



Analysis of Washington S.B. 5947

January 31, 2022

This comment is submitted on behalf of the National Consumer Law Center in support of S.B. 5947, which would amend RCW 6.15.010 to increase protections for financially-stressed families in the state. This would be an important step toward strengthening Washington's overall property protections for families struggling with debt.

Why State Exemption Laws Are Important

State exemption laws are a fundamental protection for families. Without these laws, once a creditor obtained a ruling from a court that a consumer owed it a sum of money, the creditor could seize the debtor's entire paycheck, bank account, car, and household goods, and sell the debtor's home. Exemption laws place limits on these seizures. They are designed to protect consumers and their families from poverty, and to preserve their ability to be productive members of society and to recover and achieve financial rehabilitation.

The COVID-19 pandemic has exposed the enormous gaps in the states' exemption laws. Only when stimulus checks started going out to families' bank accounts did many states realize that they had no protection for a basic amount in a bank account. As workers lost jobs and hours, states scrambled to institute moratoriums on wage garnishment, bank account garnishment, and collection lawsuits.

As the pandemic recedes, families are left with a mountain of debt. People struggling to get back on their feet are likely to face a wave of lawsuits for medical bills, back rent, credit card debt, the balance due on repossessed cars, and even utility bills. This will come at a time when most pandemic protections, such as the moratoriums on garnishment and foreclosure that many states and federal housing agencies adopted, have expired.

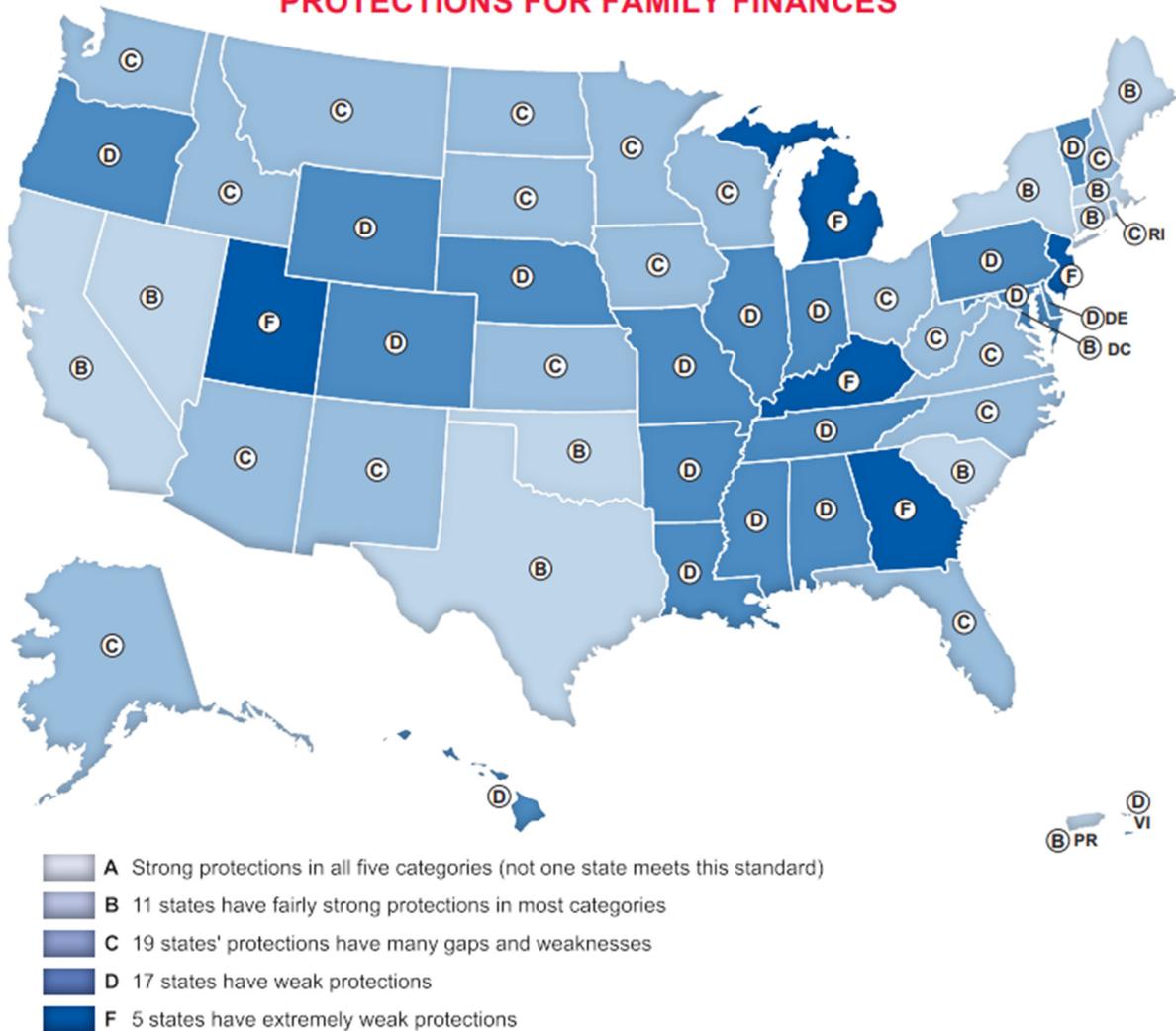
Exemption laws are particularly important because they protect cars, work tools, and other property that consumers need to stay in the workforce. When individuals lose their jobs, the consequences fall not just on them and their families, but also on landlords, local merchants, and other creditors that the consumer might have paid.

Without improved exemption laws, garnishment and attachment will drain away the wages and resources that families need—and that the local economy needs them to be spending at Main Street businesses. Reform of exemption laws not only protects families from destitution but can also act as an economic recovery tool that will steer money into state and local communities. By protecting families from impoverishment, exemption laws also save costs that taxpayers would otherwise have to bear for services such as emergency shelter and foster care.

Exemption laws also deter predatory lending. Creditors are less likely to make unaffordable loans if they know they will have to rely on the consumer’s ability to repay the debt, not on seizure of the consumer’s essential property. The gaps in exemption laws also give debt collectors enormous leverage. By threatening to take a debtor’s essential personal property, such as the family car or household goods, a debt collector may persuade a debtor to use the money needed for rent or medicine to pay an old credit card bill that ought to be a much lower priority.

Exemption laws are primarily an area of state authority. Most distressed consumers depend on state garnishment and attachment rules for their protection. In NCLC’s 2021 report, [*No Fresh Start in 2021: Will States Let Debt Collectors Push Families Into Poverty As Pandemic Protections Expire?*](#) we gave Washington state’s exemption laws **an overall grade of C**, placing it behind California, Connecticut, the District of Columbia, Maine, Massachusetts, Nevada, New York, Oklahoma, Puerto Rico, South Carolina, and Texas.

MAP 1 OVERALL RATINGS: THE STRENGTH OF STATE PROTECTIONS FOR FAMILY FINANCES



The Family Car: Can A Debtor Continue to Get to Work?

One reason that Washington state had a lower overall rating in NCLC's *No Fresh Start* report was the **C that it received for protection of the family car**, one of five components comprising the overall state score for protection of exemptions.

Protecting the family car from creditors is essential. For many workers, a car is essential to employment. Many wage earners have to work substantial distances from their homes. Public transportation may be unavailable, so infrequent that it is difficult to use, or closed on evenings and weekends when they need to work. Even those whose jobs are near public transportation may be unable to work unless they have a car to take children to and from daycare.

Loss of a car can place a family on a downward trajectory that leads to job loss and a cascade of unpaid utility bills, deferred medical care, unpaid rent, and eviction or foreclosure. The effect of allowing creditors to seize the family car has wide ramifications, hurting not just the consumer and the consumer's family but also the consumer's landlord, the local utility provider, and other creditors that the consumer would like to pay.

S.B 5947 Would Increase Protections for Washington Consumers

S.B. 5947 proposes to amend Washington states exemption laws to provide \$15,000 in protection for a motor vehicle, which **would increase Washington state's grade from a C to an A for protection of the family car** in NCLC's *No Fresh Start* report. Other jurisdictions that scored an A on protections for the family car are Kansas, Nevada, New Hampshire, North Dakota, Puerto Rico, and Texas.

Increasing Washington's protections for motor vehicles would also have the effect of **raising the state's overall score from a C to a B** in NCLC's *No Fresh Start* report. More importantly, it would ensure that Washington law protects families living at the poverty level from seizure of the vehicle that they rely on for their livelihood.

In addition, S.B. 5947 will greatly improve the protection of a debtor's work tools, increasing the exemption from \$10,000 to \$15,000. Few steps are more counterproductive than seizing a struggling debtor's work tools. Even if such a step produces a short-term gain for a creditor, it will often result in removing the debtor from the work force and rendering the debtor unable to make any further payments, either on the particular debt or any other debts. Another strength of the bill is its addition of a wildcard exemption and an explicit provision that payments retain their exempt status after issuance.

We also applaud the bill's requirement of periodic adjustments of exemption amounts to take account of inflation. Without such a provision, exemption laws can become meaningless simply due to the passage of time. As we said in our *No Fresh Start* report, "It is surprising that more states have not adopted this simple, yet fair and effective approach."

About NCLC

The National Consumer Law Center (NCLC) is a non-profit organization, founded in 1969, that works to advance fairness in the marketplace for low-income consumers. This analysis was prepared by April Kuehnhoff, a Staff Attorney at NCLC whose work focuses on advocacy for fair debt collection. She is the co-author of NCLC's Fair Debt Collection and a contributing author to *Surviving Debt*. This analysis draws from NCLC's 2021 report, [*No Fresh Start in 2021: Will States Let Debt Collectors Push Families Into Poverty As Pandemic Protections Expire?*](#) Please contact April Kuehnhoff (akuehnhoff@nclc.org) if we can provide any further information.