



Testimony on HB3174
Submitted by: Northwest Credit Union Association
March 28, 2013

Thank you for the opportunity to submit testimony on HB2174. The Northwest Credit Union Association represents the 72 state and federally-chartered credit unions in Oregon.

Like all states, Oregon has its own set of exemptions that you may use when filing for Chapter 7 or Chapter 13 bankruptcy. Exemptions determine what property (such as a home, car, instrument, retirement account, etc.) you may keep in a Chapter 7 bankruptcy case, and also affects how much you must pay to unsecured creditors in Chapter 13 bankruptcy (because you must pay unsecured creditors at least as much as they would receive if non-exempt property were liquidated in a Chapter 7 case). Here are our concerns with HB3174:

Repeal of ORS 18.300 (which provides that only Oregon state exemptions can be used in bankruptcies filed in Oregon; federal exemptions are not available) in HB3174. The primary issue here is that the federal exemptions allow up to \$10,485 of the unused portion of the homestead exemption to be used as a "wildcard" to apply to any other type of property, in addition to the regular wildcard amount of \$1150. The homestead exemption is currently \$21,625. This means that for a debtor that doesn't own their home, or who owns the home but has less than \$11,140 in equity (\$21,625 exemption minus \$10,485 that can go to wildcard), the \$10,485 plus \$1150 in total wildcard exemptions (total \$11,635) can be applied to cash, vehicles, or other valuable collateral. For a married couple, more than \$23,000 in liquid assets can be protected.

Oregon does not have a large wildcard exemption because the other exemptions already allow judgment debtors to retain a basic minimum amount of assets necessary to survive and get ahead. The homestead exemption is intended to allow people a reasonable amount of investment in a home so that they do not become a burden to family, friends, or society. It was not intended to allow people to retain large sums of cash to spend after a bankruptcy, but that is what the federal exemptions do by allowing the homestead exemption to be used as a wildcard. Even if not cash, the exemption allows debtors to retain luxury items such as jewelry, jet skis, or anything else they desire that amounts to less than \$10,485 in value.

We would be happy to work with the proponents of the bill to discuss a possible compromise. We have submitted some ideas on the Senate companion bill. Thank you. For additional information, contact: Pamela Leavitt, 503-887-2336.