

HOUSE BILL REPORT

HB 1983

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to the collection of financial claims.

Brief Description: Modifying "debt collector" so the term excludes affiliates of creditors that service creditor's accounts.

Sponsors: Representatives Benson and Hatfield.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/20/01, 2/27/01 [DP].

Brief Summary of Bill

- Removes persons from the requirements of the Fair Debt Collection Act if they only collect debts owed to affiliates or if they are not considered a debt collector under federal law.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 12 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Cairnes, DeBolt, Keiser, Miloscia, Roach, Santos and Simpson.

Staff: Charlie Gavigan (786-7340).

Background:

Collection agencies, including out-of-state collection agencies, are regulated by state law. They must be licensed by the Department of Licensing. Violation of certain prohibited practices is also a violation of the Consumer Protection Act. There is a similar federal law on debt collectors; generally, the stricter provisions apply.

Summary of Bill:

A person who only collects debts for affiliates is not a collection agency as long as the person's principal business is not debt collection. Also, an out-of-state collection agency that is excluded from the definition of debt collector— under the federal Fair Debt Collection Practices Act is not a collection agency under Washington State law. Those excluded are: (1) creditors collecting their own debts in their own name; (2) persons who only collect debts for affiliates and the person's principal business is not debt collection; (3) government employees in the performance of their official duties; (4) service of process in connection with judicial enforcement of a debt; (5) non-profit corporations providing credit counseling and debt liquidation at the request of consumers; and (6) a person collecting a debt incidental to an escrow, a debt originated by the person, a debt the person acquired that was not in default when acquired, or a debt resulting from the person being the secured party in a commercial credit transaction.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: The bill is merely a clarification of existing law. State law is unclear regarding retailers who collect debts through affiliates. The language of the bill is taken from federal law. Most large retailers do their own debt collection through affiliates, and the bill removes a regulatory trap with respect to this practice. Collection agencies are not opposed to the bill.

Testimony Against: None

Testified: (In support) Jan Gee, Washington Retail Association.