

# HOUSE BILL REPORT

## SB 5211

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**As Passed House:**

April 10, 2003

**Title:** An act relating to collection agencies.

**Brief Description:** Clarifying that certain entities are not collection agencies.

**Sponsors:** By Senators Kohl-Welles, Winsley, Fairley, Prentice, Benton and Keiser.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 2/26/03, 4/1/03 [DP].

**Floor Activity:**

Passed House: 4/10/03, 95-0.

**Brief Summary of Bill**

- Exempts certain collection-related activities of property management companies from being subject to the regulations imposed on collection agencies.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Schual-Berke, Chair; Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Hunter, Roach and Santos.

**Staff:** Thamas Osborn (786-7129).

**Background:**

Collection agencies must be licensed by the state and are subject to regulation by the Department of Licensing. They are subject to an extensive list of prohibited practices pertaining to the procedures used in the process of debt collection. Violation of certain of these prohibitions constitute a violation of the Consumer Protection Act.

The term "collection agency" is defined by statute to include those persons who are directly or indirectly engaged in soliciting claims for collection, or collecting or

attempting to collect claims owed or due another person. Property management companies sometimes collect homeowners and condominium association dues for their clients.

Certain businesses are exempt from the definition of "collection agency" if their collection activities are directly related to the operation of a business other than that of a collection agency. Property management companies are not currently listed under this exemption.

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**Summary of Bill:**

Property management companies collecting assessments, charges or fines on behalf of condominium unit owners' associations, associations of apartment owners, or homeowners' associations are exempt from the definition of "collection agency." This exemption, in turn, means that such property management companies are not subject to the licensing requirements or regulatory restrictions imposed on collection agencies.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** Some property managers have had legal problems with respect to state regulations intended to apply to collection agencies. Property managers do not function as collection agencies and therefore should be exempt from such regulations. The collection of assessments by property managers should be treated differently than collection activities. The bill endeavors to address this problem by creating a very narrow exemption. If passed, the bill would not affect the current practices of property managers nor would it affect foreclosure activities.

**Testimony Against:** None.

**Testified:** Senator Kohl-Welles, prime sponsor; and Bob Mitchell, Washington Association of Realtors.