

HOUSE BILL REPORT

HB 2635

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to collection agency transaction fees for processing electronic payments.

Brief Description: Concerning collection agency transaction fees for processing electronic payments.

Sponsors: Representatives Barkis, Walen, Dufault, Irwin and Ormsby.

Brief History:

Committee Activity:

Consumer Protection & Business: 1/29/20, 2/7/20 [DP].

Brief Summary of Bill

- Allows a collection agency to charge an interchange reimbursement fee on a credit card payment up to 2.35 percent, not to exceed \$35, per transaction.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 12 members: Representatives Kirby, Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Blake, Duerr, Dufault, Johnson, J., Santos, Volz, Walen and Ybarra.

Minority Report: Do not pass. Signed by 1 member: Representative Ryu.

Staff: Robbi Kesler (786-7153).

Background:

Interchange Reimbursement Fees.

Interchange reimbursement fees are applied by credit card companies to financial transactions. The rate of the interchange reimbursement fee is dependent on the financial institution.

Collection Agencies.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A collection agency is defined as any person directly or indirectly engaged in soliciting claims for collection. Collection agencies are governed under the state's Collection Agency Law and the federal Fair Debt Collections Practices Act. These laws apply to businesses which collect debts for other businesses. They do not apply to a firm which is collecting its own past-due accounts.

Collection agencies may only collect, or attempt to collect, the principal amount of a claim and the following:

- any allowable interest, collection costs, or handling fees authorized in statute;
- attorney's fees and taxable court costs in the case of a lawsuit; and
- the collection costs and fees between the licensee's client and the debtor in the case of a commercial claim.

In the case of a commercial claim, the amount charged to the debtor cannot exceed 35 percent of the claim.

Summary of Bill:

This bill allows a collection agency to charge an interchange reimbursement fee on a credit card payment up to 2.35 percent, not to exceed \$35, per transaction, provided a no-fee payment option is available to the debtor. The option of a no-fee payment must be disclosed to the debtor by the collection agency at the same time and in the same manner as when the debtor's credit card information is taken.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Collection agencies provide debt collection services to clients. Debtors would often like the option to pay with a credit card. Compliance and security requirements are expensive; transaction fees are a cost of doing business and can be passed on to the consumer. Collection agencies should be able to charge a fee. This bill provides a cap on the fee and also requires a no-fee payment option be provided; which gives debtors options while allowing collection agencies to recoup fees, just as most other businesses already do. Technology has changed and payment patterns have shifted; many years ago, when the state's Collection Agency Law was passed, the most common payment method was check. Now consumers expect the option to pay using a credit card.

(Opposed) A fee makes paying back an obligation more expensive than it already is, and it should be considered how these fees impact people in poverty. Many people do not have a checking account or paper checks. There are often concerns about providing a bank account number because it may set the person up to garnishment in the future. Collection agencies should bear the cost because when they get a credit card payment they are getting paid, which directly benefits the collection agency. There are already certain, special fees they can collect for public debt. This bill only provides a benefit to debt collection agencies, and it is important to note that consumers do not have a choice in selecting a collection agency, they must work with whichever one is assigned to collect their debt.

Persons Testifying: (In support) Representative Barkis, prime sponsor; and Mindy Chumbley and Kelsi Hamilton, Washington Collectors Association.

(Opposed) Antonio Ginatta, Columbia Legal Services; and Laura Lee Sturm, Statewide Poverty Action Network.

Persons Signed In To Testify But Not Testifying: None.