

CREDIT UNIONS

April 27, 2023
House Rules Committee

Chairs Holvey, Vice-Chairs Breese-Iverson and Kropf and Members of the Committee, thank you for the opportunity to provide comments on HB2008 and the current discussion around the -1 amendment. We want to thank all who have been at this table for the past several weeks working on several remaining issues. We still have a few issues that we have reviewed that need to be addressed in the final version of the bill to get us to a place of neutral.

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 the credit unions' DNA. You'll find them supporting non-profits, contributing to charities, and volunteering in their communities. 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 further. There remain several sections of the bill that will still be inconsistent and confusing to implement. We have shared these comments with all interested parties.

The remaining issues include wage garnishment exemption, bank account exemption (amount and process), the homestead exemption, and the UDCPA.

- Section 1, p.3, ll. 5-6. This is a brand-new exemption (added in the -1 amendment) for "electronically stored data other than cryptocurrency or digital currency that a government or government agency issues." We believe it could include stocks or bonds held in digital form, non-fungible tokens, digital prepaid cards, and all kinds of other valuable intangible assets. Moreover (because the drafting is unclear), it also would seem to include bitcoin or any other form of digital currency that is not issued by a government.
- Section 3, p. 8, ll. 1-12. For the wage exemption, we support the percentage at 75%, but think this is now wiped out with a different change. The language pegged the minimum exemption for a month at 176 x the Portland minimum wage, which amounts to \$2719 per month (credit unions can accept this). But a different provision pegs the minimum exempt amount at \$1000 per week (or about \$4333/month) **AND** sets the exempt percentage at 90% of the amount between \$1000 and \$1200 and 85% of the amount over that.

Under this approach, for someone making AFTER TAX income of \$62,400 (probably about \$82k before taxes), only \$1040 **per year** would be subject to garnishment. For someone

making \$78,000 AFTER TAXES (well over \$100k before taxes), only \$4160 **per year** would be subject to garnishment.

- Section 4, p.9, ll. 7 and 11. Homestead exemption. We appreciate the approach of taking 33% of value for people under 65 and 100% of value for people over 65. But instead of median county value, the amendment used real market value of the actual home. In practice, a debtor could take all of their non-exempt cash, stocks, bonds, etc. and buy a \$5,000,000 home, and the whole value would be exempt. Washington uses median home value. We understand that Oregon does not have a ready-made source of this data, but using actual value is not equitable.
- Section 7. Financial Institution account exemption. (p. 14, ll. 1-3.) There are two classes of exempt funds with respect to account garnishments. Some funds are automatically protected under both state and federal law (“protected funds”). 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. In order to claim the exemption for these funds, 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.

There are a couple of problems with the language on this in the -1 amendment. First, it is worded awkwardly and needs to be fixed. Second, it should be simple and straightforward. \$2500 is protected. That shouldn't be “stacked” with other exemptions like retirement funds, and it should coincide with (not be stacked on top of) other protected funds. If those other protected amounts exceed \$2500, then the higher amount would be protected. If not, then we protect \$2500. Finally, the language on p. 14, ll. 23-26 should be stricken. It's totally unintelligible and will lead to litigation.

- Section 11, p. 32, ll. 1-3. UDCPA Porter v. Hill fix. This language is unclear and will place credit unions at risk for frivolous lawsuits based on miscalculations or alleged technical errors. We have prepared alternate language that fully achieves the goal of the proponents but is clearer and does not expose creditors and other collectors to litigation risk based on unclear meaning.
- Section 12, p. 35, ll. 9-11. UDCPA statute of limitation. As drafted, the -1 amendment is unlimited – 6 years from date of event or 3 years from discovery. At a minimum, this should be limited to “whichever occurs first.” Otherwise, it would be a never-ending statute of limitations – the borrower could “discover” the problem 15 years down the road and would be fine if they brought the lawsuit before 18 years expires.

Thank you for the opportunity to provide this testimony. Pam Leavitt, GoWest Credit Union Association, 503-887-2336.

