

STAND. COM. REP. NO.

383

Honolulu, Hawaii

FEB 18 2021

RE: S.B. No. 1373
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1373 entitled:

"A BILL FOR AN ACT RELATING TO WAGE GARNISHMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Prohibit a creditor from initiating or continuing any action to garnish wages from a debtor during the period of an emergency proclamation and some time thereafter; and
- (2) Prohibit a creditor from garnishing more than ten percent of a debtor's wages for one year thereafter.

Your Committee received testimony in support of this measure from Hawaii Debt Solutions. Your Committee received testimony in opposition to this measure from the Hawaii State Bar Association Collection Law Section; Hawaii Credit Union League; Hawaii Financial Services Association; Hawaiian Collectors Association; PRA Group, Inc.; Receivables Management Association International; Hawaii Bankers Association; and Encore Capital Group.

Your Committee finds that many households, particularly those of the economically vulnerable, often depend on several incomes to make ends meet. Due to the economic devastation created by the



coronavirus disease 2019 (COVID-19) pandemic, many of these households now have fewer incomes on which they can rely. Existing law allows creditors to garnish approximately twenty-five percent of a person's net wages, but for many in this State experiencing hardships related to COVID-19, that amount can directly impact whether a household can continue to pay for basic needs.

Your Committee notes the concerns raised in testimony that this measure, as currently drafted, appears to prohibit wage garnishments during any declared state of emergency. However, a future event that impacts only one region or county of the State may still result in the declaration of a statewide state of emergency, which could be overly prejudicial to creditors in unaffected areas. Furthermore, this measure currently prohibits garnishments regardless of whether the debtor can demonstrate that they have experienced a negative financial impact due to the emergency. Therefore, amendments to this measure are necessary to address these concerns. Your Committee further finds these issues merit further consideration and requests that your Committee on Judiciary further examine these issues raised by the testifiers on this measure.

Your Committee has amended this measure by:

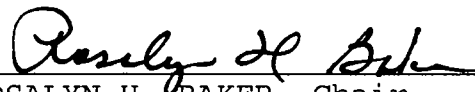
- (1) Clarifying that, after the covered period and sixty days following the termination of the covered period, for six months thereafter, it shall be unlawful for a creditor to garnish an amount exceeding ten percent of the debtor's wages;
- (2) Clarifying the definition of "debtor" to mean any individual obligated or allegedly obligated to pay any debt who can demonstrate that they have been negatively financially impacted by the COVID-19 pandemic;
- (3) Clarifying the definition of "emergency proclamation" to mean an emergency proclamation issued by the Governor in relation to the COVID-19 pandemic;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and



- (5) Inserting a repeal date of six months after the expiration of the Governor's emergency proclamation related to COVID-19, or on December 31, 2021, whichever occurs first.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1373, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1373, S.D. 1, and be referred to your Committee on Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



