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Committees

Ways and Means, *Vice Chair*
Education
Insurance and Financial
Institutions
Finance Subcommittee on Primary
and Secondary Education

Chairman Hackett, Vice Chair Hottinger, Ranking Member Craig, and Members of the Senate Insurance and Financial Institutions Committee, thank you for allowing me the opportunity to provide sponsor testimony on Senate Bill 280. This legislation would increase the time limit for contracts between consumers 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 or unfair information removed from their credit reports. Victims of identity theft often find the services of credit repair companies to be helpful. 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 repaired without needing to go through the cumbersome and unnecessary process of renewing their contracts with credit repair companies. This could cause unnecessary interruptions to and delays in consumers getting their credit fully repaired. This 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. It is worthy to mention that Michigan, just this year, eliminated its 90-day restriction on credit repair contractual time limits.

Also, there is an argument that the 60-day cap in Ohio is no longer necessary because it was enacted prior to the federal government enacting its own set of laws regulating credit repair companies in 1996.

The 60-day limit makes Ohio an uncompetitive credit repair market. 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, we are told that reputable credit repair companies are not doing business in Ohio. Thus, because of the current law's negative impact on consumers and its impact on restricting competition, the remedy in Senate Bill 280 needs to be adopted.

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. The existing 60-day contractual limit would continue to apply to those credit service organizations that try to obtain credit for consumers and those organizations that contract to alter a consumer's identification to prevent the display of the consumer's credit record, history, or rating. 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 to note 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 that the consumer receive an estimated date when the contractual services will be completed; Requiring the

company to obtain a surety bond; and Ensuring that a statutory agent is appointed in Ohio. These provisions of law have been in place for decades and will continue to protect consumers from bad actors.

Senate Bill 280 will break down barriers for credit repair in Ohio, give consumers more options, and make Ohio a competitive repair market, all while continuing to protect consumers. Thank you for your consideration of SB 280. I am happy to answer any questions from the committee.