in their internal affairs, so long as their laws do not conflict with a Federal constitutional provision or law; the statute's exception of lawyers is not a denial of equal protection of the law to nonlawyers. The Court said further that there are arguments showing that the business of debt adjusting has social utility, but such arguments should be addressed to the legislature rather than the courts.

The Ohio Supreme Court upheld its law, in a case decided March 10, 1965.[10]

LAWS REGULATING THE BUSINESS OF DEBT POOLING

The States which enacted laws prohibiting the business of debt pooling did so because it was believed that regulating the activities of such businesses would prove too difficult; that the only way to cope with the unethical practices of such firms was to outlaw their activities completely. Other States believed the business could be regulated. An example of such a State is California.

Until 1957, California had no law relating to debt poolers, as such, but covered them, by interpretation, under its law regulating collection agencies. However, an increasing stream of complaints from businessmen and the general public led the California Senate to create an Interim Committee which was directed "to gather facts regarding collection agencies, debt liquidators, and private detectives, the regulation thereof, and the enforcement of all laws relating thereto." The Interim Committee held hearings in several cities, and reported, in part, that:

"* * * As for the debt liquidators and proraters, the chief malpractices in their field seemed to involve misleading advertising and doubling as collection agencies.

"False advertising, especially on television and radio, has been used to make the debt-ridden think the proraters can prevent wage attachments, loss of jobs, and repossessions. Phrases like 'No Security,' 'No Co-signers,' and 'Our Low Rates' give the impression that the prorater pays creditors from his own funds, asking only that the debtor repay him with reasonable interest. The facts are that the prorater does not 'consolidate' the debts and pay off creditors with his own money; the debtor continues to owe each and every creditor severally, regardless of the plan the operator purports to offer. The unscrupulous prorater attracts the debt-ridden into his office largely for the purpose of collecting fees from them.

"The committee also learned that several firms operate a debt-liquidation agency and a collection agency under the same roof with identical personnel. The prorater end of the business acquires from the client a list of his creditors. Then, acting as collectors, the agency solicits the creditors to assign it the accounts for collection. The creditor who refuses to hand over the account generally finds himself at the end of the line when the debtor's payments are prorated." [11]

As a result California passed a law regulating the debt-pooling business, completely separate from the law regulating collection agencies; the two laws are administered in different departments.

The regulatory laws are separate laws, applicable only to debt-pooling firms, except in Idaho where it is a part of the collection agency law.

Licenses and investigations

All of the regulatory laws require an applicant to obtain a license, renewable annually. (See Table 1, p. 7.) As a prerequisite to the issuance of a license, the applicant must be investigated for financial responsibility and good moral character. Usually the applicant pays the cost of the investigation.

If, following investigation, the applicant is denied a license, the license fee is returned to him, but not the investigation fee. Most of the laws provide that an applicant may appeal the denial of a license; if he does, a hearing must be held. Final appeal is usually to the courts.

Bond

Each law requires the operator to post a bond. The amount of the bond varies from $5,000 to $25,000. Some of the laws permit an operator to make a cash deposit in lieu of posting a bond.

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[10] *State ex rel. Clark* v. *Brown, Secretary of State,* 205 N.E. 2d 377 Supreme Court of Ohio (1965).

[11] Report of the Senate Interim Committee on Collection Agencies, Private Detectives, and Debt Liquidators. (Senate Resolution No. 155, 1957, California.)