

Limitations on Certain Consumer Debt Collection Practices (SB20-211)

Testimony to Senate Finance Committee

Cate Blackford, Director of Outreach

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Thank you for the opportunity to share my colleague's testimony today. Cate Blackford, the director of outreach at the Bell Policy Center, could not be here today given the safer at home recommendations. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

The Bell Policy Center strongly supports SB20-211, which would protect Colorado consumers from extraordinary debt collection actions during the declared emergency and the months following, preserving essential financial resources for food, medicine, housing and transportation.

During this unprecedented economic crisis, at a time when 500,000 Coloradans have filed for unemployment, it is essential collections on old debts are a lower priority than everyday essentials. Families are struggling. Nationally, the number of food insecure households with children under the age of 12 is nearly triple what it was in 2018. More disturbingly, [the number of children experiencing hunger is up 460 percent](#) to nearly 1 in 5. Unemployment is especially impacting lower-income workers, those who make less than \$40,000 a year — where we've seen rates of [39 percent unemployment vs. in higher income jobs it's been closer to 13 percent](#) job loss.

Before this crisis, [nearly 40 percent of Coloradans could not cover an unexpected \\$400 expense](#) without borrowing money or selling something. [Nearly 1 in 4 had debt in collections](#), including 2 in 5 Coloradans of Coloradans of color.

Even the loss of a small amount of money when families are living paycheck to paycheck can have devastating financial impacts, leading to losing one's vehicle, one's job, having to drop out of school, losing one's home, and tradeoffs between food and medicine. At the same time, even modest amounts of savings, \$250 to \$750, are [shown to have significant impact on financial stability](#). Debt collections often drive families into long-term financial instability, in part by preventing or wiping out such savings. Colorado's weak state exemptions [earned the state a D rating by the National Consumer Law Center](#) in November 2019 because our exemptions fail to fully shield those assets, including vehicles, tools and other household goods such as laptops, which are necessary for people to continue working.

Currently, some extraordinary collections are being prevented by courts being closed and a range of other temporary rules. While this is helpful in the short term to some people, when the courts re-open we are likely to see a massive backlog of collection actions come forward and we need an emergency standard of protections for all Coloradans.

Given the economic hardship Coloradans are facing and the ripple effects those are having in people's everyday lives, to mitigate some of the worst possible outcomes, it is essential Colorado create emergency protections for the duration of the crisis and its economic aftermath.

By raising the threshold for what wages can be garnished, people will be able to retain more of their income to pay bills and buy food if they continue to work. By raising the threshold of the value of household goods and vehicles that can be claimed, we increase the possibility people will be able to continue working or find new employment, by raising the threshold of what financial assets can be garnished, we will be protecting future stimulus funds and existing savings to help Coloradans weather this recession. By protecting Coloradans in these specific, limited ways, we are helping to ensure they will not be caught up in additional debt or face extreme consequences such as losing their employment or their home. Instead these protections increase the likelihood of Coloradans maintaining financial stability and consequently, our local and state economy being able to recover more quickly.

These changes may not be enough and the legislature may need to take up additional action in January, but they are a critical step as we face the current economic fallout of the COVID-19 pandemic.

Thank you for the opportunity to testify today and I am happy to take questions.