SENATE BILL REPORT
SHB 1602

As of March 18, 2019

Title: An act relating to consumer debt.

Brief Description: Concerning consumer debt.

Sponsors: House Committee on Civil Rights & Judiciary (originally sponsored by Representatives Reeves, Walen, Jinkins, Appleton, Ryu, Morgan, Orwall, Ortiz-Self, Hudgins and Ormsby).

Brief History: Passed House: 3/01/19, 72-22.
Committee Activity: Law & Justice: 3/14/19.

Brief Summary of Bill

- Limits post-judgment interest on consumer debt to 9 percent per annum.
- Allows a debtor to exempt from garnishment for consumer debt the greater of 80 percent of a debtor's disposable earnings or 35 times the state minimum hourly wage; and up to $2,000 in bank accounts, savings and loan accounts, stocks, bonds, or other securities.

SENATE COMMITTEE ON LAW & JUSTICE

Staff: Shani Bauer (786-7468)

Background: A court judgment generally bears interest at the greater of 12 percent per annum or 4 percentage points over the average 26-week treasury bill rate. There are several exceptions to the general rule, as follows:

- judgments founded on written contracts bear interest at the rate provided in the contract if the rate is included in the judgment;
- judgments for unpaid child support bear interest at 12 percent;
- judgments founded on the tortious conduct of a public agency bear interest at 2 percentage points over the average 26-week treasury bill rate;
- judgments for unpaid private student loan debt bear interest at 2 percentage points over prime.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A judgment may be collected through various forms of execution including the garnishment of bank accounts or wages. If a garnishment is issued against a debtor's wages, the greater of 75 percent of the debtor's disposable earnings or 35 times the federal minimum hourly wage is exempt from garnishment. If the garnishment is for student loan debt, 85 percent of the debtor's disposable earnings or 50 times the highest minimum wage law in the state is exempt from garnishment. Disposable earnings is that portion of a debtor's earnings that remain after the deduction of any amounts required by law to be withheld.

If a garnishment is issued against a bank account, savings and loan account, stock, bond, or other security, the debtor may claim up to $500 of the account exempt from garnishment, or $2,500 if the garnishment is for student loan debt.

Summary of Bill: Consumer debt is defined as any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal, family, or household purposes.

A judgment for consumer debt bears interest from the date of entry at a rate of 9 percent.

When a writ of garnishment is issued for consumer debt, the caption of the writ must include the following statement: "This garnishment is based on a judgment or order for consumer debt." The following exemptions apply to garnishments for consumer debt:

- the greater of 80 percent of a debtor's disposable earnings or 35 times the state minimum hourly wage; and
- up to $2,000 in bank accounts, savings and loan accounts, stocks, bonds, or other securities.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This is the final bill in a triad of bills designed to help consumers. This one focuses on post-judgment interest and garnishment. Garnishment issues are very important to wage earners because when a person's wages are garnished, wages are often decreased to the point that people are not able to pay rent or have food on the table.

This bill is a fair compromise and members are in agreement. In the Civil Legal Needs Study a few years ago, the top two issues faced by Washingtonians was dealing with medical debt and consumer debt. Interest rates and terms of repayment are a fine balance. This bill attempts to make the creditor whole without placing an unduly heavy burden on the debtor. A double digit interest rate is too much for these times.

Eleven percent of people live at or below the federal poverty level. This bill is needed to protect these populations. Washington's current garnishment limits are one of the worst in the country. Recent data in a Federal Reserve Report shows that 40 percent of Americans cannot afford an unexpected expense of $400 or more. People should not be forced into homelessness for outstanding debt.

CON: There are serious concerns with the wage garnishment provisions that shelter an overly large proportion of income that is subject to garnishment. These provisions will harm small businesses and Washington consumers. Further, the proposed reductions prolong the repayment period. As a result, the debtor will pay more in the long run and will negatively affect the person's credit report for a longer period of time. Collection agencies typically like to set up payment plans that avoid garnishment. Agencies offer discounts or waive interest before going through the lengthy and expensive process of seeking judgment and garnishment. A person should not be able to automatically shelter $35,000 a year.

Persons Testifying: PRO: Emilia Jones, Attorney General's Office; Kelsi Hamilton, Washington Collectors Association; Jay Doran, Statewide Poverty Action Network; Larry Shannon, Washington State Association for Justice.

CON: Sonia Gibson, Head of National Government Affairs, Encore Capital Group; Ashley Bittner, Machol & Johannes, LLC; Rachel Niten, Receivables Management Association.

Persons Signed In To Testify But Not Testifying: No one.