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Testimony on House Bill 251 Before the House Civil Justice Committee

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Good afternoon Chairman Hambley, Vice Chair Patton, Ranking Member Brown, and members of the House Civil Justice Committee. Thank you for the opportunity to appear before you this afternoon and present our concerns with House Bill 251. As you know, H.B. 251 seeks to amend R.C. 2305.06 and 2305.07 to shorten the statute of limitations on written and oral contracts from a respective eight and six years to just three years.

The Ohio Receivables Management Association (ORMA) consists of companies whose primary business is receivables management and collecting on the outstanding obligations that are owed to first-party creditors. Our members provide services to universities, hospitals, physicians, service-providers, utilities, credit unions, area banks and other types of businesses. All of our members have brick and mortar operations in this state and are small businesses providing jobs to Ohioans.

While we are hired to collect outstanding debts consumers owe to our clients, our real job is to reach out to consumers and begin a dialogue. We talk to people who are delinquent with their bills every single day and the conversations we have with consumers are consistent. It is our belief that the current proposal to amend the statute of limitations will end up having a downstream effect which will adversely impact Ohio consumers.

More often than not, we are dealing with Ohioans who fell behind in financial obligations due to life changing events. This could be a death in the family, job loss, being a young person just graduating from college and striking out on his/her own, or becoming a new parent for the first time. These events require time to gain financial footing.

Under current law, we have time to work with consumers who have experienced a life-changing event to enter into a voluntary payment arrangement. It is not uncommon for it to be **three or four years** before we receive a first payment on an outstanding debt from a consumer. More often than not, delinquent consumers aren't just behind in a single obligation, but in many. Shortening the statute of limitations from six years and eight years to just three will force us to

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move these accounts through the collection cycle at more than double the speed. This will increase outbound consumer contacts, deprive Ohioans of the opportunity to get back on their feet and enter into voluntary repayment as we will be required to refer these matters to our attorneys for litigation much sooner.

While this will be a drastic change and experience for Ohio consumers across the board, it will be even greater for medical debts, particularly those owed to non-profit hospitals. In order to keep a tax exempt status, 501(C)(3) medical providers must comply with Treasury Regulation 501r. 501r prohibits a non-profit hospital from engaging in any "Extraordinary Collection Action" for a period of 270 days from the date of service. "Extraordinary Collection Actions" include truly extraordinary actions, such as commencing litigation and bank attachment, but also include actions like reporting debts to credit reporting agencies. As a result, it is not uncommon for some non-profits to wait almost a year before turning accounts over to collection agencies. Thus, the period for collection will be essentially two years.

The current legislation will put Ohio ORMA members in a precarious position as data furnishers to credit reporting agencies. Under the Fair Credit Reporting Act, debts are reported on consumer credit for a period of approximately 7.5 years. While a consumer may no longer owe a debt legally under Ohio law should this bill pass, it will still appear on the consumer's credit report. With the legal status surrounding the debt now thrown into a gray area, this will become a minefield for debt collectors. There is already a cottage industry of law firms who do nothing but file lawsuits against collection agencies for purported violations of the Fair Debt Collection Practices Act. Due to the economics of litigation, most of our members have no choice but to settle these claims rather than pursue a full defense.

Finally, ORMA has been active on this issue and we are realistic. While our preference would be that H.B. 251 not go any further, we have reached out to the proponents of the legislation and offered a number of legislative compromises. We have paid for Vorys, Sater, Seymour and Pease to draft our proposed amendments and the firm has also provided a written memo on the potential impact on credit markets if this legislation were to come to fruition, a copy of which was provided with my testimony.

On behalf of ORMA members across Ohio, thank you for your time and thoughtful consideration of our concerns with H.B. 251. If you have any questions, I would be happy to address those now.