

OPPOSE SENATE BILL 251, AN ACT THAT WOULD EXPAND THE “INHERENTLY PROBLEMATIC” BUSINESS MODEL OF DEBT ADJUSTMENT IN OHIO

As a diverse coalition of Ohio-based leaders and community organizations, we urge you to reject Senate Bill 251. This legislation that would increase the fees debt adjusters can charge in the state of Ohio and unnecessarily expose more Ohioans to industry practices that lack sound fiscal oversight and fiduciary responsibility.

SB 251, brought forward by a national special interest group, seeks to exempt debt adjuster (or “debt settlement”) companies from Ohio’s longstanding Debt Adjuster’s Law. Doing so would dramatically increase the number of out-of-state companies practicing, the amount of fees they could charge for their services, and would hurt rather than help struggling debtors in Ohio.

The business model: Peddling false hope in a bad economy

Debt adjusters aggressively advertise to struggling debtors with the promise of outright debt forgiveness -- without bankruptcy or financial pain, -- through enrollment into their company’s services. Once enrolled, debtors stop paying their consumer debts and instead put the money into an escrow account. The money that builds in escrow is used as leverage with a creditor in hopes of forcing a settlement. This process forces the debtor into default, resulting in late fees, finance charges and higher interest rates that push the debtor further into debt.

Outstanding debt continues to grow at a pace accelerated by the costs and fees related to default. Additionally, debt adjusters demand significant fees even if only one debt is settled. Senate Bill 251 is proposing **no** cap on fees. This combination of high fees and growing unsettled debts results in most debt settlement clients leaving the program worse off than they were when they started.

What trusted agencies say about debt adjustment

The Better Business Bureau (BBB) rates debt settlement as an “inherently problematic” business.

The Center for Responsible Lending, a national nonprofit, nonpartisan policy and research organization, found that the typical debt adjuster customer winds up deeper in debt.

The Federal Trade Commission (FTC) recently ruled that advance fees are an unfair practice, and banned debt settlement companies from charging any fees before any debt was actually settled. The reason? Less than 1/3 of customers settled most or all of their debt and **more than 40% had no debt settled at all**. This new FTC rule is still in the process of implementation and we have no data yet on whether these abysmal performance outcomes have improved.

Current law is working

The Ohio Debt Adjusters Law applies to debt settlement companies and provides essential consumer protections. Senate Bill 251 would exempt out-of-state companies from an effective long-standing law. At a House hearing earlier in the year, a representative of the trade association supporting these special deals acknowledged that no members of his association are

currently soliciting Ohioans. These companies are almost entirely out-of-state call centers and would not mean jobs for Ohio.

With more and more Ohioans being pushed into poverty, we must deny sham “solutions” that would send Ohio’s hard-earned dollars to call centers in Florida and Texas.

Please oppose Senate Bill 251.

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