

Banking Committee JOINT FAVORABLE REPORT

Bill No.: SB-123

Title: AN ACT CONCERNING COERCED DEBT.

Vote Date: 3/12/2024

Vote Action: Joint Favorable Substitute

PH Date: 2/27/2024

File No.:

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SPONSORS OF BILL:

Rep. Kevin Brown, 56th Dist.
Sen. Christine Cohen, 12th Dist.
Rep. Julio A. Concepcion, 4th Dist.
Rep. Eleni Kavros DeGraw, 17th Dist.
Rep. Tom Delnicki, 14th Dist.
Rep. Kate Farrar, 20th Dist.
Sen. Herron Gaston, 23rd Dist.
Rep. Jillian Gilchrest, 18th Dist.
Rep. Joseph P. Gresko, 121st Dist.
Rep. Anne M. Hughes, 135th Dist.
Rep. Sarah Keitt, 134th Dist.
Rep. Geoff Luxenberg, 12th Dist.
Rep. Ben McGorty, 122nd Dist.
Rep. Christine Palm, 36th Dist.
Rep. Gary A. Turco, 27th Dist.

REASONS FOR BILL:

This bill serves to prohibit an individual to cause another to incur a coerced debt by establishing procedures to review documentation to determine whether a debt is coerced and bring an action to establish whether debt is coerced debt. The bill and provisions within were sponsored because financial abuse by means of coerced debt allows abusers to maintain control over their victim, and for those who do escape their abusers, resulting debt and poor credit score can have long term consequences, and the sponsors of this bill believe that strong legislation such as this is necessary to protect residence from such eventualities.

SUBSTITUTE LANGUAGE:

Included in the substitute language is the inclusion of the definition of collection activities in lines 19-23. The definition of a qualified third-party professional, now in Section 1 paragraph 9, is changed to exclude a bar certified attorney who represents the debtor in a family relations matter. Section 2 is also amended to include the words "knowingly and intentionally" regarding identifying those who shall be civilly liable for incurring a coerced debt. Section 3 lines 50-59 in the substitute language now includes a provision requiring a debtor to provide oral or written notice to a claimant identifying a debt as a coerced debt before a claimant must immediately cease all collection activities concerning such debt for a period of not less than thirty days. Lines 74-77 of the raised bill were cut in order to eliminate further reference to an attorney representing the debtor who is no longer considered a qualified third party. Line 81 referencing what the claimant needs from debtor to stop debt collection was changed to documents requested by the claimant from relevant documents. Line 90 in the raised bill was eliminated. Lines 118-127 were changed to include a provision requiring a claimant to notify a debtor, who orally notified them of coerced debt being collected, within thirty days that the debtor's notification must be in writing and in accordance with Section 3 subsection (a). Lines 175-176 added detail for clarity. Lines 184-185 remove a one-year period in which a third party can be served. Lines 233-234 of the raised bill were removed. Lines 241-242 of the substitute language added a provision ensuring the individual who coerced the debtor has been joined as a party to the action in accordance with the provisions of the Connecticut practice book. Lines 251-252 clarify that the order to remove coerced debt credit rating information shall be ordered once the court determines that the debt is coerced debt. Lines 253-255 are changed to remove specific provisions regarding court actions and replace them with a reference to existing practices in the Practice Book. Lines 260-264 which include provisions for the eventuality of false or frivolous motions were removed from the raised bill.

RESPONSE FROM ADMINISTRATION/AGENCY:

Ross, Lee, Deputy Director-CT Judicial Branch: Provides general commentary without taking a position on the policies furthered by the bill stating that the judiciary is concerned that provisions of the bill conflict with statutes or Practice Book provisions. For instance, there is already a statute which sets forth the procedure for impleader, including the fact that an impleader is done through motion practice, and it would be a significant change to carve out a new process to implead parties. The bill also does not allow for joinder of parties as permitted by existing statutes and the Practice Book. Finally, the judiciary is worried about how the proposed language does not require the party to request declaratory relief such that the other party has notice of the motion, raising due process concerns.

NATURE AND SOURCES OF SUPPORT:

Cohen, Christine, State Senator: Supports this bill stating that it is a critical step towards protecting the financial well-being and independence of survivors of domestic abuse, especially because it was found that 52% of survivors had partners who had taken out a loan or bought something on credit in their name without their permission. This bill ensures that survivors have an avenue to seek relief and assistance in addressing these debts, even giving some claimants the opportunity to pursue the debt from the abuser.

(Dobbin, Amber, Payroll Associate-BHcare) (Granelli, Emily-BHcare-Inc) (Scanlon, Meghan, President - CEO-CCADV) (Sellers, Amanda, Safety Specialist-BHcare) (Foster, Mary-Jane, President and CEO-Interval House) (Kiernan, Mary Lee, President and CEO-YWCA Greenwich) (Rybczyk, Kelly, Interim Executive Director-Project SAGE) (Seliga,

Karen, Compliance Analyst-BHcar): Supports this bill stating that debt and low credit rating resulting from fraudulent transactions, coercive transactions, or manipulative transactions can have lasting repercussions for survivors, posing obstacles to education, housing, and employment opportunities. Additionally, coerced debt can prolong survivors stay in shelters, exacerbating capacity issues within the domestic violence shelter system, which is consistently overburdened at 150% capacity. These problems stemming from coerced debt can be effectively addressed by this bill which establishes clear procedures for victims to demonstrate coercion in debt agreements, absolving them of liability and removing such debts from their credit history.

Marohn, Bill, President-CT Creditor Bar Association: Supports this bill stating that its sponsors have clearly spent much time and effort developing a balanced and thoughtful approach to this important issue, but since the bill will create an entirely new legal cause of action to be operationalized by CT bank and credit unions as well as national banks and creditors, it is important to take a measured approach in implementation to help minimize any unintended consequences.

Damon, Barbara, President - CEO-Prudence Crandall Center: Supports this bill stating that it can effectively combat the unjust consequences of coerced debt because if a debt is proven to be coerced, the victim is released from the debt and it is removed from the victim's credit report, and claimants can receive a court order allowing them to pursue the debt from the person who created it. Additionally, if a claim is denied, the bill outlines the civil court process that a victim may initiate.

Robbins, Karen: Supports this bill stating that her personal experience dealing with financial abuse included providing financial services companies with clear evidence of fraud and coerced debt, an overwhelming majority of banks and credit lenders denied appeals for relief, leading to an inability to qualify for a lease or a mortgage with no way of knowing when that will change. It is also important to note that unchecked financial abuse is not limited to spouses, domestic partners, and their children, as many elders in CT are also victimized by abusive caretakers and family members. Connecticut needs strong laws to protect the vulnerable from wrongdoers who are presently empowered to exert extraordinary undue influence on shelter, sustenance, education, healthcare, and more.

NATURE AND SOURCES OF OPPOSITION:

N/A

Reported by: George Vatis

Date: 03/25/2024