

House Financial Institutions Committee
Opponent Testimony on House Bill 131
Chairman Kris Jordan
April 9, 2019

Chairman Jordan, Vice Chairman Hillyer, Ranking Member Smith, and members of the House Financial Institutions Committee, thank you for the opportunity to appear before you today in opposition to House Bill 131. My name is Bob Whitehouse and I am the CEO of Eagle Financial Services. I am also a Past President of the Ohio Financial Services Association, the state trade association for consumer installment lenders.

My company, Eagle Finance, has been in operation for more than twenty years and currently serves customers in a four-state region – Ohio, Kentucky, Indiana, and Tennessee. We have 77 branch offices in those states, 33 of which are in Ohio. We make consumer installment loans – both secured and unsecured – to our customers with average loan terms ranging from 12 to 36 months and average loan amounts ranging from \$1000-\$5,000. When receiving a loan from us, our customers express a wide variety of needs from vehicle repair to medical expenses to a special vacation or even Christmas gifts.

House Bill 131, relating to debt adjusting, is of great concern to the Ohio Financial Services Association (OFSA)¹. If enacted, the bill will directly affect our businesses and our customers by opening the door to even more “debt adjusters” charging significant fees to distressed borrowers, without providing any value not already accessible for free through direct negotiation with the creditor.

We are specifically concerned about the exemption from Ohio fee limitations that would be afforded to debt adjusters, otherwise known as debt settlement companies. The proposed legislation implies that debt adjusters are currently regulated at the federal level by the Telemarketing Sales Rule (“TSR”) at 16 C.F.R. part 310. In fact, the TSR merely prohibits a debt adjuster from charging *up-front* fees and requires the disclosure of certain information to customers before signing them up for debt relief services. The TSR offers no regulatory framework and contains no limit on the fees charged to consumers. Without elements such as state licensing, regulation, and oversight of fees, the bill provides no framework to control debt adjusters and the fees they hope to charge distressed borrowers. By contrast, many states have fee caps on the amount that a for-profit debt settlement company can charge a customer. In fact, according to our national trade association, at least 40 states either have fee limits or an outright prohibition on for-profit debt settlement companies.

¹ Founded in 1915, the Ohio Financial Services Association (OFSA) is the Ohio trade association for the consumer credit industry, protecting access to credit and consumer choice. OFSA members provide consumers with many kinds of credit, including traditional installment loans, direct and indirect vehicle financing, and retail sales finance. OFSA members do not provide payday or vehicle title loans.

The Ohio Revised Code currently *does* authorize debt settlement in Ohio, as long as the debt adjuster does not charge a fee that “exceeds eight and one-half per cent of the amount paid by the debtor each month for distribution to the debtor's creditors or thirty dollars, whichever is greater.”² The proposed exemptions under HB 131, however, would open the floodgates in Ohio to for-profit debt adjusters by eliminating fee limits entirely. These companies thus would be able to charge any fees that they desire to perform a service for consumers that creditors already provide for free.

Based on our experience, it is typical for debt adjusters to instruct borrowers to stop making payments to their creditors and to halt all communication with their creditors – actions which further harm our customers’ credit situations. Communication between creditors and their customers is critical; by their nature, for-profit settlement companies sever those valuable lines of communication.

We stand ready and able to work directly with our consumers in the unfortunate event of hardship. We respectfully ask you to oppose this bill so that proper protections remain in place for the residents of Ohio and for creditors such as us who do business in Ohio.

² *Ohio Revised Code Sec. 4710.02(B)(3)*