

SENATE BILL REPORT

SHB 1945

As of February 24, 2000

Title: An act relating to collection agencies.

Brief Description: Modifying collection agency laws.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives O'Brien and Koster).

Brief History:

Committee Activity: Judiciary: 2/24/2000.

SENATE COMMITTEE ON JUDICIARY

Staff: Karen Lundahl (786-7421)

Background: All collection agencies must be licensed by the Department of Licensing and are subject to state laws governing the manner in which debts can be collected. A collection agency may not collect anything other than principal and reasonable interest, collection costs specifically authorized by statute, and attorney's fees and court costs if there is a lawsuit.

There are specific statutes authorizing reasonable collection costs agreed to in a contract to be added to the amount collected in the case of retail installment contracts, credit card debts, obligations owed to credit unions, and obligations owed to public and private institutions of higher education. State and local governments are specifically allowed to add a collection fee when using a collection agency of up to 50 percent of the first \$100,000 of unpaid debt, 35 percent of the unpaid debt over \$100,000, and 100 percent of amounts under \$100.

There is currently no specific statutory authorization to collect collection costs for obligations owed by one business entity to another.

Summary of Bill: In the case of commercial claims, a collection agency may also attempt to collect collection costs and fees authorized by written agreement between the debtor and the person authorizing the collection agency to collect the debt, as long as the total collection costs charged do not exceed 35 percent of the amount of the original claim. "Commercial claim" is defined as an obligation arising out of an agreement relating to a transaction not primarily for personal, family or household purposes.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.