

FINAL BILL REPORT

SB 5331

C 47 L 01
Synopsis as Enacted

Brief Description: Modifying collection of business to business debts by collection agencies.

Sponsors: Senators Kline, McCaslin, Johnson and Long.

Senate Committee on Judiciary
House Committee on Financial Institutions & Insurance

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: 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 creditor, 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.

Votes on Final Passage:

Senate	44	0
House	91	2

Effective: July 22, 2001