

## CONCURRENCE IN SENATE AMENDMENTS

AB 774 (Bauer-Kahan)

As Amended June 27, 2025

Majority vote

**SUMMARY**

*Clarifies and refines address verification and post-judgment enforcement procedures for debt collection actions.*

*Major Provisions*

- 1) Clarifies that judgment creditors may verify the judgment debtor's address by transmitting a letter or legal pleading by mail, not limited solely to informal correspondence.*
- 2) Extends the deadline for judgment creditors to file the signed address verification declaration with the court from five business days to ten business days after providing it to the levying officer.*
- 3) Provides that the required address verification declaration may be signed by any individual with adequate knowledge of the verification process, including custodians of records or employees of the creditor's attorney or law firm.*
- 4) Clarifies that filing an ex parte application to stay a levy or garnishment is not a general appearance and does not waive a judgment debtor's right to contest jurisdiction by motion under Code of Civil Procedure Section 418.10.*
- 5) Clarifies service of process provisions under wage garnishment statutes by specifying that levying officers must serve earnings withholding orders on the judgment debtor's employer.*
- 6) Permits, beginning July 1, 2026, a judgment creditor to apply to the court for an order reinstating a judgment lien on real property with the same priority it held immediately before it was released. Subject to 7)-14), below, the court must grant the application, and upon entry of order, the clerk must do all of the following:*
  - a) Note in the court's records that the judgment is no longer satisfied to the extent of the returned funds or property.*
  - b) Issue to the judgment creditor a certificate and notice of reinstatement of a judgment lien; the certificate shall identify the judgment and the parties, the unsatisfied judgment amount, and the relevant recording or filing information from the original abstract of judgment.*
- 7) Requires the application for reinstatement of a lien under 6) to be filed with a declaration by the judgment creditor that includes and certifies all of the following:*
  - a) The title of the court, the case name and number, and the date and amount of the original judgment and any renewals thereof.*

- b) *A statement that the judgment creditor released a lien or liens in the reasonable belief that the money judgment was satisfied. This statement shall include (1) information sufficient to identify the liens that were released, and (2) the details of any acknowledgement of full or partial satisfaction of judgment that was filed or entered as a result of the prior application of funds, including the date, county, and recording number of any acknowledgement of full or partial satisfaction of judgment recorded by the judgment creditor.*
  - c) *A statement that, after a lien was released, the judgment creditor was ordered to return to the judgment debtor property levied or wages garnished in satisfaction of the money judgment, pursuant to specified statutes. A copy of the order shall be attached as an exhibit to the declaration.*
  - d) *A statement that the judgment creditor returned, and the judgment debtor received, all property and wages ordered returned.*
  - e) *A statement that, but for the court's order in c), the money judgment would have been fully satisfied or that the property returned to the judgment creditor was identified in a recorded acknowledgement of full or partial satisfaction of judgment.*
  - f) *A statement that the judgment creditor is not appealing the order to return funds under (c).*
- 8) *Provides that knowingly certifying the accuracy of false information in 7) will be subject to a civil penalty of not more than \$1,500.*
- 9) *Requires the judgment creditor to serve a copy of the application for an order reinstating a released lien, by first-class mail, to the address verified pursuant to specified law.*
- a) *The judgment debtor may, within 15 days of service of the application, file a declaration stating that the funds or property identified in 7) have not been returned.*
  - b) *If a declaration under a) is filed, the court shall deny the application and the judgment creditor shall file a noticed motion to be heard by the court in order to reinstate a lien and its priority.*
  - c) *If the judgment debtor does not file an objection, the clerk's reinstatement of the lien is automatically effective.*
- 10) *Requires an application under 6) to be filed in the action in which the judgment creditor was ordered to return the property levied or wages garnished under 7)c).*
- 11) *Provides that attorney's fees are not recoverable in connection with an application to reinstate a lien under 6).*
- 12) *Provides that the judgment creditor may record the certificate of reinstatement obtained under 6) in the same manner as an abstract of judgment, and that recordation shall have the effect of restoring the lien's property as if the prior release or satisfaction had not occurred.*

- 13) Establishes the same procedure set forth in 6)-14) for the reinstatement of a released lien on personal property and its priority at the time of cancellation, with slight differences to account for lien information filed with the Secretary of State.*
- 14) Permits a judgment debtor, when the judgment is for a personal debt, to file a claim of exemption more than 20 days after the date of notice of levy is served upon them; the levying officer may still release the funds to the judgment creditor at the expiration of the 20-day period.*
- 15) Makes conforming changes to related statutes to align with the clarified procedures.*

#### *Senate Amendments*

*Establish that beginning July 1, 2026, a judgment creditor may apply to reinstate a released lien on real or personal property with its original priority if the creditor previously returned levied property or garnished wages under court order. The process requires a detailed declaration, notice to the debtor, and certification of returned funds, with penalties for false statements, and the reinstated lien has the same effect as if it had never been released.*

#### **COMMENTS**

In 2024, the Legislature enacted AB 2837 (Bauer-Kahan, Chap. 514), the California Post-Judgment Fairness Act, to modernize procedures for wage garnishment and bank levy enforcement by requiring address verification and strengthening debtor protections. As enacted, however, AB 2837 left certain procedural questions unresolved, including whether formal pleadings could satisfy verification requirements, who may sign verification declarations, and whether seeking an ex parte stay of enforcement would waive jurisdictional defenses. AB 774 clarifies and refines these procedures by expressly authorizing the use of legal pleadings for address verification, specifying who may sign verification declarations, confirming that ex parte applications do not constitute general appearances, and correcting service requirements for wage garnishment orders, thereby ensuring that the reforms enacted by AB 2837 are implemented fairly and effectively.

These deficiencies in existing law disproportionately harm low-income Californians, who are already at high risk of suffering default judgments without notice and losing access to exempt funds essential to their financial stability. Nearly 70 percent of debt collection cases in California result in default judgments, and procedural missteps in post-judgment enforcement can have devastating consequences for debtors who have little ability to navigate or contest the legal process.

*This bill* clarifies and refines key procedural requirements enacted under AB 2837 to ensure that the reforms intended to protect judgment debtors are effectively implemented. Specifically, the bill amends Code of Civil Procedure Section 684.130 to expressly authorize judgment creditors to verify a debtor's address by transmitting either a letter or a legal pleading, rather than limiting verification to informal correspondence. This clarification reflects practical realities in debt collection litigation, where formal pleadings may be the most reliable evidence of a debtor's address. The bill also extends the deadline for filing the signed address verification declaration with the court from five business days to ten business days after delivery to the levying officer. This modest extension provides judgment creditors with a more reasonable timeframe to ensure

compliance, without undermining the debtor's right to prompt and accurate notice of enforcement actions.

To further promote clarity and workability, AB 774 adds a new provision of law specifying that the required verification declaration may be signed by any individual with adequate knowledge of the address verification, including custodians of records or employees of the judgment creditor's attorney or law firm. This change recognizes the practical division of labor in legal practice and allows those most familiar with address verification procedures to complete the required declarations. Additionally, AB 774 amends Code of Civil Procedure Sections 703.570 and 706.105 to make clear that filing an ex parte application to stay a levy or garnishment does not constitute a general appearance in the action and does not waive a judgment debtor's right to contest personal jurisdiction through a motion under Section 418.10. This important clarification removes a procedural trap for unwary debtors and ensures that debtors are not forced to choose between protecting their property and preserving fundamental jurisdictional defenses.

*Senate amendments further establish that beginning July 1, 2026, a judgment creditor may apply to reinstate a released lien on real or personal property with its original priority if the creditor previously returned levied property or garnished wages under court order. The process requires a detailed declaration, notice to the debtor, and certification of returned funds, with penalties for false statements, and the reinstated lien has the same effect as if it had never been released.*

Finally, AB 774 corrects statutory references in Code of Civil Procedure Sections 706.021 and 706.022 to confirm that service of an earnings withholding order must be made on the judgment debtor's employer, not on the judgment debtor personally.

### **According to the Author**

California law lacks clarity relating to debt collection as debtors are often unaware of actions being taken against them due to outdated and inefficient procedures. AB 774 refines and clarifies language of previously enacted legislation (AB 2837, 2024) relating to debt collection practices. Specifically, AB 774 clarifies what constitutes acceptable forms of verification, requires creditors to file a declaration stating they have confirmed debtors' contact information, and clarifies that certain filings do not equate to a general appearance. AB 774 promotes clarity, accountability, and fairness in the enforcement of debt judgments by reforming outdated procedures that cause confusion and disorder. These changes are crucial to providing debtors a fair opportunity to respond to actions being taken against them and to protect their financial stability.

### **Arguments in Support**

The California Low-Income Consumer Coalition (CLICC) explains its support of this measure: AB 2837 stemmed directly from obstacles faced by the low-income Californians CLICC's members work to assist every day. AB 774 – this year's clean-up bill – aims to ensure proper and swift implementation of the Post-Judgment Fairness Act by fine-tuning specific provisions to avoid potential unintended consequences revealed since AB 2837 was enacted.

### **Arguments in Opposition**

None on file

## FISCAL COMMENTS

According to the Senate Appropriations Committee, the fiscal impact is as follows:

Unknown, potential costs to the state funded trial court system (Trial Court Trust Fund, General Fund) by authorizing a new civil penalty with statutory damages, which may lead to additional case filings that otherwise would not have been commenced. In addition, this bill may generate administrative workload cost pressures for courts for processing reinstatement applications, declarations and certificates. The fiscal impact of this bill to the courts will depend on many unknowns, including the number of filings. An eight-hour court day costs approximately \$10,500 in staff in workload. While the courts are not funded on a workload basis, an increase in workload could result in delayed court services and would put pressure on the General Fund to fund additional staff and resources and to increase the amount appropriated to backfill for trial court operations.

## VOTES:

### ASM JUDICIARY: 12-0-0

**YES:** Kalra, Dixon, Bauer-Kahan, Bryan, Connolly, Harabedian, Macedo, Pacheco, Papan, Sanchez, Stefani, Zbur

### ASSEMBLY FLOOR: 77-0-2

**YES:** Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

**ABS, ABST OR NV:** Nguyen, Stefani

### SENATE FLOOR: 39-0-1

**YES:** Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**ABS, ABST OR NV:** Reyes

## UPDATED

VERSION: June 27, 2025

CONSULTANT: Shiran Zohar / JUD. / (916) 319-2334

FN: 0001516