Testimony in Opposition to HB 2008

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Representing: ACA International and Oregon Collectors Association

Thank you Mr. Speaker and Committee Members

Debt collection is an integral part of the overall credit-based ecosystem. Debt collectors return over $90 billion a year to creditors, saving every American family $706 each year from rising costs. As a national trade representing roughly 1,800 members, 82% have under 50 employees—and in turn serve small businesses themselves.

According to well-thought research(a) this bill will have a chilling effect on access to credit for our most vulnerable Oregonians and will thwart new small business formation, and increase the demise of many of Oregon's existing 410,000 small businesses, and inflate costs for goods and services for all Oregonians. Put simply, this bill significantly damages the quality of life for many more Oregonians than it will ever help.

Personal credit is used, in part, to weather shocks that occur in people's everyday lives. From a car repair, to replacing a frig, to unexpected events like a pandemic, credit allows those shocks to be absorbed while maintaining a certain quality of life.

According to the research our neighbors with the lowest credit scores will be hurt the worst by this bill in terms of reduced access to credit--taking away what little safety net they have now is not right.

My friend Matt started a masonry business. He grew it over time, adding several employees and eventually buying a small excavator for $7,500 on credit. By moving the Trades exemption from $5,000 to $50,000 will lenders look differently at extending credit to Matt with that exemption? Yes. The risk dynamic is materially changed and the economic reality is lending of this type will be reduced and be more expensive, to mitigate the increased risk. How many businesses won't be formed in Oregon because of this bill? How many small businesses will close because their source of borrowed funds will dry up or become too expensive? If Matt is forced to close his business—will our community be better off? No.

In addition to leaving behind well-reasoned exemptions two other provisions in this bill are of great concern. The exemption on one item of jewelry of any value provides an incentive to game the system; this is poor public policy—and will also have a negative effect on lending and credit pricing to the community at large.

The provision to move the statute from one year to six will also have a negative effect on small collection agencies, and therefore a negative impact on lending. This is a solution in search of a problem. Due to the federal strict liability standard debt collectors have long worked under, even a simply honest mistake results in a hefty expense. There are many mechanisms, including free-market factors, that will eliminate any poorly run or illegal actors in the space.

We appreciate the willingness to work with the proponents of the bill and the Speaker's office in trying to find a compromise to this legislation. Please know we will work hard to try and find one-and if not, we respectfully ask you to vote no.

(a)-Federal Reserve Bank of New York Staff Reports-*Access to Credit and Financial Health: Evaluating the Impact of Debt Collection* by Julia Fonseca, Katherine Strair, Basit Zafar, Staff Report No. 814, May 2017.