Opponent Testimony on House Bill 251
House Civil Justice Committee

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Good afternoon Chairman Hambley, Vice Chairman Patton, Ranking Member Brown and members of the House Civil Justice Committee. On behalf of the Receivables Management Association International, I would like to respectfully express our opposition to House Bill 251, legislation that would reduce Ohio's statute of limitations to three years for both written and non-written contracts.

RMAI is the nonprofit trade association that represents more than 550 companies that support the purchase, sale, and collection of performing and nonperforming receivables on the secondary market. RMAI member companies work in a variety of financial services fields, including debt buying companies, collection agencies, law firms, originating creditors, international members, and industry-related product and service providers.

My employer, Unifund CCR, LLC, is an active RMAI member located in suburban Cincinnati. Since its founding in 1986, Unifund has been a leader in the acquisition and management of defaulted consumer debt throughout the United States, including Ohio. Unifund strongly emphasizes and strives to be an industry leader in compliance. We are an RMAI-certified debt purchaser and participate in various RMAI leadership committees. From the outset, we have been an integral part of the industry certification process, serving on the RMAI certification task force that established industry certification, chairing the committee that established education requirements for certification, and actively working with industry regulators on bettering industry practices. We employ approximately 100 people, all but a few of whom reside within the Greater Cincinnati area. We are an Ohio business.

House Bill 251 aims to shorten the statute of limitations on written and oral contracts. The Bill, as drafted, is overly broad and goes far beyond the problems that it intends to address. Representative Lang and Representative Hillyer's Sponsor Testimony focused on the effect of the Bill on business-to-business relationships. However, the Bill also has far-reaching negative implications for business-to-consumer relationships and, in fact, for consumers and small businesses themselves.

Creditors' ability to collect validly-owed debts is instrumental in their ability to offer affordable credit to consumers and small businesses. This includes the ability to sue to collect a delinquent debt. This Bill would create unnecessary barriers to collection of valid, unpaid debt that would result in reduced access to credit for consumers. As discussed in an article regarding the benefits of legal debt collection on the U.S. economy, "if lenders cannot accurately price the risk of a loan, because of regulatory limits, the lender reduces exposure by lending less money to the same borrowers, or limiting to whom it loans."[1] A 2017 article in The Economist noted that "[b]orrowers in states where debt-collection practices are less intense (owing to stricter rules) received on average $213 less in car loans and $136 less in retail and other personal loans than borrowers in states where debt collectors had a freer hand."[2] Research available from the Federal Reserve Bank of Philadelphia also finds that "stricter debt collection regulations reduce the number of third party debt collectors and lower recovery rates on delinquent credit card loans. This, in turn, leads to fewer openings of revolving lines of credit (commonly known as credit cards). . . . Stronger contract enforcement in consumer credit market[s] increases credit access."[3] Additionally, these same consumers who would be unable to obtain credit are, in many cases, the customers of Ohio's small businesses. Limiting consumer access to the credit market means fewer customers for Ohio businesses.

Further, shortening the statute of limitations likely will result in fewer voluntary repayment options for borrowers. Creditors often work with borrowers to establish voluntary repayment plans, knowing that they will still have the option to file a lawsuit if the borrower defaults on the payment plan. Creditors also use that time to ascertain whether a non-paying borrower has an ability to pay and thus is a good candidate for a litigation strategy. However, by shortening the statute of limitations, Ohio would force creditors to make a litigation decision much more quickly, with less time to work amicably with borrowers or to determine whether a borrower really has an ability to pay. Simply put, a shorter statute of limitations will push more borrowers into litigation more quickly so that creditors can preserve their legal rights. It creates a "race to the courthouse," which is not beneficial to borrowers. We would rather work with borrowers toward an amicable solution rather than sue indiscriminately due to pending expiration of the statute of limitations.

RMAI appreciates the opportunity to appear before you today. We respectfully ask that you and the members of the House Civil Justice Committee oppose HB251 in its current form. Thank you for your time and consideration. I would be happy to answer any questions.

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[1] Starzec, Michael. "Benefits of Legal Debt Collection on the Nation's Economy," Collection Advisor. (https://www.collectionadvisor.com/legal-collection-advisor-articles/1303-benefits-of-legal-debt-collection-on-the-nation-s-economy)

[2] "In Praise of America's Third-Party Debt Collectors," The Economist (June 8, 2017). (https://www.economist.com/finance-and-economics/2017/06/08/in-praise-of-americas-third-party-debt-collectors)

[3] Fedaseyeu, Viktar. Working Paper No. 15-23, "Debt Collection Agencies and the Supply of Consumer Credit," Federal Reserve Bank of Philadelphia (June 19, 2015), at p. 31 (https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2015/wp15-23.pdf?la=en)