

March 9, 2023

House Committee on Business and Labor
900 Court St. NE
Salem H-277
Oregon 97301

Re: Oregon HB 2008

Dear Chair Holvey, Vice-Chair Elmer, Vice-Chair Sosa and Members of the House Committee on Business and Labor:

I write on behalf of the American Financial Services Association (AFSA)¹ to express our serious concerns with House Bill 2008, which would make drastic changes to Oregon’s laws related to judgments and enforcement of rights to collect debts. While our members recognize the importance of laws that protect consumers from abusive debt collection practices—and are deeply committed to working with borrowers to provide assistance wherever possible—as drafted, HB 2008 creates an unworkable standard, which would severely curtail the ability of creditors to collect debts owed through small claims, radically limiting the pool of borrowers and denying them access to the safe, regulated, affordable credit these lenders provide to working Oregonians.

When creditors collect debts, they are typically collecting delinquent installments from consumers with whom they have a longer-term, ongoing, and continuous relationship. Court-imposed judgments, including garnishment of wages, are always a last resort for lenders, usually utilized only after repeated attempts to find a workable solution prove impossible because of the borrower’s lack of response. Partial payments, even in symbolic amounts, are the norm when offered by customers who find themselves in difficult straits. Our members work with their customers to find solutions that are mutually beneficial. Despite being a last resort, preserving the process of last resort is necessary to ensure that credit obligations remain enforceable.

Without the ability to collect on and enforce debts that are owed, the risks associated with offering credit to consumers skyrocket, with associated costs rising accordingly. Lending risk is passed on to the borrower through increased costs of credit, and as the cost of credit increases, access to credit decreases. Importantly, loans cannot be made to borrowers where there is no recourse for unpaid debts. That means the elite of Oregon will be relatively unaffected by this measure, but people with lower incomes—the very people this bill is intended to protect—will find themselves without access to unsecured credit.

¹ Founded in 1916, the American Financial Services Association (AFSA), based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.


We do not believe the bill is intended to limit access to credit, but HB 2008 would inadvertently remove a vital financial capability from hundreds of thousands of Oregon individuals and families, leaving many with no place to turn to for safe, affordable credit and no way to establish credit histories so important to life in the 21st Century. For example, as drafted, HB 2008 foresees quadrupling the wage exemption, effectively making anyone earning equal to or less than the average annual wage in Oregon per year “judgment proof,” which in turn would render them too risky to lend to. By creating a class of borrowers insulated from garnishments and other debt collection judgments, HB 2008 would force lenders to make only the largest loans, over the longest terms, to the least-risky and wealthiest borrowers, radically shrinking the availability of consumer credit in Oregon.

The burden of lost access to credit will not just be on those consumers whose accounts may have ended up in default or subject to garnishment; instead, it will broadly be felt by many similarly situated consumers who would have paid all their bills on time. For example, if 10 percent of the highest risk accounts were in default, that means nine out of 10 borrowers were staying current and paying on time. If HB 2008 were to become law, it’s not just the one borrower in ten who wouldn’t have access to unsecured credit, but the other nine borrowers would also lose access to credit—because loans that are that risky just can’t be made.

Individuals and families need access to safe and affordable forms of credit if they are to manage their financial life effectively. Some necessary larger expenditures such as deposits on rental property or purchase of a vehicle (especially important for those in rural areas) cannot be met out of a monthly paycheck, yet can be expected to provide benefits long after a loan has been repaid. According to the Federal Reserve, four in 10 adults, if faced with an unexpected expense of \$400, would either not be able to cover it or would cover it by selling something or borrowing money. According to Prosperity Now, 20 percent of Oregon households are underbanked, with two percent having no banking relationships whatsoever. For these consumers, more than most, access to credit can be a lifeline, but they are the very consumers who will have the most difficulty obtaining credit as a result of HB 2008’s proposed changes.

We urge you to consider the effects these restrictions will have on Oregon’s credit markets and not move forward with the legislation as drafted. Thank you for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact AFSA’s State Government Affairs Department at (202) 469-3181 or mkownacki@afsamail.org.

Sincerely,



Bill Himpler
President & CEO
American Financial Services Association