

will be of benefit to both debtors and creditors. This conclusion reflects the underlying fact that neither debtor nor creditor benefits when the debtor is financially crippled. A more powerful exemption law will help keep the debtor from sinking further into a financial abyss and losing his job. At the same time it will protect the creditors to the extent that it allows the debtor to keep going and to avoid bankruptcy. Incidental credit grantors such as doctors, lawyers and small businessmen lose when a small loan company garnishes wages and causes the debtor to be fired or run for bankruptcy. A law with more exemption protection will encourage the commercial credit grantors to be more careful in choosing their credit risks. If the creditor will do this, he will reduce his bad debt losses. This induced care may result in some reduction of overall credit granted, but the reduction will probably be small and will be justified by the decrease in human misery caused by extreme credit problems. Finally, an exemption law can be tailored to encourage the debtor to find a program which will help him find his way out of a bad financial situation and into a better one.

"The Judiciary Committee report made no specific proposals."

Also, a comprehensive study by George Brunn was published in the California Law Review, December 1965, Vol. 53, No. 5, page 1214. The Brunn Report included an analysis of Court records in San Francisco. There is attached to this statement an analysis of Civil Court Filings of the Los Angeles Municipal Court.

The effect of a garnishment can be devastating to a debtor. Most employers dislike garnishments because of the extra work and cost. As a matter of policy many employers will fire an employee after the second garnishment. Since California law permits multiple levies a worker could be fired within an eight-day period, the time necessary to cover two weekly pay periods. Not only does this challenge the ability of the worker to provide for the family needs, but a worker who has been fired because of garnishment can become a faceless person in the army of the unemployed. He may be a well-qualified machinist whose talents are in demand, but he is unemployable.

At a time when skilled employees are in great demand we must conclude that the exclusion of such a worker from our work force is a great waste of manpower.

CREDIT SALES

The State of California has enacted legislation that has for its purpose the protection of the debtor who must resort to credit buying or credit financing. In 1960 the Unruh Act (Civil Code 1801 et seq.) was passed by the legislature.

Perhaps the most important provision is Section 1812.5 which prohibits deficiency judgments resulting from repossession and sale of personal property. Section 1803.1, 1803.2, 1803.3, 1804.4, 1803.5, 1803.6 and 1803.7 contain provisions relating to "Truth in Sales".

AUTOMOBILES

In the purchase of automobiles the Rees-Levering Act (Civil Code 2981, et seq.) has given the purchaser certain protection. Unlike other credit sales, the buyer is liable for any deficiency resulting from a repossession and sale (cc. Section 2983.2). Such deficiencies frequently constitute a sizeable part of the debts listed by bankrupts.

SMALL LOANS

In the area of small loans (Financial Code Section 24000 et seq.) Sections 24411, 24412, 24413 and 24414, the "Truth in Lending" provisions give the borrower some protection. Section 24452, as amended, sets forth the maximum charges. It cannot be said that these provisions make the full disclosure that is sought by the provisions of H.R. 11601.

EXEMPTION

The exemptions granted under state law to a debtor are generally liberal and it has been the policy of our courts, both state and federal, to give these exemption statutes a liberal interpretation and to avoid forfeiture of these rights if, at all, possible. Briefly, a debtor's property which is exempt from execution includes in part; a homestead (husband and wife) \$15,000.; deposits in qualified savings and loan associations \$1,000.; deposits in credit associations \$1,500.; one automobile of a value not in excess of \$350.; (This exemption has recently been in-