

HB

723

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MEMORANDUM

TO: Representative Gardiner
House Judiciary Committee

FROM: Donald E. Clocksin *DEC*

RE: House Bill 723 - "Residential Homestead Exemption"

DATE: February 19, 1976

1. Present Law.

Presently, if a family gets a court judgment against them, there are procedures for the one winning the judgment for taking some of the loser's property and wages to pay off the judgment. However, there are certain exemptions for property which cannot be taken to pay a debt. One exemption, in A.S. 09.35.090, exempts the homestead of the debtor, defined as the "actual abode" of the debtor.

However, the exemption is only \$12,000 for a house and \$8,000 for a mobile home. If the actual value exceeds that amount, the home can be sold to pay the debt. The excess over \$12,000 or \$8,000 goes to the creditor.

2. What the Bill Would Do.

House Bill 723 would increase the exemptions to \$25,000 and \$15,000, respectively. Only if the house or mobile home exceeded those values could it be sold to pay a creditor.

3. Why the Bill.

The amounts presently in A.S. 09.35.090 are ridiculously low. The statute was adopted 14 years ago and amended four years ago to increase the exemption for homes from \$8,000 to \$12,000 and to create the separate exemption for mobile homes. According to the 1970 census data, owner-occupied homes in Alaska with all plumbing facilities had a median value of \$28,200. 1970 Census of Housing, Volume 1, Part 3 (Alaska), page 10, U.S. Department of Commerce (June, 1972).

The result of having a low exemption is obvious. Even

though the intent of the law is to avoid having a family put out of their home, debt could force a sale of any home exceeding \$12,000 in value. According to six-year-old census figures, 86% of all owner-occupied homes could be sold to pay debts, despite the statutory exemption. *With the bill, 41% could be sold.*

The census data does not reveal the median value of mobile homes. However, the \$8,000 exemption is surely inadequate.

4. Amendments.

Even the new \$25,000 and \$15,000 values are likely inadequate for 1976 and beyond. If the committee agrees, I recommend amending the bill to increase them to \$30,000 and \$20,000 respectively.

cc: Representative Parker

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