

Submitter: Michael Shurtleff
On Behalf Of: Consumers and Debtors
Committee: Senate Committee On Labor and Business
Measure: SB1595

Dear Committee:

I would love to spend far more time developing and submitting my arguments in favor of this bill, but I am filing 25-30 chapter 7 and 13 bankruptcies per month on behalf of debtors. I normally assume others will make the necessary arguments, but this issue is critical for thousands of Oregon homeowners so I will take a few moments to weigh in.

My testimony relates to the proposed increased homestead exemption only. I have multiple discussions every week with potential bankruptcy clients who have a lot of credit card, medical, and vehicle debt, who I am forced to tell that they not only don't qualify for chapter 7 bankruptcy (because they have too much non-exempt equity in their homes), but there is also no feasible Chapter 13 option for them.

Because their home value has skyrocketed over the last couple of years they will be forced to pay back 100% of their debt over 60 months. This is a common scenario caused by the rapid increase in home values. The increase in housing values would seem like a good thing, but it is actually a critical factor negatively impacting housing security for lower income families. These families must face the reality of either being garnished or selling their homes, only to end up renting at far higher cost than their current mortgage payments.

A higher homestead exemption would not lead to significant abuse of the chapter 7 bankruptcy process because almost nobody understands how their home equity plays into a potential bankruptcy and they do not therefore run up debt in anticipation of filing bankruptcy with a calculated understanding that they will be able to keep their home. People almost universally learn about bankruptcy exemptions and what they can and can't keep when they finally see the writing on the wall and decide to talk to a bankruptcy attorney.

As you know, many other states have far more generous homestead exemptions. If housing alternatives were more available and affordable a lower homestead exemption might be justifiable, but that is not the case as you are all uniquely aware.

Thank you.