



# Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

## Testimony on AB 523

Greetings Chairman Grothman, members of the committee. I authored AB 523 to restore the interest rate on judgments in small claims actions to 12%.

Sweeping legislation to limit interest rates on judgments was signed into law in 2011. The intent of the original legislation was to limit interest assessed on high dollar verdicts, but the amended final bill reduced interest on all judgments. The unintended consequence is that the law now affects judgment interest owed to small businesses, counties, cities, and collection agencies that rely on small claims court for relief in minor disputes and debt collection.

Judgments are now calculated bi-annually using the prime rate plus one percent. Keep in mind that the prime rate is usually the interest rate that commercial banks charge their most credit-worthy customers, and certainly not those that default on obligations. Prior to passage of the law, small claims judgments were assessed at 12% interest which allowed the plaintiff to be compensated for the time lapse between recovery and served as an encouragement for the defendant to pay the judgment. By reducing the interest rate, the cost is now shifted from the debtor to the businesses or individual that was the victim of the crime.

As you will hear during the testimony from credit collection agencies, creditors use the interest rate to motivate payment and to compensate them for the costs they are incurring in collecting the debt. Current law gives scofflaws no incentive to settle their outstanding debts in a timely manner. It actually encourages default so that people will get a lower interest rate.

The current law requires the interest rate to be calculated bi-annually which has proven difficult and time-intensive to calculate. This legislation is a way to ensure a stable rate regardless of the prime rate, which has fluctuated over 50 years from the current lowest rate of 3.25% to a high of 21.50%.

Finally, agencies that collect these debts have seen a substantial decline in income. This income drop has not helped expand businesses nor keep up with typical business expenses like health care. This bill will put collection agencies in a position to grow and thrive and help businesses have their debt collected.

*Serving the communities of Fond du Lac, Oakfield, Byron, Empire, Taycheedah, and the western half of Calumet township*