



## Service Employees International Union – Oregon State Council

6401 SE Foster ▪ Portland, OR 97206

March 6, 2023

### Testimony to House Committee on Business and Labor in Support of HB 2008

Chair Holvey, Vice Chairs Elmer and Sosa, members of the committee,

My name is Matt Swanson, and I am here representing the Service Employees International Union (SEIU). SEIU is an organization of 85,000 working Oregonians who are members of our Union. Our mission is to achieve a higher standard of living for our members, their families, and dependents by elevating their social conditions and by striving to create a more just society.

SEIU urges you to support HB 2008, the Family Financial Protection Act.

Taking on debt has become a fixture of the economic reality for working families in our state. When consumers are unable to pay their bills, they can be relentlessly pursued by creditors, debt collectors and debt buyers in the court system – pushing people who already couldn't pay their bills deeper into a cycle of debt and poverty.

Unfortunately, Oregon's state debt statutes designed to protect consumers are outdated. We believe passing HB 2008 is necessary and urgent for the following reasons:

#### **Household debt is a growing problem, leaving too many Oregonians in precarious financial positions.**

The cost of living has risen dramatically in our state. The cost to rent a 2-bedroom unit has gone up almost 30 percent statewide in the last five years.<sup>1</sup> Healthcare costs have also gone up – from 2013 to 2019 per-person healthcare costs in Oregon grew by nearly 50 percent, more than twice the rate of average wages.<sup>2</sup> And most recently, record-high inflation has hit low- and middle-income families hard as the cost of everyday essentials like groceries and gasoline eat into already tight household budgets.

As it becomes more and more difficult to keep up with bills, many are forced into taking on debt to pay for essentials. The Aspen Institute described the changing nature of how Americans think about debt this way: "Debt can be a critical tool for building financial security over time. It can help households finance large purchases and make important investments that build wealth, like buying a car to get to work, paying for higher education, or purchasing a home. Yet, in recent years, household debt has become less a calculated investment and more a necessity for survival."<sup>3</sup>

Perhaps unsurprisingly, unpaid medical bills are the largest reason why people are contacted about a debt in collections, followed by telecommunications debt.<sup>4</sup> Because many families lack the savings necessary to deal with economic uncertainty, most debt in that ends up in collections is due to an unexpected financial shock like losing a job, experiencing an illness or injury, or getting divorced.<sup>5</sup>

Data recently released by the State Treasurer's Office revealed that too many in our state are similarly financially vulnerable: 44.3% of Oregonians report that it is "very difficult" or "somewhat difficult" in a typical month to cover expenses and pay all bills; almost three in ten Oregonians say they likely could not come up

<sup>1</sup> US Census, 1-year estimates, 2016-2021.

<sup>2</sup> [Oregon Health Care Cost Trends Report 2013-2019. Oregon Health Authority. July 2022.](#)

<sup>3</sup> [A Financial Security Threat in the Courtroom, Aspen Institute. September 2021.](#)

<sup>4</sup> [Medical Debt Burden in the United States, Consumer Financial Protection Bureau. February 2022.](#)

<sup>5</sup> [How Debt Collectors Are Transforming the Business of State Courts. Pew Charitable Trusts. May 2020.](#)

with \$2,000 if faced with an emergency.<sup>6</sup> The economic reality for lower-wage workers is even more dire. In one SEIU Local 49 survey of lower-wage hospital workers, 80% of respondents said that if they were faced with an emergency expense that cost \$400 they would either be unable to pay it or paying it would be a challenge.

### **Oregon's court process is used by debt buyers and collectors to the disadvantage of consumers.**

One of the most aggressive methods to collect on unpaid debts is to sue consumers in court. Oregon's civil courts are flooded these cases: On average, more than 100 complaints were filed against consumers by debt collectors or debt buyers every day the courts were open in 2022 – and that was just in small claims court. The 27,000+ cases filed against consumers in 2022 by debt collectors and debt buyers represented nearly 80 percent of all cases filed in small claims court.<sup>7</sup>

Unlike creditors who employ teams of lawyers who understand the ins and outs of these proceedings, individuals are left to parse complex documentation and rearrange their lives to attend court dates in person – often during one the worst periods in their lives facing significant financial uncertainty.

A limited review of Oregon civil court data related to debt cases illustrates this reality. Of the hundreds of cases reviewed by SEIU, not one consumer had legal representation. Most cases ended in a default judgement in the creditor's favor, meaning the merits of the case were never even heard -- yet seizures of wages, bank accounts, and property were granted by default. Adding insult to injury, due to a loophole in the law and court precedent, it is nearly impossible for consumers to push back when being sued for the wrong amount or when they do not even owe the debt.

Even when victim to an unlawful debt collection practice, consumers face significant challenges when defending themselves or pursuing justice under the law. Unlike any other consumer-protection statute, Oregon's Unlawful Debt Collection Practices Act requires prevailing fees, meaning that the consumer must accept the risk of paying all parties' attorney fees if they do not win the case. While this is reasonable if the case was pursued frivolously, it has a chilling effect on consumers' willingness to file valid cases.

### **Falling behind on debt can have serious harmful consequences for individuals and communities.**

Being unable to make debt payments can negatively impact credit scores, increase interest rates on what consumers already owe, and generally increase stress. These impacts have short term and long-term consequences.

For example, Oregon healthcare workers have shared with us how debt has impacted their lives. One shared about their reluctance to pursue healthcare, saying "I quit opening the Samaritan mail. I just don't have the money to pay for it. My family, including my kids, haven't been to the doctor for over a year." Another told us about how debt has directly threatened their housing situation: "Over half my check goes to medical expenses and garnishments for medical bills. We almost lost our home because I come home biweekly with \$200 checks."

SEIU also spoke with dozens of consumers with medical debt for a report last summer, and one story in particular stood out. A nonprofit worker in Coos County contacted us, sharing that she had dedicated her career to helping people with developmental disabilities. Meanwhile, she's struggled to afford care for herself and her children. After dealing with several high-risk pregnancies, accidents and chronic health conditions, she owes Bay Area Hospital more than \$70,000—more than she makes in a year—and has had her wages garnished by \$1,000 a month for as long as she can remember. She would like to file for bankruptcy, but the costs are too high. She told us, "All of this is from medical debt; I've never even had a credit card."

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<sup>6</sup> [Oregon Financial Wellness Scorecard, Oregon State Treasurer Tobias Read, 2023.](#)

<sup>7</sup> [Pointless Debt, Dollar For. February 28, 2023.](#)

Unfortunately, these personal stories are all too common. Whether in national surveys, or our own experience in Oregon, we see working people report delaying medical care, struggling to access housing, or enduring intense feelings of shame and anxiety.<sup>8</sup> The impact of financial insecurity has even been identified as a social determinant of health by the U.S. Centers for Disease Control.<sup>9</sup>

**Debt is unfairly distributed and impacts communities of color more acutely.**

While the negative impacts of debt are common, they are not equally distributed.

First, due to structural racism, communities of color are more financially vulnerable than white communities – and less likely to be able to weather a financial emergency. The Consumer Financial Protection Bureau recently reported that more than half of Black and Hispanic households who participated in their national survey said that they could not cover expenses for more than a month if they lost their main source of income. This was true for less than a third of percent of non-Hispanic white households.<sup>10</sup> Here in Oregon, communities of color experience double the rate of debt in collections (35%) than white communities (16%).<sup>11</sup>

Worse still, communities of color are treated differently once they are in default. One study found that creditors call borrowers of color nearly twice as frequently as they call White borrowers, despite similar rates of default and late payments.<sup>12</sup>

**HB 2008 provides much needed updates to exemption values, and consumer legal protections.**

The legislation before you represents a critical step forward for protecting the financial security of many vulnerable Oregon households.

While it does not forgive any debt, it does place guardrails on the amount of funds that can be involuntarily taken for a consumer by updating the exemptions to protect a living wage, working vehicle, and items like electronics and tools necessary for work. Moreover, HB 2008 creates a minimum level of bank account protection so that consumers do not have to go to court or know their rights in order to have their rights respected.

Finally, HB2008 enables the Unlawful Debt Collection Practices Act to do what it currently fails to do: *protect* Oregonians from unlawful debt collection practices. Not only does the bill increase fines for bad actors, but it also closes loopholes that prevent consumers from having a fair shake under the law.

Oregon lags behind other states like Texas and Florida in protecting consumers and working families from unfair and unlawful debt collection practices. In a state that takes consumer protection seriously, the updates to the law included in HB2008 will bring our statute in line with our values.

Thank you for the opportunity to comment on this issue.

Matt Swanson

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<sup>8</sup> [The Impacts of Individual and Household Debt on Health and Well-Being, American Public Health Association. October 26, 2021.](#)

<sup>9</sup> <https://health.gov/healthypeople/priority-areas/social-determinants-health>

<sup>10</sup> [Making Ends Meet in 2023, Consumer Financial Protection Bureau. December 2022.](#)

<sup>11</sup> [Debt in America: An Interactive Map, Urban Institute. Data from February 2022.](#)

<sup>12</sup> [A Financial Security Threat in the Courtroom, Aspen Institute. September 2021.](#)