AN ACT CONCERNING COERCED DEBT.

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

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 Section 36a-800 of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2023):

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

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

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

(3) "Coerced debt" means a personal, family or household debt, or a portion of such debt, in the name of an individual who is a victim of domestic violence, as defined in section 46b-1, that was incurred as a result of duress, intimidation, threat of force, force, fraud or undue influence:
"Consumer collection agency" means any person (A) engaged as a third party in the business of collecting or receiving payment for others on any account, bill or other indebtedness from a consumer debtor, (B) engaged in the business of debt buying, or (C) engaged in the business of collecting or receiving tax payments, including, but not limited to, property tax and federal income tax payments, from a property tax debtor or federal income tax debtor on behalf of a municipality or the United States Department of the Treasury, including, but not limited to, any person who, by any device, subterfuge or pretense, makes a pretended purchase or takes a pretended assignment of accounts from any other person, municipality or taxing authority of such indebtedness for the purpose of evading the provisions of this section and sections 36a-801 to 36a-814, inclusive.

"Consumer collection agency" includes persons who furnish collection systems carrying a name which simulates the name of a consumer collection agency and who supply forms or form letters to be used by the creditor, even though such forms direct the consumer debtor, property tax debtor or federal income tax debtor to make payments directly to the creditor rather than to such fictitious agency. "Consumer collection agency" further includes any person who, in attempting to collect or in collecting such person's own accounts or claims from a consumer debtor, uses a fictitious name or any name other than such person's own name which would indicate to the consumer debtor that a third person is collecting or attempting to collect such account or claim.

"Consumer collection agency" does not include (i) an individual employed on the staff of a licensed consumer collection agency, or by a creditor who is exempt from licensing, when attempting to collect on behalf of such consumer collection agency, (ii) persons not primarily engaged in the collection of debts from consumer debtors who receive funds in escrow for subsequent distribution to others, including, but not limited to, real estate brokers and lenders holding funds of borrowers for payment of taxes or insurance, (iii) any public officer or a person acting under the order of any court, (iv) any member of the bar of this state, (v) a person who services loans or accounts for the owners thereof when the arrangement includes, in addition to requesting payment from
delinquent consumer debtors, the providing of other services such as receipt of payment, accounting, record-keeping, data processing services and remitting, for loans or accounts which are current as well as those which are delinquent, (vi) a bank or out-of-state bank, as defined in section 36a-2, and (vii) a subsidiary or affiliate of a bank or out-of-state bank, provided such affiliate or subsidiary is not primarily engaged in the business of purchasing and collecting upon delinquent debt, other than delinquent debt secured by real property. Any person not included in the definition contained in this subdivision is, for purposes of sections 36a-645 to 36a-647, inclusive, a "creditor", as defined in section 36a-645;

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

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

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

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

[(7)] (9) "Documentation of coerced debt" means documentation identifying a debt, or a portion of a debt, as coerced debt and describing
the circumstances under which the coerced debt was incurred, including, but not limited to, a (A) police report, (B) Federal Trade Commission identity theft report identifying such debt, or portion of such debt, as coerced debt and not as a debt incurred as a result of identity theft, (C) court order, or (D) sworn written certification from a qualified third-party professional based on information such professional received while acting in such professional's capacity;

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

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

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

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

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

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

[(14)] (16) "Property tax debtor" means any natural person or organization who has incurred indebtedness or owes a debt to a municipality due to a levy by such municipality of a property tax; and
Sec. 2. (NEW) (Effective October 1, 2023) If an individual provides documentation of coerced debt to a consumer collection agency, the consumer collection agency shall cease the collection of any debt identified as coerced debt in the documentation of coerced debt. Nothing in this section shall be construed to prevent a consumer collection agency from pursuing collection of a debt identified as coerced debt in documentation of coerced debt from the individual who is found to have incurred the debt.

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

As used in sections 36a-695 to 36a-699e, inclusive, as amended by this act, and section 4 of this act, unless the context otherwise requires:

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

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

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

[(3)] (4) "Credit report" means any written or oral report, recommendation or representation of a credit rating agency as to the credit worthiness, credit standing, or credit capacity of any consumer, and includes any information which is sought or given for the purpose of serving as the basis for determining eligibility for credit to be used primarily for personal, family or household purposes;

[(4)] (5) "Credit rating agency" means any person whose business is the assembling and evaluating of information as to the credit standing and credit worthiness of a consumer, for the purposes of furnishing credit reports, for monetary fees and dues to third parties; and
(6) "Documentation of coerced debt" has the same meaning as provided in section 36a-800, as amended by this act.

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

This act shall take effect as follows and shall amend the following sections:

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**Statement of Purpose:**
To require: (1) Consumer collection agencies to cease collecting coerced debts from certain individuals; and (2) credit rating agencies to (A) reinvestigate debt identified as coerced debt, and (B) remove references to coerced debt from certain credit reports.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]