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HOUSE JOINT MEMORIAL 4026

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State of Washington

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By Representatives Dunn, Pennington, Mielke and Boldt

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1 TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF  
2 REPRESENTATIVES, AND TO THE SENATE AND HOUSE OF REPRESENTATIVES OF THE  
3 UNITED STATES, IN CONGRESS ASSEMBLED:

4 We, your Memorialists, the Senate and House of Representatives of  
5 the State of Washington, in legislative session assembled, respectfully  
6 represent and petition as follows:

7 WHEREAS, The number of consumer bankruptcy filings reached a record  
8 one million one hundred thousand in 1996. This represents a twenty-six  
9 percent increase in 1996 and nearly a fourfold increase since 1980.  
10 During 1996, more than one in every one hundred United States  
11 households declared bankruptcy; and

12 WHEREAS, Consumer bankruptcies result in billions of dollars in  
13 losses each year. In 1996, due to consumer bankruptcies, the bankcard  
14 industry alone lost an estimated six billion dollars, and retail card  
15 issuers lost more than one billion dollars; and automobile lenders,  
16 mortgage lenders and other consumer lenders also suffered significant  
17 bankruptcy losses. A major portion of these losses must be passed on  
18 to all consumers in the form of higher prices for goods and services  
19 and increases in credit costs. In addition, credit grantors are forced  
20 to be more restrictive at the margins in offering consumer credit, thus  
21 limiting credit availability for many consumers who need it most.

1 Ultimately, bankruptcy-related losses affect the ability of all  
2 Americans to pay their bills and to save and invest for the future; and

3 WHEREAS, It was once assumed that bankruptcies reflect general  
4 economic trends, the correlation no longer exists. In 1995, a year of  
5 low inflation, low unemployment, and a growing economy, bankruptcies  
6 occurred at a rate nearly three times that of 1981, when the economy  
7 was in a recession and inflation and unemployment were at record highs.  
8 Although bankruptcies were previously primarily filed by consumers  
9 unable to repay debts because of such catastrophic events as costly  
10 medical emergencies and unemployment, bankruptcies are increasingly  
11 filed by consumers as a form of financial planning, by consumers whose  
12 financial difficulties could be addressed with less drastic relief than  
13 a discharge of all debts; and

14 WHEREAS, Creditors have developed sophisticated credit-scoring  
15 methods yielding approximately ninety-seven percent accuracy in  
16 granting credit approval to individuals who pay their obligations.  
17 Before extending credit, creditors engage in careful risk analysis.  
18 This risk analysis precedes preapproved offers of credit that are  
19 mailed to potential customers as well as approval of credit  
20 applications received directly from customers. However, even the best  
21 credit-scoring methods cannot predict the increasing number of  
22 bankruptcies; and

23 WHEREAS, It has been nearly two decades since the last  
24 comprehensive revision of the bankruptcy laws. The Bankruptcy Code  
25 needs to be updated to reflect that today's consumers obtain and use  
26 credit for an increasingly broad array of goods and services, from  
27 groceries to tax payments, and to reflect that today's consumers  
28 increasingly look beyond local providers to finance purchases. The  
29 Bankruptcy Code should also reflect the reality that in evaluating  
30 applications for credit, today's creditors rely less upon the  
31 consumers' collateral and assets and more upon the consumers' record of  
32 making payments out of income; and

33 WHEREAS, Congress should examine the Bankruptcy Code with view to  
34 making changes that would provide for discharges based on true  
35 inability to pay, without restricting access to bankruptcy to those who  
36 truly need this relief. Relief should continue to be granted to the  
37 extent, but only to the extent, that it is needed. The Code should  
38 both require and encourage consumers to pay their debts to the extent  
39 they are able to do so. There is also a need to address procedural

1 provisions of the Code which delay the prompt resolution of bankruptcy  
2 cases;

3 NOW, THEREFORE, Your Memorialists respectfully pray that the  
4 Congress of the United States enact needs-based consumer bankruptcy  
5 reform legislation and establish a system by which consumers receive  
6 only the relief they need.

7 BE IT RESOLVED, That copies of this Memorial be immediately  
8 transmitted to the President of the United States Senate, the Speaker  
9 of the House of Representatives, and each member of Congress from the  
10 State of Washington.

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