 children and 25,285 adults. Financial education has long been a cornerstone of credit unions' services to help members build brighter financial futures.

In discussion with our credit unions and the Association attorney, we would like to provide these comments for the record and offer some suggestions for improving this bill. As written, HB2008 would be inconsistent and confusing to implement.

Background: There are two classes of exempt funds with respect to account garnishments. Some funds are automatically protected under both state and federal law. When a credit union receives a garnishment, these funds remain in the account and accessible by the member. Other funds are exempt from garnishment but are not automatically protected. The credit union would pay them to the court or the garnishing creditor. For these funds, in order to claim the exemption, the debtor files a claim with the court and provides evidence to show that the funds are exempt. Then the creditor would have to pay them back.

1. The new language on protected balances in accounts (Section 7, p. 7, lines 32 – 38) is confusing and impossible for a credit union to interpret and apply as drafted. Also, no matter how it is interpreted, it would lead to inconsistent results.

Under subsection (A), if there are any protected funds in the account, then $12,000 in the account is automatically exempt, even if only $500 qualifies as protected. But under subsection (B), the automatically protected amounts do not include amounts exempted under 18.348 and 18.385. First, there is no way for a credit union to accurately determine whether amounts in the account are exempt under 18.348 and 18.385. So, a credit union can't know whether it must protect funds or pay them out. Funds automatically protected under 18.784 are those that the credit union can

identify based on information provided in connection with the direct deposit. This new language doesn't include that type of mechanism to give credit unions an accurate and straightforward way to determine what is protected and what isn't.

In addition, this leads to the result that if funds are not otherwise exempt at all, they would be protected as part of the $12,000, but if they are exempt under 18.348 or 18.385, they are not protected as part of the $12,000.

Possible solution: rather than automatically protecting a specified amount, the bill could increase the "lookback period" in 18.784 that determines the amount of protected funds. For example, it could replace the current 60 days with 120 days – the exempt amount is the total of protected deposits to the account made within the last 120 days. That would avoid all of the problems identified above.

2. In Section 7, we believe $12,000 is too high of a number for automatically protected funds that might not even be subject to a claim of exemption. The point of the automatic protection is to avoid putting the debtor in a position of having to wait for the court to rule on a claim of exemption while the creditor is holding the funds and the debtor needs to pay for rent and food.

Possible solution: rather than automatically protecting a specified amount, we recommend the bill could increase the "lookback period" in 18.784 that determines the amount of protected funds. For example, it could replace the current 60 days with 120 days – the exempt amount is the total of protected deposits to the account made within the last 120 days.

3. The homestead exemption is intended to give someone either a reasonable down payment on a new home or funds to cover rent for a reasonable period of time after their home is sold and non-exempt sale proceeds are paid to a judgment creditor. The comfort of a judgment lien allows creditors to wait for a judgment debtor to sell or refinance their home rather than garnishing wages or taking other more immediate action. Increasing the homestead exemption in this way may force creditors to look for other more immediate sources of payment (i.e wage garnishment).

Possible solution: Increase the dollar amount significantly to a specific amount that can be indexed to inflation. Either a flat dollar amount or a reasonable percentage of the median home price. This would allow a debtor to retain significant funds to pay for housing after sale of the home but would still leave some room for creditors. For example, if the exemption were $125k, a judgment debtor with a home that sold for $500,000 and a mortgage of $300,000 would retain at least $125,000, but $75,000 would be available to pay creditors.

In addition to these issues, we have identified a number of technical issues and drafting concerns that could lead to unintended consequences. We would be happy to discuss these concerns with the proponents of the bill or members of the committee as desired.

Thank you for the opportunity to provide this testimony.

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