

harsh garnishment laws and poor credit regulation have the highest number of personal bankruptcies proportionate to their population. States with less harsh laws, such as New York which exempts 90 percent of the debtor's pay, have a much lower rate of personal bankruptcies than do States with inadequate exemption provisions.

In 1965 the number of personal bankruptcies filed in Federal courts increased for the 13th straight year. Over 180,000 bankruptcies were filed, of which 163,400 (over 90 percent) were personal or "consumer" bankruptcies. A survey of referees in bankruptcies, conducted early in 1965 by the Administrative Office of the United States Courts, stated "The harsh garnishment laws of California, Minnesota, Ohio, Tennessee, Virginia, and Michigan were given as a major cause of insolvency. Loose credit was frequently blamed. Grasping practices, harsh collection laws, inadequate exemptions, unregulated finance charges on retail credit sales and unrealistic deficiency claim judgments were blamed along with reckless buying and cognovit notes."¹ The report indicated that when a collection agency goes after a debtor's wages, facing his employer's policy of nongarnishment, he files bankruptcy in order to save his job. Other States also cited as "bankruptcy capitals" are Alabama, Colorado, and Oregon.

In the States mentioned above, the following number of voluntary bankruptcies were filed by employees in 1965:

Alabama -----	9, 522	Ohio -----	14, 850
California -----	25, 580	Oregon -----	3, 080
Colorado -----	3, 203	Tennessee -----	8, 602
Michigan -----	5, 877	Virginia -----	4, 049
Minnesota -----	2, 567		

These figures can be compared with the number of employee voluntary bankruptcies in States that prohibit or strictly limit garnishment of wages:

Alaska -----	76	South Carolina -----	140
Florida -----	507	South Dakota -----	144
Pennsylvania -----	512	Texas -----	329

A law allowing only limited garnishment would be a deterrent to easy credit, because the businessman would be less inclined to use the courts as his collection agency, as is often the case now.

SAN DIEGO STATE COLLEGE,
San Diego, Calif., June 27, 1967.

HON. RICHARD J. DOLWIG,
The State Senate,
Sacramento, Calif.

DEAR SENATOR DOLWIG: On the 13th of June the Senate gave first reading and referred to the Committee on Insurance and Financial Institutions, AB457. We would hope that you will accept the following written testimony, which is amply justified on the basis of the attached study.

As no bill has been introduced which would, as other states have done, simply remove the power of wage attachments, thereby forcing creditors to ration credit more carefully in their own and society's best interest, we must in our testimony support AB457.

In AB457 some provision is made whereby, unless the employee has been proven a debtor, his wages are exempt from attachment. In view of the severe consequences for the employee, of a wage attachment, this is a step in the right direction. The delineation of the "common necessities of life" distinction is also preferable.

We have sent similar letters and copies of the report to Senators James Mills, Jack Schrade, and Alfred Song. Although Senators Song and Mills are not on the Committee, we understand they support its passage.

¹ A cognovit note, or confession of judgment, is a prior written admission of liability for a debt given by a debtor as security for the debt. Its effect is to simplify later legal procedures for the creditor to collect on the debt and, conversely, to make more difficult the debtor's efforts to contest it.