SENATE BILL REPORT
SB 6118

As of January 26, 2020

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: Senators Mullet, Cleveland, Wilson, L., Rivers, Becker and Kuderer.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/23/20.

Brief Summary of Bill

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

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Kellee Gunn (786-7429)

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. 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

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- 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: 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: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This is another way for people to pay off their debt. The limits on the credit card fee is the same as what is charged in King County. Small operators cannot absorb the credit card fees. Some things may be accomplished from out-of-state companies, and my experience is that the in-state companies work with people more proactively in resolving their debts. Some out of state collection agencies are more aggressive, and not being able to charge this fee puts our in-state companies at a disadvantage. There have been a lot of changes in the industry, especially with technology. This has resulted in a shift in payment patterns. This bill would create a statewide standard so collection agencies may recoup the cost for processing payments. This would modernize the law. Being unable to charge this fee puts a strain on our businesses. Consumers demand credit card payment as an option. The cap on the fee is smart. On a $50 payment, the fee would be $1.25. We have worked on this bill for several years. A previous version of this bill had a larger percentage of 3.5 percentage, which is more accurate of what is currently charged. This is not a profit source. This will just allow us to be competitive without losing money. We are currently losing business because other states have lower costs due to lower minimum wages. Our businesses are legal and necessary.

CON: Last year the Legislature reduced the amount of interest collectors could charge, especially on medical debt. It was lowered from 12 percent to 9 percent in part because this state has the highest interest rate for the collection of debt in the country. This bill negates the efforts of the Legislature last year by increasing the amount charged on the collection on debt. The most vulnerable will be forced into situations that would lead to bankruptcy. There are hardly any other states that allow collection agencies to charge this fee. A debt collector wants to be paid electronically. ACA transactions and checks are not easy or preferable. The preferred method of collection is credit and debit. According to the consumer financial protection bureau, one in three people with debt have been contacted by a collection agency in the past year. There are many reasons a person could go into debt. Unfortunately, this Senate bill does not work to support students or low-income consumers but provides an added benefit to collection agencies. This is a $13 billion industry. We do not need another way for collection agencies to charge a debtor more to pay off their debt.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Diana Hernandez, Washington Collectors Association; Alex Sandoval, Washington Collectors Association; Kelsi Hamilton, Washington Collectors Association.

CON: Christina Henry, Henry & DeGraaff, PS; Laura Lee Sturm, Statewide Poverty Action Network.

Persons Signed In To Testify But Not Testifying: No one.