



Representative Bill Roemer
38th House District
Sponsor Testimony HB 131

Ohioans, much like Americans in general, have expanded their credit card usage to three per person on average. Across the country, we are spending more than ever on credit card interest and fees. With credit card debt at more than \$1 trillion and interest rates trending upward, consumers paid nearly \$104 billion in those charges during the 12 months that ended March 31, 2018. That figure is 11 percent more than the \$93.7 billion tallied a year earlier and 39 percent more than the \$74.6 billion recorded in 2013.

Over 35 states allow expanded options for debtors to address unsecured debt, while Ohioans see themselves resorting to personal bankruptcy or credit counseling as their only alternatives. In a time when our nation is experiencing such a robust economy, I believe it is vital that we provide Ohioans struggling with high levels of unsecured debt more options to succeed, rather than letting them sink further into the red.

My legislation, HB 131, allows for the ability to provide debt settlement services to help Ohioans with high levels of credit card debt. Identical legislation, HB 182, has been previously passed through the House of Representatives in the 132nd General Assembly, where it was championed by Representative Bill Seitz, with overwhelming approval.

Currently, under the Ohio Revised Code, our state does not authorize debt settlement, and this bill would open avenues for debtors to explore relief. Our citizens, mired in burdensome debt and wielding few options for alleviation, should be allowed options that range further than merely declaring bankruptcy or nonprofit consumer credit counseling services.

Bankruptcy protection can eliminate debts, but leaves a black mark on the creditworthiness of the debtor's report for seven years. Credit counseling can be a great option, but only in instances where someone has the means to repay the entire debt.

The key distinction between credit counseling organizations and debt settlement is that credit counselors cannot reduce the principal amount owed. They often get creditors to waive late fees or reduce credit card interest rates, but the client must repay the entire balance owed, often taking many years to fully repay their debt. Debt settlement firms work with credit card companies to reduce interest rates, waive late fees and negotiate payment of a reduced principal.

My bill amends O.R.C. 4710 that now provides for regulation of nonprofit consumer credit counselors to include the provision of debt settlement. Debt relief agencies currently cannot operate under this statute without violating key sections of the federal Telemarketing Sales Rule (TSR). Because nonprofit credit counselors are not subject to the TSR, they are able to collect upfront fees and also charge their clients on a monthly basis for their services, while debt settlement providers are precluded by federal regulation from operating in the same manner. Despite concerns to the contrary, debt settlement companies would only be able to operate in Ohio so long as they are complying with the federal TSR, which means that they still would be barred from collecting upfront fees or making monthly charges. The bill goes beyond federal law by requiring debt settlement companies to be audited in the same fashion as credit counselors.

According to “Options for Consumers in Crisis: An Updated Economic Analysis of The Debt Settlement Industry”, the average client enrolled debt of approximately \$25,250, almost all of which was credit card-related. Many of these clients were able to only make the minimum monthly requirement of \$600, while many could not pay at all. Assuming a client can make the monthly payments, the total cost to settle would be around \$58,000 dollars over approximately 430 months. This means that in a time frame spanning nearly 36 years, making only the minimum monthly payment incurred the client a cost of \$33,000 dollars over the principal owed. This example speaks well to the importance of opening new avenues, such as debt settlement programs, that can actually modify and restructure the debt held for more transparent results.

My legislation makes it crystal clear that debt settlement companies are not authorized to practice law, nor does it invade the exclusive province of the Supreme Court to determine what constitutes the unauthorized practice of law. It states: “Nothing in this act shall be construed as permitting the unauthorized practice of law by any personal engaged in debt adjusting.”

People often turn to debt settlement due to a personal crisis, such as the death of a spouse and loss of that second income, a medical emergency or a job loss that prevents them from being able to repay credit card debts. In these situations, a debt settlement agency can negotiate a lower amount due to creditors.

As a society, we are utilizing credit more than ever before, and it is essential that we bring this system into the 21st century. As I mentioned before, a vast majority of the nation already allows this option. We owe it to the Ohioans that we represent to make sure they have every option available for when crisis strikes. Debt settlement provides just that.

I would like to thank Chairman Jordan, Vice Chair Hillyer, Ranking Member Smith, and the entirety of the committee for the opportunity to bring this important matter to your attention. I look forward to your careful consideration, and am happy to answer any questions that you may have.