

**Testimony in Support of HB 182**  
**David Leuthold on behalf of the American Fair Credit Council**

**House Financial Institutions, Housing and Urban Development Committee**  
**Tuesday, Dec. 12, 2017**

Good morning Chairman Dever, Vice Chair Sprague, Ranking Member Smith and members of the House Financial Institutions, Housing and Urban Development Committee, my name is David Leuthold and I am here to voice strong support for HB 182 and ask for a favorable vote on the legislation before you. Substitute HB 182 would update state law and eliminate ambiguity over debt settlement to allow Ohioans with significant unsecured credit card debt a path to a brighter future. We maintain that Ohio residents need more tools to deal with personal debt, not fewer and that debt settlement should be a viable option.

I serve on a voluntary basis on the board of the American Fair Credit Council, the trade association for the debt settlement industry, and am proud to say I was a founding member of the AFCC. I'm also Vice Chairman of Century a debt settlement company based in North Huntingdon, Pennsylvania just outside of Pittsburgh. AFCC member companies have collectively helped consumers settle over \$7 billion of debt and I'm extremely proud to be associated with this industry.

If you have even been in the position of being deep in debt I can tell you from personal experience there is probably nothing more stressful in life. There is a feeling of helplessness and desperation when you find yourself in a position where you can no longer repay the debts you owe. I know this firsthand because I once lived it. Many years ago, I had a good paying job in the federal government that was eliminated and quickly found myself unable to cover the credit card debts I had accrued. I looked at my options and they were bleak: personal bankruptcy protection or credit counseling.

I last appeared before this committee on May 31 of this year to speak in support of HB 182. In the period since we have tried to work with every group that has contacted us with specific concerns with the introduced version of the bill. The substitute bill before you is a product of some of these discussions. We included language to ensure that bill collection companies are not inadvertently caught up in the legislation and also included some language to ensure that clients who approach us for help resolving credit card debts understand that there are sometimes creditors who claim they will not enter settlement negotiations with us. Even so these so-called non-participating creditors make up a very small percentage of the debts we are able to settle on behalf of our clients.

The Federal Trade Commission regulates debt settlement under the Telemarketing Sales Rule. The FTC issued strict guidelines for debt settlement in 2010 that include a prohibition on upfront fees. We are only paid once we present a settlement to a client on each credit card account they owe, the settlement is accepted by the client and a payment is made to the creditor. There are also a number of mandatory disclosures that must be made to a client enrolled in a debt settlement program, including a good faith estimate of

the amount of time it may take to settle the debt, an estimate of the amount of money it will cost to settle the debt as well as the possibility of any tax liability for excusing or discharging a debt. The notice on non-participating creditors that I mentioned is an area where Ohio law would go beyond what is required of us at the federal level – and we are OK with that.

With debt settlement, we work one-on-one with creditors to reduce the principal owed on accounts. Our average client has \$30,000 in debt on six different accounts. Many come to us after experiencing a life altering event: divorce or death of a spouse that eliminates part of a family's income; a medical crisis or job loss that leaves one unemployed or underemployed and no longer able to even make the minimum payments on their credit cards.

I'm proud to report that most of our AFCC member companies hold an A+ or better rating from their local Better Business Bureau. Also the last time I looked there were 1.2 million complaints lodged against financial services companies with the Consumer Financial Protection Bureau, but only about 20 of these complaints dealt with debt settlement providers.

As a member of this Committee, you should be aware that credit card debt and more importantly delinquency is on the rise nationally. According the Federal Reserve Bank of New York's Center for Microeconomic Data total household debt climbed to \$12.96 Trillion according to their most recent report. Total household debt rose by \$116 Billion in the third quarter of 2017 alone. More alarming is that over the past year credit card debts flowing into delinquency have been on the rise. Based on this data I think it is safe to say more people will find themselves in a position where they need options to address unsustainable levels of credit card debt.

HB 182 ensures that Ohio residents can utilize debt settlement services upon the effective date of the legislation should it be enacted into law. Because we cannot operate in the same fashion as nonprofit credit counseling operations the bill makes it clear that as long as we comply with the federal Telemarketing Sales Act, then we are exempt from those provisions that are in direct conflict with federal rules and regulations. Specific examples include allowing for upfront fees and the ability to handle client's funds on their behalf – both of which credit counselors regularly do and debt settlement is prohibited from doing.

Mr. Chairman and members of the committee, I strongly urge you to support and vote in favor of HB 182 to give Ohioans facing what at times can seem to be an almost insurmountable mountain of debt another option to regain their financial independence. Thank you for your time and attention today and I welcome any questions the committee may have.