



# THE BUCKEYE INSTITUTE

## **Giving Ohioans Options to Resolve Their Debt Challenges**

Interested Party Testimony  
Ohio Senate Insurance and  
Financial Institutions Committee  
Senate Bill 112

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Chairman Hackett, Vice Chair Hottinger, Ranking Member Craig, and members of the Committee, thank you for the opportunity to testify regarding debt settlement services in Ohio.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Ohioans—your constituents—have an **average of \$5,583** in credit card debt—more than 10 percent of the **median household income**. Currently, Ohio’s arbitrary fee caps and poorly tailored law makes it harder for some debt settlement firms to operate here, which, in turn, makes it harder for many of your constituents to reduce and settle their outstanding debts. Policies in Senate Bill 112 will help clarify the legal rules for debt settlement companies, and thus make it easier for Ohioans to manage their debt.

Unfortunately, some special-interest opponents of Senate Bill 112 have attacked debt settlement services for engaging in the so-called “unauthorized practice of law.” But, as I **wrote in the *Akron Beacon Journal***, anti-market protectionism always comes at the consumer’s expense, and this case is no exception. To the limited extent that debt settlement companies may provide ancillary legal services in the course of negotiating settlements, Ohioans in debt end up paying less for these services than if they had to hire a lawyer to settle their debts.

Other opponents of the bill wrongly argue that the General Assembly must protect Ohio from debt settlement companies. They claim that debt settlement companies charge outrageous fees and often fail to deliver on their debt-resolution promises.

Consumer debt comes in all shapes and sizes. And debt resolution is not a one-size-fits-all market or service. Nor should it be. Consumers struggling with debt, of course, have various options available to them, including credit counseling and direct creditor negotiation, and the more options they have available the more likely it is that consumers will find the one that fits them best. Restricting consumer choice because some consumers may make an ill-advised decision, smacks of a well-intended paternalism that usually ends up harming the very people that advocates intend to help.

This is not to say that consumers and debt settlement companies cannot benefit from well-tailored oversight. As with many industries, carefully crafted regulations on debt settlement services are appropriate. And, not surprisingly, **federal regulations** already require debt settlement companies to disclose to clients the costs, benefits, and risks associated with debt settlement programs; and prevent settlement companies from charging their clients until they accept a settlement with a creditor and start paying off at least a portion of their debt.

Ohio regulates this industry above and beyond the federal rules, muddies the regulatory waters, and thus makes it harder for settlement firms to serve clients who might need their services. Senate Bill 112 helps clarify Ohio’s rules in this area and can bring some needed relief to debt settlement companies and the constituents that may need them.

Thank you for your time and consideration.



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