

# THE DANN LAW FIRM CO., LPA

LAW OFFICE

**Emily White**  
**The Dann Law Firm**  
**On House Bill 182**  
**House Financial Institutions, Housing, & Urban Development**  
**Interested Party Testimony**

**Chairman Dever, Vice Chairman Sprague, Ranking Member Smith, and Members of the House State Government Committee:**

My name is Emily White, I am an attorney with the Dann Law Firm where I represent consumers and student loan borrowers. Prior to joining the Dann Law Firm, I represented low income consumers as an attorney with the Legal Aid Society of Cleveland and I have also authored a chapter on Student Loan Law in Baldwin's Ohio Consumer Law.

House Bill 182 brings welcome clarity to the definition of debt adjuster, but it also includes a problematic provision that would eliminate an important substantive consumer protection, a cap on fees charged by debt adjusters imposed by current law.

The debt adjustment industry has a history of unscrupulous individuals and companies targeting desperate consumers hoping to avoid collections or bankruptcy. Some debt adjustment programs have made misleading claims about their ability to negotiate with creditors for more favorable terms or debt relief, failed to make payments on behalf of consumers, and charged excessive fees for their services. To be sure, there are some legitimate non-profits and other entities helping consumers manage their debts and budget. However, there are also many predatory operators who have evaded consumer protection laws by claiming that their services are exempt from regulation.

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HB 182 would update the definition of debt adjuster to cover not only entities engaged in debt management, but also entities and individuals engaged in the business of offering debt reduction, elimination, or repayment plans. The revised definition would eliminate a potential loophole from coverage and bring the definition of debt adjustment in line with the 2010 amendments in the Federal Trade Commission's Telemarketing Sales Rule.

Ohio borrowers would benefit from HB 182's expanded definition of debt adjuster. In my practice defending consumers in foreclosure and student loan debt collection actions, I have had a number of clients who have fallen for mortgage modification or student loan forgiveness scams. These debt adjustment schemes typically include both misleading promises and grossly inflated fees. One of my clients was recently charged \$600 for what she thought was a student loan forgiveness program, but in reality all she received was an application for loan consolidation and income based repayment that she could have received for free from her loan servicer. Similarly, I have represented homeowners who have been charged exorbitant fees simply to complete a loan modification application. Under HB 182, many of these entities would be appropriately regulated as debt adjusters.

HB 182 would also eliminate some important protections for Ohio consumers. Currently, the law imposes sensible caps on fees that can be charged by debt adjusters for initial consultation and for debt adjustment services. However, HB 182 would exempt from fee caps any debt adjuster who is "operating in compliance with federal regulations" including the FTC's Telemarketing Sales Rule. Unlike the state statute, federal law only regulates the disclosure of fees, and imposes no substantive limits on the fees a debt adjuster may charge. Under the new exemption proposed by HB 182, a debt adjuster could theoretically charge unlimited fees to desperate consumers, so long as the fees were disclosed. The current state law fee cap does not conflict with, but rather appropriately complements and strengthens federal regulations of debt adjusters.

In sum, Ohio consumers would be best protected by clarifying the definition of debt adjusters while maintaining current state limits on fees that may be charged by debt adjusters.