

# Predatory Debt Collection Protection Act

**Now is the time to protect Arizona consumers.**

Too many Arizona families are suffering because of emergency medical debt and predatory debt collection practices. No Arizona family should lose their home or car, or struggle to put food on the table, due to medical emergencies or accidents, or be trapped into unending debt by unfair interest rates on medical care.

The Predatory Debt Collection Protection Act fixes this problem by increasing the protected value of

people's primary home to better match Arizona's median home value, increasing the allowed value of protected household goods and bank accounts, and increasing the protected value of vehicles, with all of these amounts adjusted annually for inflation. In order to help Arizonans avoid being trapped by debt, the Act limits wage garnishment for debt to no more than 10% of disposable earnings, and limits the interest rate on medical debt to no more than 3 percent.

## Why Do We Need The Predatory Debt Collection Protection Act?

### Medical debt can devastate Arizona families

- A chronic disease or sudden medical emergency can cost families tens of thousands of dollars out-of-pocket even with insurance.
- More than two-thirds of all bankruptcies are tied to debt from healthcare costs.
- 18% of Arizonans have medical bills that are past due.
- Having insurance doesn't necessarily protect from medical debt – even families that have done everything right can end up with bills that they can't afford to pay.

### Debt shouldn't destroy lives

- Arizona has already set limits to protect some family homes and cars from seizure for debt, but rising housing prices and costs have made those limits out of touch with everyday Arizona families.
  - The homestead exemption law will soon protect up to \$250,000 but the median home value is \$329,496 as of March 2021
  - Cars worth up to \$6,000 are currently protected but this leaves most vehicles eligible for sale by debt collectors. For example, used cars are worth on average over \$20,000.
- People shouldn't have to worry about losing their home or car if they get sick or are facing large medical bills.
- Right now, medical debt collectors can jack up interest rates to 10% or more a year, every year, keeping families trapped in an unending debt that increases even as they continue making payments.
- Debt collectors can take away a family's home or car and garnish wages, all of which makes it



harder for Arizona families to get out of debt, and even just to get by.

### **Arizona families deserve freedom from unfair debt**

- This ballot measure will protect more family homes, so Arizonans won't become homeless when they fall into debt.
- This limits outrageous interest rates on medical debt so that families won't be trapped in an unending cycle.
- This protects more cars from being seized for debts, so that people in debt don't lose the ability to get to their jobs and take care of their families.

### **Arizonans are already struggling financially**

- 30% of Arizonans have debt in collections, higher than the national average. In Arizona communities of color, that jumps to 45% having debt in collections.
- Arizonans have more debt than the national average, more than \$58,000 in debt per person.
- As of March 2021, 38.5% of Arizonans reported at least one household member losing employment income since the beginning of 2020.
- Housing prices in Arizona have been rising
  - The median home sale price in the Phoenix metro increased 19.43% between February 2020 and February 2021, and in Tucson it increased 12.66%
  - The average cost of rent in Arizona as a whole went up 9.1% between 2019 and 2021
  - Home values in Mohave County have gone up 16.9% between February 2020 and March 2021
  - As the average nationwide rent stayed flat, rents in Phoenix rose by more than 6% in 2020, after having risen 9.9% in 2019

### **The Predatory Debt Collection Protection Act helps Arizonans by protecting more of their assets and belongings from debt collectors, and limiting the interest rate on medical debt.**

#### **The Act:**

- Increases the homestead exemption, or the value of a primary residence protected from creditors, to \$400,000.
- Increases the value of household goods protected from creditors to \$15,000.
- Protects a vehicle worth up to \$15,000 from creditors. For disabled drivers, protects a vehicle worth up to \$25,000.
- Protects up to \$5,000 held in a bank account.
- Annually adjusts the amounts above for inflation.
- Added protection against wage garnishment.
- Limits the interest rate on medical debt to no more than 3 percent.



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