



General Assembly

January Session, 2023

Raised Bill No. 1086

LCO No. 4674



Referred to Committee on BANKING

Introduced by:
(BA)

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 Section 36a-800 of the general statutes is repealed and the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 such debt, in the name of an individual who is a victim of
12 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 identifying a debt, or a portion of a debt, as coerced debt and describing

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

89 [(8)] (10) "Federal income tax" means all federal taxes levied on the
90 income of a natural person or organization by the United States
91 Department of the Treasury under the Internal Revenue Code of 1986,
92 or any subsequent corresponding internal revenue code of the United
93 States, as amended from time to time;

94 [(9)] (11) "Federal income tax debtor" means any natural person or
95 organization who owes a debt to the United States Department of the
96 Treasury;

97 [(10)] (12) "Main office" means the main address designated on the
98 system;

99 [(11)] (13) "Municipality" means any town, city or borough,
100 consolidated town and city, consolidated town and borough, district as
101 defined in section 7-324 or municipal special services district established
102 under chapter 105a;

103 [(12)] (14) "Organization" means a corporation, partnership,
104 association, trust or any other legal entity or an individual operating
105 under a trade name or a name having appended to it a commercial,
106 occupational or professional designation;

107 [(13)] (15) "Property tax" has the meaning given to the term in section
108 7-560;

109 [(14)] (16) "Property tax debtor" means any natural person or
110 organization who has incurred indebtedness or owes a debt to a
111 municipality due to a levy by such municipality of a property tax; and

112 [(15)] (17) "Unique identifier" has the same meaning as provided in
113 section 36a-485.

114 Sec. 2. (NEW) (*Effective October 1, 2023*) If an individual provides
115 documentation of coerced debt to a consumer collection agency, the
116 consumer collection agency shall cease the collection of any debt
117 identified as coerced debt in the documentation of coerced debt.
118 Nothing in this section shall be construed to prevent a consumer
119 collection agency from pursuing collection of a debt identified as
120 coerced debt in documentation of coerced debt from the individual who
121 is found to have incurred the debt.

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

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

126 (1) "Coerced debt" has the same meaning as provided in section 36a-
127 800, as amended by this act;

128 [(1)] (2) "Consumer" means an individual seeking credit for personal,
129 family or household purposes;

130 [(2)] (3) "Creditor" means any person who extends credit in the
131 ordinary course of business;

132 [(3)] (4) "Credit report" means any written or oral report,
133 recommendation or representation of a credit rating agency as to the
134 credit worthiness, credit standing, or credit capacity of any consumer,
135 and includes any information which is sought or given for the purpose
136 of serving as the basis for determining eligibility for credit to be used
137 primarily for personal, family or household purposes;

138 [(4)] (5) "Credit rating agency" means any person whose business is
139 the assembling and evaluating of information as to the credit standing
140 and credit worthiness of a consumer, for the purposes of furnishing
141 credit reports, for monetary fees and dues to third parties; and

142 (6) "Documentation of coerced debt" has the same meaning as
143 provided in section 36a-800, as amended by this act.

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

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

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.]