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Senator John Eklund – Sponsor Testimony
Senate Bill 112
Senate Insurance and Financial Institutions Committee
April 3, 2019

Chairman Hackett, Vice Chair Hottinger, Ranking Member Craig and colleagues of the committee. Thank you for the opportunity to give sponsor testimony on Senate Bill 112 and to encourage your support on this legislation. SB 112 will codify in Ohio law the ability to provide debt settlement services to help Ohioans with high levels of credit card debt.

In the mid-1990s, the Federal Trade Commission enacted a rule governing telemarketing and amended this rule in September 2010 to establish regulations governing debt settlement or debt relief services. This rule strictly prohibits payment of any upfront fees for debt settlement and requires practitioners to make a number of mandatory disclosures, including an estimate of how long it may take to settle credit card debts and an estimate of the cost associated with this service.

Even though our economy is recovering and unemployment is on the decline, many Ohioans struggle to pay off unsecured credit card debt. The Ohio Revised Code currently does not authorize debt settlement in Ohio and my bill would correct this situation. Presently the only options available to your constituents burdened with high credit card debts are bankruptcy or a nonprofit consumer credit counseling service. I believe consumers should have more options to deal with personal debt, not fewer.

Bankruptcy protection can eliminate debts, but leaves a black mark on the credit worthiness of individuals and married couples. 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. On the other hand, debt settlement operations can usually get credit card companies to reduce interest rates, waive late fees and negotiate payment of a reduced principal.

SB 112 amends O.R.C. 4710 which now provides for regulation of nonprofit consumer credit counselors to include the provision of debt settlement. Debt relief agencies currently

cannot operate under this section of law without violating key sections of the federal Telemarketing Sales Rule. For example, credit counselors 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. Under my bill, debt settlement companies would be able to operate in Ohio as long as they are complying with the federal TSR. The bill goes beyond federal law by requiring debt settlement companies to be audited in the same fashion as credit counselors.

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.

Thank you for the opportunity to provide testimony on Senate Bill 112, and I will be glad to answer any questions you may have.