Mrs. SULLIVAN. Thank you, Mr. Whitehurst.

Mr. Snedecor?

Mr. SNEDECOR. My name is Estes Snedecor. I live in Portland, Oreg. After practicing law in Oregon for 26 years, I was appointed referee in bankruptcy in December 1936. This is my 31st year of service in that capacity. I am a member of the National Bankruptcy Conference, a past president of the National Conference of Referees in Bankruptcy, and am now serving on the advisory committee appointed by the Chief Justice of the Supreme Court to prepare uniform rules of procedure and practice in courts of bankruptcy.

I shall confine my testimony in favor of title II of your bill, H.R. 11601 which seeks to prohibit the garnishment of wages or salary due any employee.

I think this is the most important part of your bill. I think it will be a godsend if something can be done about it.

The underlying causes of personal or consumer bankruptcies are: unemployment, overextension of credit, deficiency claims arising from repossessions of automobiles and appliances sold on contract, excessive interest rates, and unusual medical and hospital bills; but the one overriding cause precipitating consumer bankruptcies is the garnishment or threat of garnishment of wages coupled with an unrealistic wage exemption. This is dramatically demonstrated by comparing the number of consumer bankruptcies in States permitting garnishment of wages with those prohibiting garnishment entirely or restricting it to only a small portion of wages.

To illustrate, in fiscal year 1966 California had 37,545 bankruptcies while New York, with a comparable population, had only 7,462 bankruptcies. Why should there be so many in California and few in comparison in New York? It cannot be due to different economic conditions because less than 10 percent of these bankruptices represent business failures. Over 90 percent of the bankrupts are individuals whose available income is in the form of a wage or salary, referred to as consumer bankrupts.

In California, garnishment up to 50 percent of wages is permitted but the debtor must apply to the court to obtain a release of this amount of his wages. There is no automatic exemption, whereas in New York 90 percent of wages is automatically exempt. Only 10 percent is subject to garnishment at any time.

The unique feature of the New York law is that the garnishment is a continuing levy of 10 percent of the man's net wages until the creditor's judgment has been paid in full. However, only one execution and garnishment at a time may be in effect. If a second garnishment is served, it must wait until the first judgment is satisfied. In effect this law provides a simple and orderly method of satisfying old debts in installments not exceeding 10 percent of the laborer's net earnings. A similar statute is in effect in New Jersey.

New York and New Jersey have very few consumer bankruptcies. I dwell on this law because if you can't go all the way to prohibit garnishment I hope you will go as far as the New York law. Because as I say, there is 10 percent off the top only that can be applied to these old debts and it may help many wage earners to pay them out over a period of time.