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**State Representative P. Scott Lipps
Ohio House of Representatives**

Good morning, Chairman LaRe, Vice Chair Pizzulli, Ranking Member Dell'Aquila and members of the House Financial Institutions Committee. I am here to present sponsor testimony on House Bill 624 regarding debt adjusting.

Amidst ever-increasing levels of unsecured consumer debt, Ohioans need more, not fewer, options available to them to resolve their debt burden. There are currently only two options available to consumers in financial difficulty. First, there is credit counseling, which is a good option, but is not a solution available to all consumers. This is because credit counseling does not reduce the amount owed by the consumer – it simply provides them with a longer timeframe in which to pay their entire debt, at a reduced rate of interest. For individuals with significant debt burdens, these measures are often not enough to allow full repayment. The second option is bankruptcy. The long-term financial consequences of filing personal bankruptcy can substantially limit the future economic opportunities of the filer for up to a decade. And there are no guarantees that the consumer will qualify to have all their debt discharged.

The primary purpose of HB 624 is to provide Ohioans struggling with unsecured debt an additional option to resolve that debt - debt adjusting. In HB 624, “debt adjusting” essentially means a business providing services to do either of the following:

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

HB 624 grants the Ohio Attorney General’s office oversight over the industry by creating a licensing requirement for debt adjusters. The bill would also require the Attorney General to pursue any unfair sales practice complaints in the event of wrongdoing by a debt adjustment provider.

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The protections in HB 624 harmonize Ohio law with the stringent federal regulatory oversight of the debt adjusting industry by the Federal Trade Commission and the Consumer Financial Protection Bureau and add additional consumer protections. Key among the federal rules is a prohibition on advance fees. Under the federal rules, before a debt adjusting firm can seek any payment for their services, a debt adjustment advisor must (1) present a negotiated agreement to their consumer client, (2) who must then approve the agreement and then (3) begin paying back a creditor. The federal rules also allow consumers the option to withdraw or cancel a debt adjustment agreement at any time and for any reason without penalty. Importantly, the federal rules also prohibit companies that offer debt adjustment services from ever controlling consumers' funds. Instead, the consumer deposits what they can afford into an FDIC-insured bank account that they control at all times throughout the program.

Finally, I would note that HB 624 is careful to follow the Ohio Supreme Court's ruling in the *Watkins Global* case and should not be construed as permitting the unauthorized practice of law by anyone engaging in debt adjusting.

Struggling Ohioans need this additional option to help free themselves from the burden of mounting financial debt. HB 624 provides that option and ensures that sufficient regulation of the industry and consumer protections are included. Chairman LaRe, thank you for allowing me to provide sponsor testimony on HB 624. I am happy to answer any questions.

Sincerely,

Scott Lipps
Ohio State Representative
District 55

A handwritten signature in black ink that reads "P. Scott Lipps".