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Senate Bill 68
Senate Financial Institutions and Technology Committee
Chairman Wilson
Sponsor Testimony – Senator Bob Hackett
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Good morning Chairman Wilson, Ranking Member Smith and members of the Senate Financial Institutions and Technology Committee. I am here to present sponsor testimony on Senate Bill 68, which regards debt adjusting.

The primary intent of SB 68 is to help give Ohioans an opportunity to restore their personal finances using debt adjusting. As used in SB 68, “debt adjusting” means doing business in debt adjusting, budget counseling, debt management, or debt pooling service, or holding oneself out as providing services to debtors in the management of their debts, to do either of the following:

1. Effect the adjustment, compromise, or discharge of any indebtedness of the debtor;
2. Receive from the debtor and disburse to the debtor’s creditors any money or other thing of value.

Presently, Ohioans with high levels of debt can utilize credit counseling or file for bankruptcy protection. Credit counseling is a great option but only for those with the means to repay their entire debt and we all know how damaging a bankruptcy can be on your credit rating. For too many people, credit counseling is not an option and bankruptcy can be expensive with no guarantee that the court will even accept the filing. Allowing debt adjustment advisors to operate in Ohio with clear ground rules and appropriate consumer protections gives Ohioans one more option to deal with significant unsecured debts.

Senate Bill 68 would recognize debt adjusting as a debt relief tool by giving the Ohio Attorney General’s office oversight responsibility for the industry. This bill would require debt adjustment firms to register with the Attorney General’s office before engaging in debt adjusting services. SB 68 would also require the Attorney General to pursue any unfair sales practice complaints in the event of wrongdoing by a debt adjustment provider.

These protections are in addition to stringent federal regulatory oversight of the debt adjusting industry by the Federal Trade Commission and the Consumer Financial Protection Agency. Key among federal rules is a prohibition on advance fees. In order to receive payment, a debt adjustment advisor must first present a negotiated agreement to their client who must then approve it; only then can a debt adjuster seek payment for their services. It is important to note that the consumer may withdraw or cancel a debt adjustment agreement at any time without penalty.

This bill implements a cap on the fees that debt adjusters may charge. Debt adjusters may not charge a fee or fees at a rate exceeding 28% per year of the total debt enrolled in a debt adjusting program. Fees charged that exceed the 28% cap result in a third-degree misdemeanor for a first offense and a second-degree misdemeanor for any subsequent offense.

Lastly, the bill states that it is not to be construed as permitting the unauthorized practice of law by anyone engaging in debt adjusting.

I believe it is time to pass this legislation to give Ohioans struggling with the heavy emotional burden of high levels of debt another option to find a path to financial freedom. Chairman Wilson, thank you for allowing me to provide sponsor testimony on Senate Bill 68. I am happy to answer any questions.