



**Senate Insurance and Financial Institutions Committee
Opponent Testimony on Senate Bill 112
Chairman Bob Hackett
January 22, 2020**

Chairman Hackett, Vice Chairman Hottinger, Ranking Member Craig, and members of the Senate Insurance and Financial Institutions Committee, thank you for the opportunity to appear before you today in opposition to Senate Bill 112. My name is Mike Parr and I am the Regional Manager of Central Ohio Operations for Eagle Financial Services. I am also here as a member of the Ohio Financial Services Association (OFSA)¹, 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.

Senate Bill 112, relating to debt adjusting, is of great concern to Eagle and to the OFSA. We believe, if enacted, the bill will directly affect our business and our customers by opening the door to even more “debt adjusters” to operate in Ohio. We believe these debt adjusters operate by charging significant fees to distressed borrowers and do not provide any value to the customer that is not already accessible for free through direct negotiation with the creditor.

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.” The proposed exemptions under Senate Bill 112, 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.

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 loans. Eagle Finance and all OFSA members are licensed, supervised, and actively examined by the Division of Financial Institutions within the Ohio Department of Commerce. We are also subject to a lengthy list of state and federal laws.

I am here to speak from my experiences about the impact these companies present to our customers – your constituents, and the impact to our business here in Ohio. Our opposition to this bill is a little different than what you may have heard so far, as we have firsthand experience in seeing what happens to consumers of these debt adjusting companies. Once a consumer signs up with a debt adjuster, they are often instructed to stop communication with their creditors, as well as stop payment to them. This does not stop their creditors from reporting the lack of payment to the credit bureaus which of course results in a huge impact to their credit score. In these cases, we can't communicate with customers in order to put a loan on pause, defer payment past the period in which they are unable to pay, or come to a solution which would benefit them and help protect their credit score. We have great success communicating with our customers and working out difficult situations. On the other hand, the involvement of a debt settlement company nearly always destroys that relationship. I personally can attest that in my experience, I have not encountered an interaction where working with a debt adjuster has led to a customer having a positive result – and I speak from twenty-five years of experience in consumer finance.

I want to stress that we are brick and mortar, community-based lenders. We are proud to work with our customers, most of whom are repeat customers, throughout the loan process in order to provide the best service for them. We understand that life changes can happen – whether it's a loss of work hours, illness, or family circumstances. We work with our customers every day to help them maintain good loan status during hard financial times and being able to communicate with our customers is key. With the virtual elimination of payday lending in Ohio, and banks being unwilling to lend to many of our customers, our industry stands ready to work hand in hand with those in need. Once a debt settlement company destroys the credit of a customer, they face dim prospects for obtaining a loan in the future.

An additional important point of concern and clarification is the reference to federal legislation which implies that debt adjusters are currently regulated at the federal level by the Telemarketing Sales Rule ("TSR") at 16 C.F.R. part 310. That is true, however, 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, the bill provides no framework to regulate the debt adjusters, which only further hurts already distressed borrowers.

I appreciate your time today. We respectfully ask you to oppose this bill for the residents of Ohio and for creditors like Eagle who do business in Ohio. I would be pleased to take any questions.