

SUBJECT: Reducing the interest rate on accrued delinquent child support

COMMITTEE: Juvenile Justice and Family Issues — committee substitute recommended

VOTE: 8 ayes — Goodman, A. Reyna, E. Reyna, Menendez, Morrison, Naishtat, Nixon, Tillery

0 nays

1 absent — P. King

SENATE VOTE: On final passage, April 26 — 30-0, on Local and Uncontested Calendar

WITNESSES: None

BACKGROUND: Family Code, sec. 157.265 establishes that interest accrues on delinquent child support at a rate of 12 percent simple interest per year.

DIGEST: CSSB 776 would establish that interest would accrue at a rate of six percent simple interest per year on the following child support payments:

- ! the portion of delinquent child support that was greater than the amount of the monthly payment;
- ! child support arrearages that had been confirmed and reduced to a money judgment; and
- ! a money judgment for a retroactive or lump-sum support.

The bill would take effect January 2, 2002, and would apply only to a child support payment that became due on or after the effective date.

SUPPORTERS SAY: CSSB 776 is necessary to help ensure that children receive the support they need. At the current interest rate of 12 percent, if an obligor gets behind on payments, it is possible that the obligor might never be able to pay the amount due plus the interest. This bill would lower the interest rate by half, thus helping those obligors who would like to pay past-due child support but could not because of financial constraints.

The effective date of January 1, 2002, would allow the attorney general and private collection agencies time to upgrade their systems, and since the provisions in this bill would not be retroactive, it would not be a burden on their current systems.

OPPONENTS
SAY:

Although the 12 percent interest can be a burden on the obligor, it can be at least as much of a burden on the obligee who is accruing debt while awaiting payment of delinquent child support. The interest rate should accrue comparably to the potential interest rate on any overdue debt that an obligee might incur.

NOTES:

The substitute made several changes to the Senate-passe bill, including:

- ! removing provisions that allowed a court to reduce accrued interest on arrearage;
- ! removing provisions that allowed an obligor to file a motion requesting that the court reduce the amount of interest; and
- ! reducing the percentage interest rate from 12 percent to six percent.