

POLICY MEMO

HELPING OHIOANS GET OUT OF DEBT
NOVEMBER 6, 2025

The Buckeye Institute's Recommendation

The Ohio General Assembly should amend state law to update and clarify the regulatory requirements for debt-adjustment companies and enhance consumer choice.

Background

Household debt has reached **record levels** across the country and young Ohioans, according to recent Federal Reserve **reports**, now face above-average debt loads. Credit cards, medical bills, personal loans, along with rising property taxes, higher energy costs, and historic inflation have Ohio consumers struggling under an increasingly heavy debt burden.

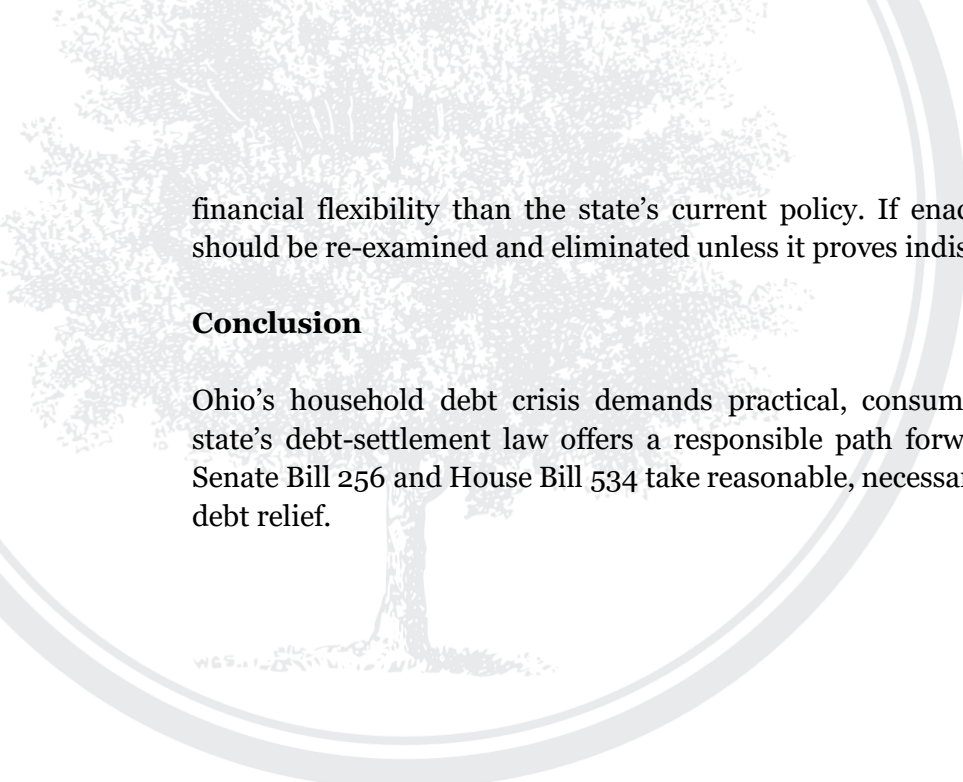
For many families, traditional credit counseling or bankruptcy may not be the right choice, especially when responsibly regulated, debt-settlement companies can help negotiate with creditors to reduce balances and avoid insolvency. Unfortunately, Ohio's ambiguous, outdated debt-adjusting laws bar or hinder many reputable settlement firms from providing their services here. Over-restrictive regulations force many into unnecessary bankruptcy or expensive out-of-state solutions, and deprive Ohio households of better, available tools for debt management. Clarifying and modernizing Ohio's debt-settlement law can enhance relief options for families without sacrificing consumer protections.

The Federal Trade Commission already **requires** extensive disclosures by debt-adjustment entities, prohibits deceptive advertising, and bans upfront fees until a settlement is accepted. These safeguards limit abuse and ensure essential transparency. Ohio law should harmonize with these federal rules, not conflict with them.

Senate Bill 256 and **House Bill 534**, though not perfect, take steps in the right direction. The companion bills establish clear rules for debt settlement providers under the supervision of the superintendent of financial institutions. They include rigorous licensing requirements, surety bonds of up to \$50,000, detailed disclosures to consumers, and mandatory use of FDIC-insured accounts owned by consumers. The legislation wisely ties fees to actual debt resolution outcomes and prohibits various deceptive practices known to harm clients.

Although these bills significantly improve the regulatory status quo, The Buckeye Institute still **prefers** a more straightforward, non-licensing approach. Restrictive licensing increases costs and administrative burdens that firms ultimately pass on to consumers. And onerous licensing obligations may discourage legitimate companies—especially smaller, innovative firms—from serving Ohio altogether.

The proposed reforms—despite their licensing requirements—will bring regulatory predictability and stability for the debt-service sector and offer Ohio consumers more choices and greater



financial flexibility than the state's current policy. If enacted, the new licensing components should be re-examined and eliminated unless it proves indisputably necessary.

Conclusion

Ohio's household debt crisis demands practical, consumer-focused solutions. Clarifying the state's debt-settlement law offers a responsible path forward by enhancing consumer choice. Senate Bill 256 and House Bill 534 take reasonable, necessary steps to help Ohio families seeking debt relief.