

SUBJECT: Administrative fees for garnishment orders

COMMITTEE: Civil Practices — favorable, without amendment

VOTE: 6 ayes — Gray, Alvarado, Bosse, Goodman, Roman, Zbranek
0 nays
3 absent — Hilbert, Dutton, Nixon

WITNESSES: For — Donna Dalfrey, Children’s Shelter of San Antonio
Against — None
On — George Torres, Texas Guaranteed Student Loan Corporation

BACKGROUND : Garnishment — or withholding — orders require employers to withhold from an employee’s paychecks a certain amount each pay period to cover a debt. Garnishment orders are frequently used in child support awards and default payments on student loans. Currently, an employer who enforces a child support garnishment order also may charge the employee an administrative fee of up to \$5 each month for withholding the garnished portion of wages and forwarding the money to the appropriate authority.

DIGEST: HB 598 would permit employers to charge administrative fees on certain garnishment orders required by state and federal law. The employer could charge actual administrative costs or \$10, whichever was less.

Employers could charge administrative costs for garnishment orders required by federal law for debts on student loans or by any analogous state or federal law that did not expressly prohibit the collection of administrative costs.

HB 598 would take effect on September 1, 1997 and apply to garnishments on wages paid on or after that date.

**SUPPORTERS
SAY:**

HB 598 would encourage more employers to recover the cost of complying with garnishment orders and increase repayment of the loans. It can cost some employers as much as \$5 per paycheck to withhold wages subject to a garnishment order. Where employees are paid weekly, these administrative costs can total \$20 a month. Because of the high expense, some employers neglect to enforce garnishment orders; those who do enforce orders must make up those costs in other ways. Small businesses, which may have to administer only one or two such orders, have proportionately higher costs per order.

Adding administrative costs for collection would help encourage repayment of loans. Employees who are subject to garnishment orders know that a portion of what they are paying goes to administrative costs. If they started repaying the loan directly, they would not have to pay such administrative costs, an incentive for establishing a loan payment schedule with the lender.

HB 598 also would standardize procedures in many cases. Employers already are required to withhold money from the paychecks of employees who default on their student loans, but cannot recover any cost of complying with the order unlike they can with child support orders. HB 598 would not authorize garnishment for student loans but simply allow employers to recover the cost of complying with a federal garnishment order.

The maximum administrative fee for withholding orders for child support is \$5, an amount that has remained constant since first allowed in 1985. Costs for employers have increased over that time and a \$10 maximum fee for other garnishment orders would be more in line with the average costs.

**OPPONENTS
SAY:**

Administrative fees allowed for child support withholding orders cannot be higher than \$5 per month, and administrative costs for student loan garnishment orders should be set at \$5 to establish consistency.