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Governor Newsom Signs Bill Preventing Homelessness, Protecting Low-Income Debtors

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Low-Income Californians Get Protection From Debt Collectors Trying to Clean Out Their Bank Accounts

On Monday, Governor Gavin Newsom signed state senator Bob Wieckowski's Senate Bill 616, capping a three-year effort by the anti-poverty groups, local governments and labor unions across the state to provide basic protections for the bank accounts of low-income consumers. The bill's co-sponsors – the East Bay Community Law Center (EBCLC), the Western Center on Law and Poverty, and the California Low-Income Consumer Coalition – cheered the Governor's signing of a measure that will automatically set aside \$1,724 when a debt collector seizes a consumer's bank account.

Sharon Djemal, director of EBCLC's Consumer Justice Clinic, saw the need to elevate the issue of bank reform to the California legislature after fielding calls from hundreds of clients who lost the ability to cover food, rent, and basic expenses in one fell swoop. "We've fought for this reform for so many years because for too long, our clients were completely vulnerable to the whims of debt collectors. When their bank accounts are emptied, our clients are thrown into a financial tailspin – and sometimes even into homelessness." Djemal added, "This bill is a significant step toward providing some basic financial stability to low-income Californians."

"Legal services organizations around the state have long testified about the great harm that the debt-collector-take-all status quo does," said Jessica Bartholow of the Western Center on Law and Poverty, a co-sponsor of the bill. "Our clients miss rent payments, suffer bounced check and overdraft fees and, eventually, walk away from traditional banking altogether as a result of these levies. The Governor's signature on SB 616 will change that."

The \$1724 set aside by the bill is the amount the California Department of Social Services (DSS) has determined is the monthly minimum necessary for a family to survive. The DSS updates the amount every year.

"Other types of assets are protected under California law, from wages to jewelry to art. The one that isn't – or wasn't until today – is bank accounts," noted Ted Mermin, director of the California Low-Income Consumer Coalition. "This bill will encourage low-income Californians to keep their money in the financial system rather than enduring the dangers of becoming 'unbanked.'"

The bill also gives consumers the chance to go to court to get back any seized money beyond the cap that they need in order to survive. Debt collectors currently time account seizures to occur when consumers have just been paid, or have just received their federal earned income tax credit. SB 616 will help to limit the damage that occurs when debt collectors game the system.

The bill offers crucial protections to workers like farmworkers and substitute teachers, who rely on their savings during the off-season. One EBCLC client, Grace A., a substitute teacher, had her account cleaned out at the beginning of the summer. With EBCLC's help she convinced a judge that the money should not have been taken from her account. However, even though she "won" in court, her money was not returned for five months. In that time she had to borrow from her retired farmworker parents in order to pay her rent – all because of a bank levy that never should have happened, but was legal under existing law. SB 616 ends this practice and resolves the issue by exempting a minimum basic amount.

The bill's sponsors express their enormous gratitude to Senator Wieckowski and his team, to co-authors Senator Bob Hertzberg and Assemblymember Luz Rivas, to floor supporters Assemblymembers Buffy Wicks, Shirley Weber, and Rob Bonta, and above all to their clients, whose bravery in speaking up and fighting back inspired the multi-year effort that led to the passage of this long-awaited, much-needed bill.

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