ACCESS TO CREDIT FOR U.S. HOUSEHOLDS

The accounts receivable management (ARM) industry is instrumental in keeping America's credit-based economy functioning with access to credit at the lowest possible cost.

After analyzing the restrictiveness of various debt collection regulations, the Federal Reserve Bank of New York found that limiting debt collection practices leads to a decline in access to credit and weakens key indicators of financial health.

The greatest impact of these restrictions is on borrowers with lower credit scores.

Overall, the Fed found that debt collection is a significant resource for creditors to recover on delinquent debt. Therefore, restricting debt collection practices leads to a decline in the overall supply of credit since creditors will be less willing to lend.

Source: ***Access to Credit and Financial Health: Evaluating the Impact of Debt Collection, Federal Reserve Bank of New York Staff Report***

The CFPB's Office of Research also concluded that, similarly, restrictions on wage garnishment also reduce access to credit.

While this is an estimate, research suggests a $1 change in garnishment exemption causes a $7.69 decrease in available credit for every consumer.

This equals a 13.4% reduction in the credit limit for consumers with a credit score below 700 and a 6.3% reduction in credit scores for all consumers. Therefore, any reduction in available credit will have a greater impact on lower income individuals.

Source: ***CFPB Report on Debt Collection and Wage Garnishment***

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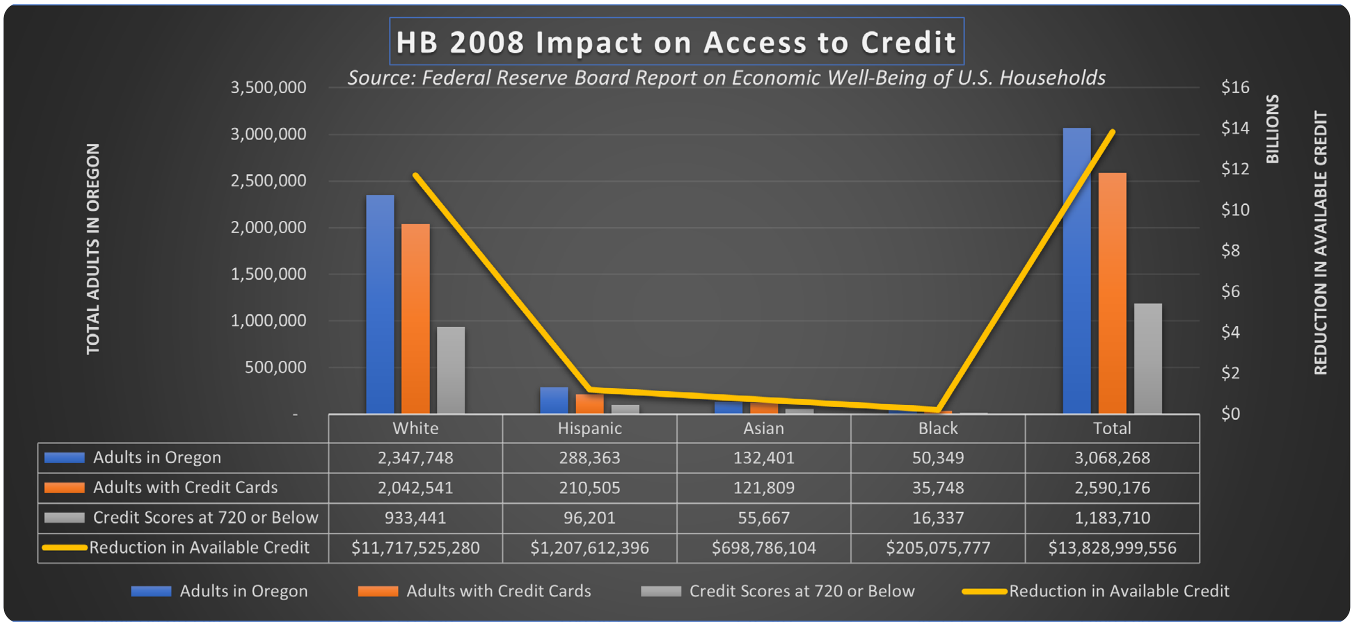
GARNISHMENT AND ACCESS TO CREDIT

Applying data from the Federal Reserve Board's Economic Well-Being of U.S. Households in 2022 to a wage garnishment bill (HB 2008) under consideration in Oregon, changing the disposable earnings exempt from garnishment over a period of one week or less from $254 to $1,000 would result in significant reductions in credit:



	White	Hispanic	Asian	Black	Total
Adults in Oregon	2,347,748	288,363	132,401	50,349	3,068,268
Adults with Credit Cards	2,042,541	210,505	121,809	35,748	2,590,176
Credit Scores at 720 or Below	933,441	96,201	55,667	16,337	1,183,710
Reduction in Available Credit	$11,717,525,280	$1,207,612,396	$698,786,104	$205,075,777	$13,828,999,556

Over **2 million** Oregonians will be negatively impacted by having their credit card limits reduced by an average of **$5,375** or possibly altogether eliminated if HB 2008 is enacted.[1]

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GARNISHMENT AND ACCESS TO CREDIT

- Oregonians will see an average reduction of **$5,375** to their credit card limits if HB 2008 is enacted. This bill will have a chilling effect on access to credit for the state's most vulnerable populations while only helping a small fraction of that group through increased garnishment limits.
- A reduction in available credit of this magnitude is critical to those have unexpected expenses. According to the Federal Reserve Board's report, **68%** percent of adults surveyed said they would need to pay for a $400 emergency expense, such as a car repair, using cash, savings or a credit card.
- In a survey from **Bankrate, 25% of respondents said they would pay for a $1,000 emergency expense with a credit card.**
- For over **2 million** White people in Oregon with credit cards, including 933,000 with a credit score of 720 or lower, there would be a reduction in available credit of **$11.7 billion**.
- For **210,505** Hispanic people in Oregon with credit cards, including 96,000 with a credit score of 720 or lower, the reduction in available credit would be **$1.2 billion**.
- For **121,809** Asian people in Oregon with credit cards, including 55,000 with a credit score of 720 or lower, the reduction in available credit would be **$698 million**.
- For **35,748** Black people in Oregon with credit cards, including 16,000 with a credit score of 720 or lower, the reduction in available credit would be **$205 million**[1].

[1] Federal Reserve Board Report on Economic Well-Being of U.S. Households in 2022
World Population Review
TransUnion