

***Proponent Testimony of Eric Kamerath
On Senate Bill 280
Senate Insurance and Financial Institutions Committee
May 27, 2020***

Chairman Hackett, Vice Chair Hottinger, Ranking Member Craig and members of the Senate Insurance and Financial Institutions Committee. Thank you for affording me the opportunity to provide proponent testimony on Senate Bill 280, legislation sponsored by your colleague on this committee, Senator Blessing. This legislation has a companion bill in the House, HB 244, which passed unanimously by the House Commerce and Labor Committee. HB 244 is jointly sponsored by Representatives Hillyer and Ingram.

My name is Eric Kamerath, and I am an attorney with Eric M. Kamerath & Associates PLLC based in Utah. In my career, I have had the pleasure of providing legal assistance and counsel to reputable credit repair companies that have helped millions of consumers ensure their credit reports are fair, accurate and substantiated.

SB 280 would increase the time limit for contracts between a consumer and certain credit repair companies. Credit repair companies are a subset of credit services organizations that are regulated under Chapter 4712 of the Revised Code. They help consumers get inaccurate, unsubstantiated or unfair information removed from their credit reports. Identity theft, medical billing, student lending, military service and divorce, coupled with sloppy collection efforts, often lead to credit reporting problems.

Unfortunately, a provision of Ohio law dating back to 1993 prohibits contracts between consumers and any credit services organization they select from lasting longer than 60 days. Because credit repair companies are lumped into the definition of credit services organizations, this restriction applies to them also. The 60-day contractual limit has an unduly negative effect on consumers. It does not provide typical credit repair consumers with adequate time to have their credit reporting issues investigated without needing to go through the cumbersome and unnecessary process of renewing their contracts with credit repair companies. This causes unnecessary interruptions to and delays in consumers getting their credit fully repaired.

Ohio's time limit on consumers' contracts with credit repair companies is also far more restrictive than other states' approach to this issue. Notably, 43 states have no contractual time limit, while Ohio's 60-day limit is the shortest of the 7 states that do have a limit. Also, the 60-day cap was enacted prior to the federal government enacting its own set of laws regulating credit repair companies. It is worthy to note that Michigan just enacted legislation that completely eliminates its 90-day contract limit.

Also, our state's consumers have fewer choices for credit repair companies than those in other states. Because of the impracticality of Ohio's 60-day time limit, reputable credit repair companies such as CreditRepair.com are choosing not doing business in Ohio. Thus, because of the current law's negative impact on consumers and its impact on deterring competitors from entering the Ohio market, the remedy in Senate Bill 280 needs to be adopted.

SB 280 modifies provisions of the Ohio Credit Services Organization Act by lengthening the contractual time limit for some contracts between consumers and credit repair companies from 60 days to one year. This modification would help consumers receive credit repair services in a more realistic time frame without delays that would naturally arise from having to renew their contracts.

It is important to note that changes to the law contained in SB 280 would not apply to all of the credit service organizations that are regulated under chapter 4712. Instead, the one year contractual limit would only be available to certain credit repair companies. For example, the existing 60-day contractual limit would continue to apply to those credit service organizations that try to obtain credit for consumers and those that perform other credit-related services.

Furthermore, only credit repair companies that provide additional consumer protections would be able to enter into contracts during the longer, 1-year contractual period. Those organizations would need to:

- Permit their customers to terminate their credit repair contracts at any time and have no future financial obligation to pay fees;
- Review all adverse credit report information with the consumer;
- Refrain from renewing credit repair contracts unless the consumer provides explicit, affirmative and documented assent to the contract being renewed.

After SB 280 becomes law, it is important for you to know that consumers would continue to be protected by numerous provisions not only in Ohio law, but also by the safeguards contained in the federal Credit Repair Organizations Act (CROA) that was passed in 1996.

Such safeguards include:

- A prohibition from accepting fees in advance of performing services;
- Requiring contracts to contain a statement of rights as well as full and detailed descriptions of the services to be provided;
- Requiring the company to obtain a surety bond;
- Ensuring that a statutory agent is appointed in Ohio.

These are provisions of law that have been in place for decades and will continue to protect consumers from bad actors.

Mr. Chairman and members of this committee, thanks again for the opportunity to provide testimony in favor of SB 280. I want to express my thanks to Senator Blessing for introducing this legislation.

I would be happy to answer any questions.