

Proponent Testimony of Eric Kamerath

On Senate Bill 62

Senate Financial Institutions and Technology Committee

March 16, 2021

Chairman Wilson, Vice Chair Hottinger, Ranking Member Maharath and members of the Senate Financial Services and Technology Committee, thank you for affording me the opportunity to provide proponent testimony on Senate Bill 62, legislation sponsored by one of your colleagues on this committee, Senator Hackett. This testimony addresses the portion of the bill regulating credit services organizations.

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. These companies include the Lexington Law Firm and Progrexion, which also operates under the brand Creditrepair.com.

I am testifying on portions of the bill regulating the credit repair industry. Credit repair companies are a subset of credit services organizations regulated under Chapter 4712 of the Revised Code. They help consumers remove inaccurate, unsubstantiated or unfair information 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.

By way of background, you might be familiar with the section of SB 62 addressing the industry.

In the last General Assembly, the language was first introduced as a stand-alone bill, House Bill 244, jointly sponsored by Representative Ingram and Representative Hillyer. HB 244 passed unanimously out of the House Commerce and Labor Committee. Soon after, a companion bill was introduced as Senate Bill 280 by your colleague, Senator Blessing, and was passed unanimously by the Senate Insurance and Financial Institutions Committee and subsequently by the Ohio Senate. Then, the language from HB 244 and SB 280 was inserted by the Senate into House Bill 38 at the encouragement of that bill's House sponsor, Representative Hillyer. House Bill 38 was passed by the Senate Insurance and Financial Institutions Committee and then by the Senate on the last voting session day of the 133rd General Assembly. Unfortunately, the Senate passed the legislation after the House had adjourned its final voting session. Thus, no concurring vote was possible.

SB 62 and its legislative predecessors address a provision of a 1993 Ohio law prohibiting contracts between consumers and any credit services organization from lasting longer than 60 days. Unfortunately, this restriction applies to credit repair companies, too, because they are lumped into the definition of such organizations.

The 60-day contractual limit hurts consumers in at least two ways:

- First, the 60-day time limit negatively impacts typical credit repair consumers because it fails to provide adequate time to investigate and resolve their issues. As a result, consumers, in the middle of this process, face the additional burden of renewing contracts

with companies, causing unnecessary interruptions and delays in fully repairing their credit reports.

- Second, the time limit's impracticality deters reputable credit repair companies – such as Creditrepair.com – from entering Ohio's market because the 60-day restriction prevents them from providing the kind of quality service their clients expect and deserve. Thus, without a competitive market, consumers are left with fewer and often inadequate choices.

Fortunately, SB 62 seeks to fix these issues.

The language 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 timeframe without delays arising from having to reengage in the administrative process that is required to renew their contracts. Consumers would benefit from being allowed to focus on improving their financial health instead of having to revisit a decision they just made in the last 60 days.

It is important to note that changes to the law contained in SB 62 would not apply to *all* credit service organizations 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, one-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.

The legislative language outlined above in SB 62 would put Ohio's regulations more in line with the rest of the country. Currently, Ohio's time limit is far more restrictive than the majority of states. 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 establishing its own set of laws regulating credit repair companies. It is worth noting that Michigan just enacted legislation that completely eliminated its 90-day contract limit.

If SB 62 becomes law, consumers would continue to be protected by numerous provisions not only in Ohio law, but also by the safeguards contained in the 1996 federal Credit Repair Organizations Act (CROA). 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.

Beyond the consumer safeguards already in place, it is important to know the Ohio Department of Commerce vetted the language in SB 62 and has no objection to it. I thank them for their availability to provide input on the bill's language.

In closing, I want to thank again the Chairman and members of this committee for the opportunity to provide testimony in favor of SB 62. I want to express my thanks to Senator Hackett for introducing this legislation.

My colleague, Steve Tugend, is available to answer any questions that you might have regarding this legislation.