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February 15, 2024

Oregon State Legislature
Attention: Senator Mark Meek
Committee on Finance and Revenue
900 Court St NE S-417
Salem, OR 97301

RE: SB 1595

I write today in support of SB1595. I am an Oregon consumer bankruptcy attorney. I am also licensed to practice law in Washington. I help consumers and small business owners protect their homes and personal property from being taken by creditors when they suffer financial setbacks. Whether young or old, when faced with economic hardship brought about by job loss, medical issues or market turmoil, Oregonians are currently at higher risk of loss of their property than if they lived in some neighboring states. We need to do better.

I ask that you support SB1595 to provide the same protections to Oregonians that legislators in Washington (see the Washington State "Fair Shot Act" SB 5173/HB1400) have implemented. The National Consumer Law Center provided a study of state exemption laws. Oregon received a "D" for the exemption laws in effect providing necessary protections to their citizens (see report attached). Although not an "F", the grade is unacceptable. SB1595 is a positive move forward.

Exemptions are necessary to protect property that consumers need to stay in the workplace, including cars and wages. My clients often use their credit cards, sometimes at predatory loan rates of 29.99% interest, just to pay rent and basic necessary expenses. This results in an endless cycle of borrowing from one to pay another. Interest consumes the entire payment. When they stop paying one or get behind, the creditor initiates suit, obtains a judgment and begins garnishment of their wages. The current small wage exemption sums lead many to my office for bankruptcy. SB1595 increases exemption amounts to provide greater protection for earnings so that these families can still eat and keep a roof over their heads.

Oregon motor vehicle exemptions increase from $3000 to $10,000 with this bill. A 2009 motor vehicle in today's market has a greater market value than it did pre-pandemic due to market inflation. The current motor vehicle exemption provides little protection, so consumers risk loss of the car (and their transportation to work) if they file bankruptcy. SB1595 addresses this issue.

Wage increases for Oregonians are minimal if at all, yet the cost of food, housing, gas, daycare, and other basic living expenses have vastly increased. Oregon consumers and small business owners need every penny to feed their families, keep their cars and homes. Support of the current bill provides additional protections to ensure that happens.

I see elderly consumers (older than 70) with limited options for help with their debt after a medical crisis due to too much equity in their homes. Oregon homestead exemption sums are far too low to protect their housing. Home values skyrocketed with the COVID19 pandemic. These same individuals cannot refinance their homes to pay their creditors as they don't qualify for new loans due to their age and time needed for repayment. Many face foreclosure. Affordable housing is a struggle in Oregon. Rental costs are often more than these elderly clients regular mortgage payments. If homestead exemption amounts are increased as proposed in SB1595, our aging community can remain in their homes, get financial relief, and not risk houselessness in a Chapter 7 bankruptcy filing.

For these reasons, I support and urge you to support SB1595. Let's change Oregon's position on NCLC's chart. Even a C is a passing grade.

Thank you for your time and efforts regarding this measure.

Sincerely,

Laura Donaldson

Laura L. Donaldson

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Testimony in Support of Washington S.B. 5173
January 17, 2023

This written testimony is submitted on behalf of the National Consumer Law Center in support of S.B. 5173, which would amend RCW 6.15.010 to increase protections for financially-stressed families in the state. This would be an important step toward strengthening Washington's overall property protections for families struggling with debt.

Why State Exemption Laws Are Important

State exemption laws are a fundamental protection for families. Without these laws, once a creditor obtained a ruling from a court that a consumer owed it a sum of money, the creditor could seize the debtor's entire paycheck, bank account, car, and household goods, and sell the debtor's home. Exemption laws place limits on these seizures. They are designed to protect consumers and their families from poverty, to preserve their ability to be productive members of society, and to recover from financial setbacks.

The COVID-19 pandemic exposed the enormous gaps in the states' exemption laws. Only when stimulus checks started going out to families' bank accounts did many states realize that they had no protection for a basic amount in a bank account. As workers lost jobs and hours, states scrambled to institute moratoriums on wage seizure, bank account balance seizure, and collection lawsuits. While employment has since recovered, the highest inflation rates in a generation are once again pushing families to the breaking point as the cost of basic necessities soars.

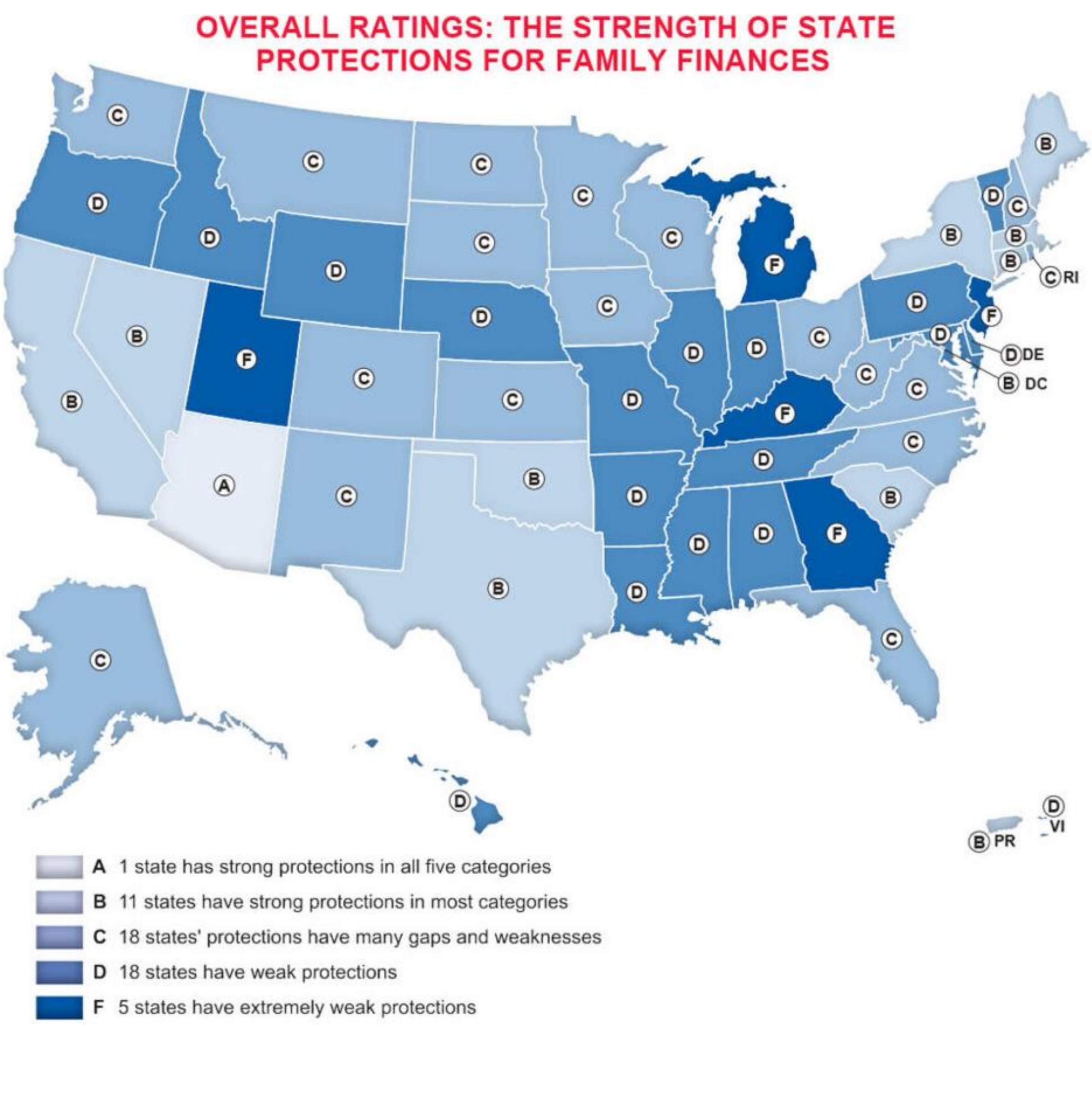
Increasing costs are forcing families to take on a mountain of debt. People struggling to get back on their feet after the one-two punch of a pandemic and inflation are likely to face a wave of lawsuits for medical bills, back rent, credit card debt, the balance due on repossessed cars, and even utility bills.

Exemption laws are particularly important because they protect cars, work tools, and other property that consumers need to stay in the workforce. When individuals lose their jobs, the consequences fall not just on them and their families, but also on landlords, local merchants, and other creditors that the consumer might have paid.

Without improved exemption laws, seizures by debt collectors will drain away the wages and resources that families need—and that the local economy needs them to be spending at Main Street businesses. Reform of exemption laws not only protects families from destitution but can also act as an economic stimulus tool that steers money into state and local communities.

Exemption laws also deter predatory lending. Creditors are less likely to make unaffordable loans if they know they will have to rely on the consumer's ability to repay the debt, not on seizure of the consumer's essential property. The gaps in exemption laws also give debt collectors enormous leverage. By threatening to take a debtor's essential personal property, such as the family car or household goods, a debt collector may persuade a debtor to use the money needed for rent or medicine to pay an old credit card bill that ought to be a much lower priority.

Exemption laws are primarily an area of state authority. Most distressed consumers depend on state garnishment and attachment rules for their protection. In NCLC's 2022 report, [No Fresh Start 2022: Will States Let Debt Collectors Push Families Into Poverty as the Cost of Necessities Soars?] we gave Washington state's exemption laws **an overall grade of C**, placing it behind Arizona, California, Connecticut, the District of Columbia, Maine, Massachusetts, Nevada, New York, Oklahoma, Puerto Rico, South Carolina, and Texas.



The Family Car: Can A Debtor Continue to Get to Work?

One reason that Washington state had a lower overall rating in NCLC's *No Fresh Start* report was the **C that it received for protection of the family car**, one of five components comprising the overall state score for protection of exemptions.

Protecting the family car from creditors is essential. For many workers, a car is the only way to access employment. Many wage earners have to work substantial distances from their homes. Public transportation may be unavailable, so infrequent that it is difficult to use, or closed on evenings and weekends when they need to work. Even those whose jobs are near public transportation may be unable to work unless they have a car to take children to and from daycare.

Loss of a car can place a family on a downward trajectory that leads to job loss and a cascade of unpaid utility bills, deferred medical care, unpaid rent, and eviction or foreclosure. The effect of allowing creditors to seize the family car has wide ramifications, hurting not just the consumer and the consumer's family but also the consumer's landlord, the local utility provider, and other creditors that the consumer would like to pay.

S.B 5173 Would Increase Protections for Washington Consumers

S.B. 5173 proposes to amend Washington states exemption laws to provide $15,000 in protection for a motor vehicle, which **would increase Washington state's grade from a C to an A for protection of the family car** in NCLC's *No Fresh Start* report. Other jurisdictions that scored an A on protections for the family car are Arizona, Colorado, Kansas, Nevada, New Hampshire, North Dakota, Puerto Rico, and Texas.

Increasing Washington's protections for motor vehicles would also have the effect of **raising the state's overall score from a C to a B** in NCLC's *No Fresh Start* report. More importantly, it would ensure that Washington law protects families living at the poverty level from seizure of the vehicle that they rely on for their livelihood.

In addition, S.B. 5173 will greatly improve the protection of a debtor's work tools, increasing the exemption from $10,000 to $15,000. Few steps are more counterproductive than seizing a struggling debtor's work tools. Even if such a step produces a short-term gain for a creditor, it will often result in removing the debtor from the work force and rendering the debtor unable to make any further payments, either on the particular debt or any other debts. Another strength of the bill is its addition of a $10,000 wildcard exemption in bankruptcy and an explicit provision that payments retain their exempt status after issuance.

We also applaud the bill's requirement of periodic adjustments of exemption amounts to take account of inflation. Without such a provision, exemption laws can become meaningless simply due to the passage of time. Laws in Alabama, Alaska, Arizona, California, Indiana, Maine, Minnesota, Nebraska, New York, Ohio, South Carolina, and Utah also provide for automatic inflation adjustments.

About NCLC

The National Consumer Law Center (NCLC) is a non-profit organization, founded in 1969, that works to advance fairness in the marketplace for low-income consumers. This testimony was prepared by April Kuehnhoff, a Staff Attorney at NCLC whose work focuses on advocacy for fair debt collection. She is the co-author of NCLC's Fair Debt Collection and a contributing author to Surviving Debt. This analysis draws from NCLC's 2022 report, No Fresh Start 2022: Will States Let Debt Collectors Push Families Into Poverty as the Cost of Necessities Soars? Please contact April Kuehnhoff (akuehnhoff@nclc.org) if we can provide any further information.