

HOUSE BILL REPORT

SSB 6093

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to collection of debts.

Brief Description: Revising the definition of "collection agency."

Sponsors: Senate Committee on Law & Justice (originally sponsored by Senators A. Smith and Nelson).

Brief History:

Reported by House Committee on:
Commerce & Labor, February 25, 1994, DPA.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 9 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Lisk, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Conway; Horn; King; Springer and Veloria.

Staff: Jim Kelley (786-7166).

Background: A collection agency means and includes any person directly or indirectly engaged in soliciting claims for collection, or collecting or attempting to collect claims owed or due or asserted to be owed or due another person.

In order to act or advertise as a collection agency in Washington State, a person must first obtain a license from the director of the Department of Licensing. The license requirements include establishing a regular active business office in this state. All business records must be kept at the office, which is required to be open to the public during reasonably stated business hours. The licensee must also maintain a customer trust fund account in this state in which all moneys collected by the licensee are deposited.

These requirements preclude out-of-state collection agencies from communicating with a debtor in Washington State unless the agency complies with the licensing requirements of the department.

Summary of Amended Bill: A separate license is created for out-of-state collection agencies whose activities in this state are limited to collecting debts by means of interstate communications, such as telephone, mail, or fax, from another state for clients located in another state. The license fees for an out-of-state licensee must not exceed 50 percent of the license fees for other collection agencies. An out-of-state licensee is exempt from the license fees if the agency is licensed or registered in another state and that state does not charge license fees to out-of-state licensees.

An out-of-state licensee is exempted from certain requirements applicable to collection agencies, including: (1) the requirement to post a bond if the licensee maintains a bond or legal alternative in its home state; (2) the requirement to maintain a trust account in Washington; and (3) the requirement to maintain a business office in Washington. All prohibited practices and enforcement provisions applying to collection agencies also apply to out-of-state collection agencies. An out-of-state licensee is deemed to have appointed the director as the licensee's agent for purposes of service of process.

Amended Bill Compared to Substitute Bill: The amendment strikes the substitute bill and creates a separate license for out-of-state collection agencies whose activities in this state are limited to collecting debts by means of interstate communications, such as telephone, mail, or fax, from another state for clients located in another state. The license fees for an out-of-state licensee must not exceed 50 percent of the license fees for other collection agencies. An out-of-state licensee is exempt from the license fees if the agency is licensed or registered in another state and that state does not charge license fees to out-of-state licensees. An out-of-state licensee is exempted from certain requirements applicable to collection agencies, including: (1) the requirement to post a bond if the licensee maintains a bond or legal alternative in its home state; (2) the requirement to maintain a trust account in Washington; and (3) the requirement to maintain a business office in Washington. All prohibited practices and enforcement provisions applying to collection agencies also apply to out-of-state collection agencies. An out-of-state licensee is deemed to have appointed the director as the licensee's agent for purposes of service of process.

Fiscal Note: Requested February 17, 1994.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Under current law, if a citizen of Washington travels to California, visits a hospital and does not pay that hospital bill, a typical collection agency hired by the hospital to collect the funds cannot send a collection notice to the Washington resident. This bill would remedy this situation. The striking amendment would encourage compliance with Washington's laws by out-of-state companies.

Testimony Against: None.

Witnesses: Mark Gjurasic, Pat Mitchell, and Kevin Underwood, Washington Collectors Association.