

Bankers blast bill on debts

By A.L. MAY
Chief Capitol Correspondent

A plan to revamp state debt collection laws suffered a setback Wednesday when a banking industry spokesman said the industry would not accept certain debtor protections in the bill.

Calling the bill "totally unrealistic," banking industry lobbyist John R. Jordan Jr. told a legislative study commission that the industry would oppose the legislation in the Legislative session beginning June 5.

Jordan said he expected the business community in general to join the fight against the bill, which was proposed by the N.C. Bar Association.

Legislative observers said the bill probably would not make it through the June session if the bankers actively oppose it.

The bill would revamp the state's debt collection law, creating a court-supervised system of collecting money judgments

by creditors against debtors. Enforcement of judgments now is in the hands of county sheriffs.

The bill also would allow limited wage garnishment for the first time as a means of collecting debts.

Bankers had wanted to use the bill as a vehicle to exempt North Carolina from a new federal bankruptcy law that gives debtors broad protections from creditors.

The legislative committee refused to exempt the state from the law. Instead, it added a provision giving debtors the choice of using federal property exemptions or state exemptions that would be created by the bill.

The proposed state exemptions give persons who are in debt but who have not declared bankruptcy protection from creditors against seizure of property.

The new federal law provides broad protection for a debtor's personal



John R. Jordan Jr.
... attacks debt plan

property, totaling in the thousands of dollars. Among a debtor's possessions that a creditor may not seize are cars valued up to \$1,200, all household items worth less than \$200 each, up to \$500 in jewelry and \$750 per item for tools, books and other items a debtor uses in his job.

Under the state bill's property exemptions, which the bankers like, the debtor could protect only \$1,000 in personal property for himself and

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\$500 in personal property for each dependent.

In one instance, the bill would give the debtor more protection than the federal law gives. Federal law exempts from the creditor only \$7,500 of the equity in a home, an exemption the bankers like. The bar association's bill would exempt the entire home, regardless of value.

Under the bill, the debtor could decide which of the two laws best protects his personal holdings.

For example, a debtor who does not own a home but owns a lot of personal property would opt for the federal exemptions that protect a variety of small items. A debtor who has more assets in real estate would opt for the state exemptions that completely protect the home.

Proponents of the federal-state option — Reps. Ruth E. Cook, D-Wake, and H. Martin Lancaster, D-Wayne — said that denying federal bankruptcy exemptions to solvent debtors would encourage them to declare bankruptcy to get the federal exemptions.

"The reason for giving them the option is to keep

them out of bankruptcy, putting a debtor in a position where he has to make the election," Lancaster said.

The study commission voted to send the bill to House and Senate judiciary committees. The bill already faces an uphill battle to win approval in the June session, which legislative leaders are trying to limit to budgetary matters.

Even if passed next month, the bill would not become effective until October 1, 1982, a delay the bill's backers added Wednesday in hopes of increasing its chance of passage.

"It would give the Legislature two years to study it, but by passing it in 1980 we could get it in the books and people would start taking it seriously," said Samuel H. Johnson, a Raleigh attorney who is lobbying for the bill for the bar association in the coming session.

Johnson said in an interview that any hopes of passing the bill depended on reaching a compromise between bankers and proponents of the state-federal option.

"I think we can do that, and I think it will pass,"

Johnson said.

The federal legislation is only one issue involved with the bill, which the bar association spent almost three years to prepare.

The 89-page bill addresses how to collect debts through court-ordered money judgments against debtors. It does not apply to debtors who go into bankruptcy.

Existing law puts the execution of judgments in the hands of county sheriffs, a practice that critics say is antiquated and often unworkable.

For that system, the bill would substitute a court-supervised system of debt collection. That idea has drawn opposition from some county court clerks and district court judges who see the bill adding additional burdens to an already overburdened court system.

The bill also would introduce a limited form of wage garnishment for ordinary debts, which is not now allowed in the state. Currently, wages may be garnished only to collect child support payments, taxes and, in some counties, fees for ambulance services.

Under the bill, only in-

come above \$12,000 a year would be subject to garnishment, and a judge could exempt even more from the garnishment to satisfy the support needs of a family.

The garnishment provision has drawn opposition from consumer groups and Legal Services Inc., a non-profit agency that provides legal aid to poor people.

Legal aid advocates, however, have muted their opposition in ex-

change for other concessions in the bill, such as keeping the federal bankruptcy exemptions. Their agreement not to fight the bill could be expected to dissolve if the bankers get their way, observers said.

The Consumer Protection Section of the state Attorney General's Office, has tentatively approved the bill, although the agency has questioned some provisions.

Angry Islamic officials blast U.S., sanctions

ISLAMABAD, Pakistan (AP) — Islamic foreign ministers condemned the United States and European Common Market nations for actions against Iran and formed a committee to seek a comprehensive solution to the Afghanistan crisis, a spokesman said today.

The full session of the 39-nation conference condemned the United States for last month's unsuccessful attempt to rescue the American hostages from Tehran and attacked Common Market nations for imposing economic sanctions on Iran.

The resolution expressed "outrage" at Egypt and other unnamed countries in the Middle East for reportedly providing assistance to the unsuccessful U.S. mission.

Apparently referring to both U.S. and Soviet naval forces, the resolution "seriously deplored" the escalation of naval activities in the Indian Ocean and the Persian Gulf.

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