February 12, 2026

The Honorable Nathan Sosa
Chair, House Committee on Commerce and Consumer Protection
Oregon House of Representatives
900 Court St. NE, Salem
Oregon 97301

Re: Oregon HB 4141 - Debt Settlement Deregulation

Dear Representative Sosa and the member of the House Committee on Commerce and Consumer Protection,

My name is Shelmun Dashan. I am the policy director for the Center for Consumer Law and Economic Justice at UC Berkeley Law. Before this role, I was the deputy director of the Division of Financial Institutions in Illinois for 5 years, and before that I was a legal aid attorney in Chicago for 7 years working mostly on consumer financial protection issues including representing hundreds of distressed borrowers and filing bankruptcies. This testimony is given in my individual capacity and doesn't represent the views of the Center or the Regents of the University of California.

Nobody would be happier than consumer advocates if HB4141 was actually likely to help consumers or improve their financial health. Advocates do not financially benefit from the existence or non-existence of debt settlement. The proponents of the bill see enough profit in deregulating Oregon's debt settlement regulations to lobby this bill, an effort they are also undertaking in many other states that have rate caps. These higher profits must necessarily come at struggling Oregonians' pockets.

Proponents have falsely implied a relationship between the lack of debt settlement and the large jump percentage jump in bankruptcies filed between 2024 and 2025. While Oregon did experience a large increase in percentage of filed bankruptcies (around 48% in individual chapter 13 filings if you compare October to December 2024 to the same period in 2025), there is no evidence that the lack of debt settlement has anything to do with that change. Bankruptcy filings increased by double digit percentages nationwide in the same period. Filing rates increases were comparable in states with little debt settlement (CT, WV) and in states with a lot of debt settlement (CO). The rate of Chapter 7 filings in Oregon was up around 24% in the same period. The absolute number is also not terribly large. There were 281 Chapter 13s filed in the last quarter 0f 2024 compared to 416 in the same period in 2025. Certainly worthy of attention, but we are talking about fewer than 200 people. A much more plausible reason for the Oregon jump is that Oregon has relatively weak protections of debtors' assets and wages from creditors (exemption laws) which might make creditors more aggressive in collections.

Legal aid and other non-profit advocates across the country report a growing stream of debt settlement survivors seeking help from legal aid organizations and credit counselors after they were promised significant savings and left with more debt, worse credit, and still needing relief. It is not a surprise to advocates that the industry is pushing this bill now. Industries like debt settlement that profit from financial distress activate whenever consumers are struggling economically to weaken the protections that were put in place the last time their industry harmed large numbers of consumers.

In preparation for submitting these remarks I spoke with an experienced legal aid attorney in California about his clients' experiences with debt settlement services. California has a rate cap double that of Oregon's existing rate cap at 15%. The California attorney reported that they now receive around two calls per week from consumers who are having problems with debt settlement and in his more than ten years of serving clients with debt settlement issues regularly, only one client was better off for having used the debt settlement service. The attorney remarked that debt settlement companies commonly flout existing consumer protections in many ways including by providing disclosures with accurate information but telling the consumer incorrect information on the phone or in person to make it difficult for the consumer to later prove they were misled. The attorney also observed that it is very common for him to find that after getting the customer to default on all of their debts, some debt settlement company did not actually make good faith attempts to settle the debts but had nonetheless started taking payments from the consumer. He noted that once he assists the consumer with cancelling the debt settlement contract and clawing back funds, he is consistently able to help the consumer manage their debts without bankruptcy, though sometimes bankruptcy is the consumer's best option. Another advocate who worked on strengthening debt settlement consumer protections remarked, "I wish we had been able to get Oregon's protections."

Illinois, where I worked as an advocate and a regulator, also has a "15% of savings" rate cap and as a result, there were not many licensed debt settlement companies and we did not receive many debt settlement complaints. The 15% rate cap was the result of the bill by the Illinois Attorney General around 2010 because of the high volume of complaints the AG received about the industry. There are currently 4 licensed debt settlement companies in Illinois. They operate under the rate cap but do not do a lot of business, presumably because their model is not sufficiently profitable when they can only keep 15% of savings as a fee. This suggests that even doubling Oregon's rate cap would not satisfy industry. That is alarming.

During my time as a regulator in Illinois, the proponents of HB4141 advocated for similar deregulatory amendments in Illinois making similar arguments. Illinois did not buy it. The best, independent information available about the debt settlement industry is clear that without strong fee rate caps, it is a harmful product usually and with protections that ensure an effective service

for consumers, few companies provide the service. In other words, for the product to be profitable, it has to be extractive. The guardrails this legislature put in place previously are there for good reason. If a debt settlement company cannot operate within the law, it is likely that their service would have hurt their customers.

The promise of debt settlement sounds very logical and efficient on paper - a company helps you negotiate a reduction on your debts and you pay them a percentage of the savings. The devil, however, is alive and well in the details.

The New York City Bar commissioned a thorough report issued in 2012 that concluded,

> Even where for-profit debt settlement companies appear to comply with federal and, where applicable, state provisions, the Committees have concluded that debt settlement for more than a nominal fee cannot yield a net benefit to consumers as a class. For consumers who are current on accounts prior to enrollment and default after enrollment, evidence in the public record has shown the substantial harm to consumers that ensues, namely, damaged creditworthiness, increased debt, and increased debt collection activity by creditors. This is the most likely scenario for the vast majority of debt settlement customers, who only turn to debt settlement because they are financially distressed. (p. 120)

Debt settlement offers salt water to a person dying of thirst. Proponents have accurately diagnosed a real problem facing Oregonians. HB 4141 is likely to exacerbate the problem, not make it better. I would urge the legislature to instead, increase the wage and assets exemptions Oregonians can rely on when they are in over their heads.