

Testimony Submitted by
Chris Coughlin, Policy Director
Oregon Consumer Justice
To the Senate Committee On Labor and Business

2/7/24

Regarding: Support for SB 1595

Chair Taylor, Vice-Chair Bonham, and members of the committee,

For the record, my name is Chris Coughlin, and I appreciate the opportunity to testify on behalf of Oregon Consumer Justice today in support of SB 1595, the Family Financial Protection Act. By modernizing and expanding Oregon laws, the Act provides a realistic pathway for families to recover following unexpected financial hardship rather than being pushed further into debt and poverty.

Oregon Consumer Justice (OCJ) is a nonprofit consumer advocacy organization committed to advancing a justice movement that puts people first through policy, community engagement, and the law. We believe all should be free to thrive and equitably share in our abundance of resources. For too long, flawed systems and economic policies that favor profits over people have stood in the way of this reality, with communities of color most often experiencing the most significant harm. Strengthened through responsive and reciprocal community relationships, OCJ is building a future where financial and business transactions can be relied upon as safe and where all Oregonians know and have recourse to exercise their consumer rights.

Oregonians are contending with rising inflation and increasing costs of living. These pressures stretch budgets and force families to take on debt to cover essentials, including medical care, housing, and food costs. When financial hardship hits, Oregon's laws are too outdated and flawed to protect people.

This is a statewide issue, with rural communities having some of the highest rates of debt in collections. According to the Urban Institute, the five counties with the highest share of debt in collections are Malheur, Klamath, Sherman, Lake, and Jefferson. The share of households with debt in collections in these counties ranges from 23 to 31 percent. Malheur and Klamath Counties have the highest share of residents with medical debt in collections (21 and 13 percent, respectively). Furthermore, 28 percent of Oregon households in communities of color face debt in collections, compared with 16 percent of those in majority-white communities. Jefferson County experiences the most significant racial disparities in the state, with nearly half (49 percent) of residents in communities of color facing debt in collections, compared with 15 percent of those in majority-white communities.

Key provisions of SB 1595 will improve economic protections for Oregon consumers:

- By 2027, the amount exempted from wage garnishment will **increase to the value of Oregon's standard minimum wage per week** and be adjusted annually to keep up with inflation.
- Prevent debt collectors from wiping out someone's entire bank account. Instead, **protecting the first \$2,500** ensures that Oregonians can meet their basic needs while paying off debt.
- **Increases the value of a home that a debtor can protect from seizure** from \$40,000 to \$150,000 for an individual and from \$50,000 to \$300,000 for a couple.
- A car's protected value increases from the current \$3000 to \$10,000.

Currently, debt collection cases flood Oregon's civil courts. Last year, according to data from the Oregon Judicial Department, nearly 55,000 lawsuits were filed against Oregon consumers by debt collectors and debt buyers. On average, more than 200 of these complaints were filed every day our courts were open in 2023. With such a high volume of cases and complaints, lawmakers should look to improve protections for consumers who are facing lawsuits for debts that may not be legitimately theirs to pay.

A recent survey of Oregon consumers found that nearly three in ten (27 percent) had a debt collector attempt to collect payment for a debt that wasn't theirs. In addition, over the last five years, Oregonians have filed more than 1,300 complaints with the federal Consumer Financial Protection Bureau related to unfair debt collection

practices. More than half of these complaints were related to creditors attempting to collect debt that was not owed or to collect the wrong amount.

And our legal system can be overwhelming, so many people are not sure how to respond when they are served with a lawsuit. In a random sampling of cases in 2021, only one consumer filed a response. One-third of the cases were dismissed, mostly because the debt collector or debt buyer didn't serve the person within the required time. Debt collectors and debt buyers prevailed in the other two-thirds of cases. It is currently impossible for consumers to navigate and engage in the process. SB 1595 will help consumers by shifting many of these dynamics.

SB 1595 will make important updates to the law that will protect consumers facing legal actions or collection activities and better align Oregon's Unfair Debt Collection Act with federal debt collection laws and other state consumer protection laws in Oregon and other states::

- **The law should protect Oregonians from going through a court process for debts they do not owe.** SB 1565 will make it a violation of the law to attempt to collect a debt when a collector knows or should have known that the debt does not exist or is for the wrong amount.
- **Extend the time consumers have to file a complaint from one year to three years after the date of injury.**
- Courts should award attorney fees and costs at trial and on appeal when a consumer prevails but **not make them pay for a creditor's attorney** unless they bring a frivolous claim. This is how federal debt collection cases already work.

We urge your support for SB 1595 with the proposed amendment.

Thank you for your consideration and your service to Oregon's communities.