



# Senate

General Assembly

**File No. 199**

January Session, 2023

Substitute Senate Bill No. 1086

*Senate, March 23, 2023*

The Committee on Banking reported through SEN. MILLER of the 27th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## ***AN ACT CONCERNING COERCED DEBT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-800 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2023*):

3 As used in this section, [and] sections 36a-801 to 36a-814, inclusive,  
4 and section 2 of this act, unless the context otherwise requires:

5 (1) "Advertise" or "advertising" has the same meaning as provided in  
6 section 36a-485;

7 (2) "Branch office" means a location other than the main office at  
8 which a licensee or any person on behalf of a licensee acts as a consumer  
9 collection agency;

10 (3) "Coerced debt" means a personal, family or household debt, or a  
11 portion of any such debt, in the name of an individual who is a victim  
12 of domestic violence, as defined in section 46b-1, that was incurred as a  
13 result of duress, intimidation, threat of force, force, fraud or undue

14 influence;

15        [(3)] (4) "Consumer collection agency" means any person (A) engaged  
16 as a third party in the business of collecting or receiving payment for  
17 others on any account, bill or other indebtedness from a consumer  
18 debtor, (B) engaged in the business of debt buying, or (C) engaged in the  
19 business of collecting or receiving tax payments, including, but not  
20 limited to, property tax and federal income tax payments, from a  
21 property tax debtor or federal income tax debtor on behalf of a  
22 municipality or the United States Department of the Treasury,  
23 including, but not limited to, any person who, by any device, subterfuge  
24 or pretense, makes a pretended purchase or takes a pretended  
25 assignment of accounts from any other person, municipality or taxing  
26 authority of such indebtedness for the purpose of evading the  
27 provisions of this section and sections 36a-801 to 36a-814, inclusive.  
28 "Consumer collection agency" includes persons who furnish collection  
29 systems carrying a name which simulates the name of a consumer  
30 collection agency and who supply forms or form letters to be used by  
31 the creditor, even though such forms direct the consumer debtor,  
32 property tax debtor or federal income tax debtor to make payments  
33 directly to the creditor rather than to such fictitious agency. "Consumer  
34 collection agency" further includes any person who, in attempting to  
35 collect or in collecting such person's own accounts or claims from a  
36 consumer debtor, uses a fictitious name or any name other than such  
37 person's own name which would indicate to the consumer debtor that a  
38 third person is collecting or attempting to collect such account or claim.  
39 "Consumer collection agency" does not include (i) an individual  
40 employed on the staff of a licensed consumer collection agency, or by a  
41 creditor who is exempt from licensing, when attempting to collect on  
42 behalf of such consumer collection agency, (ii) persons not primarily  
43 engaged in the collection of debts from consumer debtors who receive  
44 funds in escrow for subsequent distribution to others, including, but not  
45 limited to, real estate brokers and lenders holding funds of borrowers  
46 for payment of taxes or insurance, (iii) any public officer or a person  
47 acting under the order of any court, (iv) any member of the bar of this  
48 state, (v) a person who services loans or accounts for the owners thereof

49 when the arrangement includes, in addition to requesting payment from  
50 delinquent consumer debtors, the providing of other services such as  
51 receipt of payment, accounting, record-keeping, data processing  
52 services and remitting, for loans or accounts which are current as well  
53 as those which are delinquent, (vi) a bank or out-of-state bank, as  
54 defined in section 36a-2, and (vii) a subsidiary or affiliate of a bank or  
55 out-of-state bank, provided such affiliate or subsidiary is not primarily  
56 engaged in the business of purchasing and collecting upon delinquent  
57 debt, other than delinquent debt secured by real property. Any person  
58 not included in the definition contained in this subdivision is, for  
59 purposes of sections 36a-645 to 36a-647, inclusive, a "creditor", as  
60 defined in section 36a-645;

61 [(4)] (5) "Consumer debtor" means any natural person, not an  
62 organization, who has incurred indebtedness or owes a debt for  
63 personal, family or household purposes, including current or past due  
64 child support, who has incurred indebtedness or owes a debt to a  
65 municipality due to a levy by such municipality of a property tax or who  
66 has incurred indebtedness or owes a debt to the United States  
67 Department of the Treasury under the Internal Revenue Code of 1986,  
68 or any subsequent corresponding internal revenue code of the United  
69 States, as amended from time to time;

70 [(5)] (6) "Control person" has the same meaning as provided in section  
71 36a-485;

72 [(6)] (7) "Creditor" means a person, including, but not limited to, a  
73 municipality or the United States Department of the Treasury, that  
74 retains, hires, or engages the services of a consumer collection agency;

75 [(7)] (8) "Debt buying" means collecting or receiving payment on any  
76 account, bill or other indebtedness from a consumer debtor for such  
77 person's own account if the indebtedness was acquired from another  
78 person and if the indebtedness was either delinquent or in default at the  
79 time it was acquired;

80 (9) "Documentation of coerced debt" means documentation,

81 submitted under oath, identifying a debt, or a portion of a debt, as  
82 coerced debt and describing the circumstances under which the coerced  
83 debt was incurred, including, but not limited to, a (A) police report, (B)  
84 Federal Trade Commission identity theft report identifying such debt,  
85 or portion of such debt, as coerced debt and not as a debt incurred as a  
86 result of identity theft, (C) court order, or (D) sworn written certification  
87 from a qualified third-party professional based on information such  
88 professional received while acting in such professional's professional  
89 capacity;

90 [(8)] (10) "Federal income tax" means all federal taxes levied on the  
91 income of a natural person or organization by the United States  
92 Department of the Treasury under the Internal Revenue Code of 1986,  
93 or any subsequent corresponding internal revenue code of the United  
94 States, as amended from time to time;

95 [(9)] (11) "Federal income tax debtor" means any natural person or  
96 organization who owes a debt to the United States Department of the  
97 Treasury;

98 [(10)] (12) "Main office" means the main address designated on the  
99 system;

100 [(11)] (13) "Municipality" means any town, city or borough,  
101 consolidated town and city, consolidated town and borough, district as  
102 defined in section 7-324 or municipal special services district established  
103 under chapter 105a;

104 [(12)] (14) "Organization" means a corporation, partnership,  
105 association, trust or any other legal entity or an individual operating  
106 under a trade name or a name having appended to it a commercial,  
107 occupational or professional designation;

108 [(13)] (15) "Property tax" has the meaning given to the term in section  
109 7-560;

110 [(14)] (16) "Property tax debtor" means any natural person or  
111 organization who has incurred indebtedness or owes a debt to a

112 municipality due to a levy by such municipality of a property tax; [and]

113 (17) "Qualified third-party professional" means a domestic violence  
114 counselor or sexual assault counselor, as those terms are defined in  
115 section 52-146k, psychiatrist licensed under chapter 370, psychologist  
116 licensed under chapter 383, clinical social worker licensed under chapter  
117 383b, or an attorney admitted to the bar of this state and in good  
118 standing; and

119 [(15)] (18) "Unique identifier" has the same meaning as provided in  
120 section 36a-485.

121 Sec. 2. (NEW) (*Effective October 1, 2023*) If an individual provides  
122 documentation of coerced debt to a consumer collection agency, the  
123 consumer collection agency shall cease the collection of any debt  
124 identified as coerced debt in the documentation of coerced debt.  
125 Nothing in this section shall be construed to prevent a consumer  
126 collection agency from pursuing collection of a debt identified as  
127 coerced debt in documentation of coerced debt from the individual who  
128 is found to be the perpetrator of the coerced debt.

129 Sec. 3. Section 36a-695 of the general statutes is repealed and the  
130 following is substituted in lieu thereof (*Effective October 1, 2023*):

131 As used in this section, sections [36a-695] 36a-696 to 36a-699e,  
132 inclusive, and section 4 of this act, unless the context otherwise requires:

133 (1) "Coerced debt" has the same meaning as provided in section 36a-  
134 800, as amended by this act;

135 [(1)] (2) "Consumer" means an individual seeking credit for personal,  
136 family or household purposes;

137 [(2)] (3) "Creditor" means any person who extends credit in the  
138 ordinary course of business;

139 [(3)] (4) "Credit report" means any written or oral report,  
140 recommendation or representation of a credit rating agency as to the

141 credit worthiness, credit standing, or credit capacity of any consumer,  
142 and includes any information which is sought or given for the purpose  
143 of serving as the basis for determining eligibility for credit to be used  
144 primarily for personal, family or household purposes;

145 [(4)] (5) "Credit rating agency" means any person whose business is  
146 the assembling and evaluating of information as to the credit standing  
147 and credit worthiness of a consumer, for the purposes of furnishing  
148 credit reports, for monetary fees and dues to third parties;

149 (6) "Documentation of coerced debt" has the same meaning as  
150 provided in section 36a-800, as amended by this act; and

151 (7) "Qualified third-party professional" has the same meaning as  
152 provided in section 36a-800, as amended by this act.

153 Sec. 4. (NEW) (Effective October 1, 2023) Except as otherwise provided  
154 by federal law, if an individual provides documentation of coerced debt  
155 to a credit rating agency, such credit rating agency shall reinvestigate  
156 the debt identified as coerced debt in the documentation of coerced debt.  
157 If, after such reinvestigation, such credit rating agency determines that  
158 the debt identified as coerced debt in the documentation of coerced debt  
159 is coerced debt, such credit rating agency shall remove any reference to  
160 the coerced debt from the individual's credit report.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2023	36a-800
Sec. 2	October 1, 2023	New section
Sec. 3	October 1, 2023	36a-695
Sec. 4	October 1, 2023	New section

**Statement of Legislative Commissioners:**

In Section 1(17), "licensed in" was changed to "admitted to the bar of" for clarity; and in Section 3, "this section," was added after "As used in", "36a-695" was bracketed and after the closing bracket "36a-696" was added and "as amended by this act," was deleted for consistency with standard drafting conventions.

**BA**      *Joint Favorable Subst.*

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*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

### **Explanation**

The bill requires consumer collection agencies and credit rating agencies to take certain actions regarding coerced debt, resulting in no fiscal impact to the state.

### **The Out Years**

**State Impact:** None

**Municipal Impact:** None



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**OLR Bill Analysis****sSB 1086*****AN ACT CONCERNING COERCED DEBT.*****SUMMARY**

This bill requires consumer collection agencies to stop a debt collection if someone gives them documentation that the collection involves a personal, family, or household debt in the name of a domestic violence victim incurred because of duress, intimidation, threat of force, force, fraud, or undue influence (“coerced debt”). However, the bill permits the agencies to pursue collection against the people found to be the perpetrators of coerced debts based on the documentation that identifies a debt as coerced debt.

The bill also requires credit rating agencies to reinvestigate debt identified as coerced debt if someone gives them related documentation, except when federal law provides otherwise. If the rating agencies then determine that the debt is coerced debt, they must remove any reference to it from the person’s credit report.

Under the bill, “documentation of coerced debt” is documentation, submitted under oath, identifying a debt as coerced debt and describing the circumstances under which it was incurred, such as a:

1. police report;
2. Federal Trade Commission identity theft report identifying the debt as coerced debt and not as a debt from identity theft;
3. court order; or
4. sworn written certification from a qualified third-party professional (i.e., a properly Connecticut-credentialed domestic

violence or sexual assault counselor, psychiatrist, psychologist, clinical social worker, or attorney) based on information received while acting in his or her professional capacity.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2023

**COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea 11 Nay 1 (03/07/2023)