



## WESTERN CENTER ON LAW & POVERTY

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**Contact:**

Jessica Bartholow, Western Center on Law & Poverty – [jbartholow@wclp.org](mailto:jbartholow@wclp.org)

Stephen Rouzer, National Consumer Law Center -- [srouzer@nclc.org](mailto:srouzer@nclc.org)

### **Report Gives California ‘B’ Grade for Allowing Debt Collectors to Push Families into Poverty During the Pandemic**

*Bank levy protections offered by California’s newly implemented SB 616, co-sponsored by Western Center, boosts California from ‘C’ grade in 2019*

SACRAMENTO -- As millions of families suffer job loss or struggle to pay bills during COVID-19, states have an important role in protecting them from seizure of essential wages and property to pay old debts, or to protect against seizure for debts that have already been paid or result from fraud or error. A new report from the National Consumer Law Center, *No Fresh Start 2020: Will States Let Debt Collectors Push Families into Poverty in the Wake of a Pandemic?*, surveys exemption laws to protect wages, assets in a bank account, and property from seizure by creditors in the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. The report gives California a ‘B’ grade, up from last year’s ‘C’, making it one of the most improved states in the country.

One significant reason California is recognized as one of the most improved states is because of [Senate Bill 616](#) by Senator Bob Wieckowski, which protects the first \$1,788 dollars in a person’s bank account from consumer bank levies; the law went into effect in September. Western Center proudly co-sponsored SB 616 with the California Low-Income Consumer Coalition, East Bay Community Law Center, and the California Asset Building Coalition; and earlier this month, Western Center honored [Delilah L. Clay](#) of Manatt, Phelps & Phillips, LLP’s Sacramento office for [her pro-bono service](#), which contributed to the passage of the bill.

“In California, we like to say we lead the country with progressive policies,” **said Jessica Bartholow, a Western Center policy advocate who has pursued consumer justice legislation for several years.** “The reality is that when it comes to consumer protection, that hasn’t been the case. But things are changing, as evidenced by this year’s ‘most improved state’ recognition following the enactment of several new consumer laws. We’re combing the 2020 report to see what other states are doing and how we can emulate the better policies that are out there.”

Other improvements made in California include a new homestead exemption, which protects against home loss during bankruptcy, and establishes a new state entity charged with licensing debt collectors and protecting consumers from abusive and illegal debt collection practices. California also now prohibits foreclosures on a person's principal residence for any consumer debt under \$75,000, unless the home was collateral for the debt when it was accrued.

"By reforming their exemption laws, states will not only protect families from destitution but will promote economic recovery by enabling families to spend their money in state and local communities," **said Carolyn Carter, National Consumer Law Center deputy director and author of the report.**

Strong exemption laws are important for many reasons, but particularly because weak protections exacerbate the racial wealth gap. Communities of color are disproportionately burdened by debt, subject to judgments in collection lawsuits, and subject to wage garnishment. Because of longstanding discrimination, Black and Latinx households have less wealth and less of a safety net to draw on during challenging times, like during a global pandemic.

**Key recommendations** from the report include automatic updating of exemption amounts for inflation, and making them self-enforcing, to the extent possible, so consumers don't have to file complicated papers or attend court hearings (*see report for the full list of recommendations*). Model language for California to achieve these goals is provided in the National Consumer Law Center's *Model Family Financial Protection Act*. The model law also includes steps the state can take to reduce the pervasive abuse of the court system by debt buyers.

California can prevent over-aggressive debt collectors from plunging families into poverty. Such protections also benefit the state by keeping workers in the workforce, helping families stay together, and reducing the demand on funds for unemployment compensation and social services. Overall, everyone benefits when consumers have the financial resources to improve their earning power and pay off debt in a way that honors their humanity.

*For more information on NCLC's body of work related to fair debt collection, visit: [www.nclc.org/issues/debt-collection.html](http://www.nclc.org/issues/debt-collection.html).*

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**[About Western Center on Law & Poverty](#)** -- Through the lens of economic and racial justice, Western Center on Law & Poverty fights in courts, cities, counties, and in the Capitol to secure housing, health care and a strong safety net for low-income Californians.

The nonprofit **[National Consumer Law Center](#)**<sup>®</sup> (NCLC<sup>®</sup>) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training.