

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce and Economic Development to which was
3 referred House Bill No. 385 entitled “An act relating to remedies and
4 protections for victims of coerced debt” respectfully reports that it has
5 considered the same and recommends that the bill be amended by striking out
6 all after the enacting clause and inserting in lieu thereof the following:

7 Sec. 1. 9 V.S.A. chapter 63, subchapter 13 is added to read:

8 Subchapter 13. Coerced Debt

9 § 2495a. DEFINITIONS

10 As used in this subchapter:

11 (1) “Adequate documentation” means at least one of the following:

12 (A) a copy of an official, valid a report filed with a federal, state, or
13 local law enforcement agency regarding the debtor’s claim of coerced debt
14 that identifies the coerced debt and the circumstances under which the coerced
15 debt was incurred, the filing of which subjects the person filing the report to
16 criminal penalties for filing false information if, in fact, the information in the
17 report is false;

18 (B) a court order finding that the debt was coerced; or

19 (C) a sworn written certification from a qualified third party
20 professional regarding the debtor’s claim of coerced debt, based on
21 information gathered by the third party while acting in their professional

1 capacity. [Only delete if required certification language on page 6, lines 1-12,
2 is sufficient]

3 (2) “Coerced debt” means all or a portion of secured or unsecured debt
4 solely or jointly in a debtor’s name that:

5 (A) was incurred in the context as a result of domestic abuse, human
6 trafficking, or the abuse, neglect, or exploitation of a vulnerable adult and as a
7 result of the perpetrator’s:

8 (i) use of the debtor’s personal information without the debtor’s
9 knowledge, authorization, or consent; or

10 (ii) use or threat of force, intimidation, undue influence, fraud,
11 deception, coercion, or other similar means against the debtor;

12 (B) was not subject to either a default judgment or to a final
13 judgment in an action in which the court adjudicated the issue of coerced debt
14 on the merits;

15 (C) is not a mortgage loan as defined in 8 V.S.A. § 2101(15); and

16 (D) is not a commercial loan as defined in 8 V.S.A. § 2101(2).

17 (3) “Creditor” means a person, or the person’s successor, assignee, or
18 agent, claiming to own or have the right to collect a debt owed by the debtor.

19 (4) “Debtor” means a person who:

20 (A) owes coerced debt; and

21 ~~(B)(i)~~ is a survivor of domestic abuse or human trafficking; or

1 (C)(ii) is a vulnerable adult who is a survivor of abuse, neglect, or
2 exploitation as those terms are defined under 33 V.S.A. chapter 69; and

3 (B) the coerced debt was incurred as a result of the domestic abuse,
4 human trafficking, or the abuse, neglect, or exploitation of a vulnerable adult.

5 (5) “Domestic abuse” has the same meaning provided in 15 V.S.A.
6 § 1101(1).

7 (6) “Human trafficking” has the same meaning provided in 13 V.S.A.
8 § 2652 or 2653.

9 (7) “Perpetrator of coerced debt” or “perpetrator” means an individual
10 who causes or is alleged to have caused coerced debt to be incurred by another.

11 (8) “Qualified third party professional” means any of the following
12 individuals who do not have a conflict of interest:

13 (A) an officer of the court or law enforcement personnel;

14 (B) a court appointed special advocate;

15 (C) a crisis worker as defined in 12 V.S.A. § 1614(a)(1); a licensed
16 social worker; or a clinical mental health counselor as defined in 26 V.S.A.
17 § 3261(3), employed at a program that assists older or dependent vulnerable
18 adults, or persons regarding or survivors of domestic violence or sexual
19 assault, stalking, human trafficking, or abuse of children, and who has relevant
20 training or expertise;

21 (D) a licensed attorney; or

1 (E) a health care provider as defined in 18 V.S.A. § 9402(7).

2 (9)(A) “Statement of coerced debt” means a sworn written statement by
3 a debtor provided by mail to a creditor that includes the following information:

4 (i) identification of the debt, or portion of the debt alleged to be
5 coerced debt;

6 (ii) if available, a description of the circumstances under which the
7 coerced debt was allegedly incurred;

8 (iii) a statement by the debtor disclosing that the debtor did not
9 willingly authorize the use of the debtor’s name or personal information to
10 incur such debt;

11 (iv) any information known by the debtor, including account
12 information or credit card information and, if applicable, the name of any other
13 individual in whose name such debt was jointly incurred;

14 (v) the identity of and contact information for the perpetrator, if
15 known, unless the debtor signs a sworn statement that disclosing such
16 information is likely to result in abuse to the debtor or to a member of the
17 debtor’s immediate family; [Refer to/incorporate RFA]

18 (vi) the debtor’s preferred language and contact method and
19 information such as a telephone number, email address, physical address, or
20 safe address for either the debtor or a third party whom the debtor designates to

1 receive information about the coerced debt, which shall be specified by the
2 debtor; and

3 (vii) any other documents the debtor deems appropriate to support
4 the statement.

5 (B) As used in this subdivision, “mail” means certified mail,
6 certificate of mailing, or any other similar first-class mail tracking method used
7 or approved by the U.S. Postal Service, including Intelligent Mail barcode
8 Tracing (IMb Tracing). The term also includes any electronic or digital
9 transmission that provides a verifiable date, timestamp, or tracking capability.

10 (C) A statement of coerced debt shall **be notarized or shall** include
11 the following language inserted above the debtor’s signature and date:

12 “I declare that the above statement is true and accurate to the best of
13 my knowledge and belief. I understand that if the above statement is false, I
14 will be subject to the penalty of perjury or to other sanctions in the discretion
15 of the court.”

16 (10) “Sworn **written** certification” means a **written** statement by a
17 qualified third party professional in the following form:

18 CERTIFICATION OF QUALIFIED THIRD PARTY PROFESSIONAL

19 I, (name of qualified third party professional), do hereby
20 certify under penalty of perjury as follows:

1 1. I am a qualified third party professional as defined in 9 V.S.A.
2 § 2495a(8) who has had in-person contact or face-to-face contact through an
3 electronic medium with (name of debtor).

4 2. Based on my professional interactions with the debtor and
5 information presented to me in my professional capacity, I have a reasonable
6 basis to believe (name of debtor) is a survivor of domestic abuse
7 or human trafficking or is a vulnerable adult who is a survivor of abuse,
8 neglect, or exploitation, and has incurred all or a portion of debt that is coerced
9 debt.

10 3. Based on my professional interactions with the debtor and on
11 information presented to me, I have reason to believe that the circumstances
12 under which the coerced debt was incurred are as follows:

13 4. The following debts or portions of the debts have been identified to
14 me as coerced:

15 I attest that the foregoing is true and correct.

16 (Printed name of qualified third party professional)

17 (Signature of qualified third party professional)

18 (Business address and business telephone)

19 (Date)

20 § 2495b. COERCED DEBT PROHIBITED

1 A person shall not cause another person to incur coerced debt.

2 Substantiated coerced debt is not enforceable against the debtor.

3 § 2495c. CREDITOR’S CONDUCT PURSUANT TO A DEBTOR’S

4 STATEMENT OF COERCED DEBT

5 (a) Within 10 business days following receipt of a debtor’s statement of
6 coerced debt and adequate documentation, a creditor shall:

7 (1) cease all collection activities and refrain from selling, assigning, or
8 otherwise transferring for consideration such debt;

9 (2) notify the debtor it has ceased all collection activities pending further
10 review of the claim; and

11 (3) notify any credit reporting agency to which it furnished adverse
12 information about such debt that the debtor disputes the accuracy of the
13 adverse information.

14 (b) If a debtor notifies a creditor that a particular debt being collected, or
15 portion thereof, is coerced debt, but does not provide all the information
16 required under subsection (a) of this section or provides such notice orally, and
17 if such creditor does not cease such collection activities, then within 10
18 business days after receipt of the debtor’s notice of the coerced debt, the
19 creditor shall inform the debtor that additional written information is required
20 and shall provide the debtor with Model Form A-1, as described in subsection
21 (g) of this section.

1 (c)(1) Within 30 business days following receipt of a debtor's statement of
2 coerced debt and adequate documentation, the creditor shall complete a
3 reasonable investigation of the disputed information, which shall include a
4 review of all information provided by the debtor and any other relevant
5 information available to the creditor and, upon completion of the investigation,
6 make a determination as to the accuracy of the debtor's claim of coerced debt.

7 (2) The 30-day period described in subdivision (1) of this subsection
8 may be extended for up to an additional 15 days if the creditor receives
9 supplementary information from the debtor during that 30-day period that is
10 relevant to the investigation.

11 (d) Within five business days of making a determination under subsection
12 (c) of this section, the creditor shall notify the debtor of such determination in
13 writing and shall provide a good faith basis for the determination, including
14 identification of the evidence relied upon. The notice shall not include
15 personally identifiable information of another person. If the creditor:

16 (1) determines the disputed debt is coerced debt, the creditor shall notify
17 the debtor that it is ceasing collection activities and contact any consumer
18 reporting agencies to which it furnished adverse information about the debtor's
19 coerced debt and request that such information be deleted from the debtor's
20 file and credit report; or

1 (2) determines the available information does not establish that the
2 disputed debt is coerced debt, [TBD – 3 options below; others?]

3 **1. Resume collection activities**

4 **2. Resume collection activities but not sell or transfer debt**

5 **3. Cease all collection activities unless court finds the debt is not**
6 **coerced debt.**

7 and, as a result, will recommence collection activities against the debtor,
8 the creditor shall provide the debtor with written notice of the debtor's right to
9 request reconsideration of the creditor's determination as provided in
10 subsection (c) of this section.

11 (e) Within 30 days following the date of mailing of the creditor's
12 determination under subsection (c) of this section, the debtor may request that
13 the creditor reconsider its determination to recommence collection activities.
14 A debtor requesting reconsideration shall be permitted to submit additional
15 documentation or other relevant information. Within 30 days after receiving a
16 request for reconsideration, the creditor shall complete a review of all relevant
17 information, including any additional adequate documentation submitted by
18 the debtor, and make another determination. Any further reconsideration of
19 the creditor's determination shall be at the discretion of the creditor.
20 Submitting a request for reconsideration of a creditor's initial determination is

1 ~~not a required condition for initiating a cause of action for a declaratory~~
2 ~~judgment to determine that the debt was coerced.~~

3 ~~(f)~~(e) All communications from the creditor to a debtor under this section
4 shall be made using only the debtor's preferred contact method and, in
5 addition, the creditor shall make reasonable efforts to use the debtor's
6 preferred language as identified in the debtor's statement of coerced debt.

7 ~~(g)~~(f) In connection with a statement of coerced debt, the creditor:
8 (1) shall not disclose the contact information the debtor provides in the
9 statement of coerced debt to any other person, including the perpetrator or joint
10 account holders, without the debtor's express written authorization, unless
11 directed or authorized to do so by court order; and

12 (2) may request that the debtor provide the identity of and contact
13 information for the perpetrator, if known, unless the debtor signs a sworn
14 statement that disclosing such information is likely to result in abuse to the
15 debtor or to a member of the debtor's immediate family.

16 ~~(h)~~(g) Model Form A-1 shall be developed by the Commissioner of
17 Financial Regulation, posted in English and Spanish on a publicly accessible
18 website maintained by the Department of Financial Regulation, and shall be
19 substantially in the following form:

20 MODEL FORM A-1 FOR CREDITORS TO PROVIDE DEBTORS

21 [Creditor name:

1 Address:

2 Email address:

3 Telephone number:

4 Website URL where this form can be filled out online]

5 [Debtor's name]

6 [Debtor's preferred contact information: debtor may provide a telephone
7 number, email address, physical address, or the address of a third party]

8 [Debtor's preferred language]

9 You have given us information about a debt that may have been taken out
10 because someone used your personal information without your permission or
11 because someone intimidated, threatened, forced, or manipulated you into
12 taking out this debt.

13 For example, an abusive partner could have taken out a credit card or loan
14 in your name without your knowledge or permission or pressured you into
15 taking out credit to buy a car, television, computer, or other item and
16 threatened you with harm if you refused.

17 Questions: To **stop** collection of this debt, you need to answer the questions
18 below. If you do not know the answer, you can explain why you do not know
19 the answer.

20 1. Did you sign for or agree to the debt?

1 2. If you did sign or agree to the debt, was it because someone threatened
2 you or used intimidation, force, manipulation, theft, or other forms of control
3 to take out the debt in your name? If yes, please describe how it happened.

4 3. If you did not sign or agree to the debt, do you know who used your
5 information to take out the debt? If yes, please describe.

6 4. What is your preferred contact method and contact information? You
7 can provide a telephone number, email address, physical address, safe address,
8 or the contact information of another trusted person you want to receive
9 information for you because you are concerned about your safety.

10 Supporting Documentation: Please include **any at least** one of the
11 documents below that show that the debt was taken out by someone who
12 threatened you or used intimidation, force, manipulation, theft, or other forms
13 of control to take out the debt in your name. You only need to send one, but
14 you may provide more than one.

15 1. A copy of **an official, valid a** report filed with a federal, state, or local
16 law enforcement agency **regarding the debtor's claim of coerced debt** that
17 identifies the coerced debt and the circumstances under which the coerced debt
18 was incurred, the filing of which subjects the person filing the report to
19 criminal penalties for filing false information if, in fact, the information in the
20 report is false;

21 2. A court order finding that the debt was coerced; or

1 3. A sworn ~~written~~ certification from a qualified third party professional
2 you talked with about this debt. The statement should include who they are,
3 where they work, their contact information, and information you shared with
4 them about the debt and how it was taken out. The third party may be:

5 (a) an officer of the court or law enforcement personnel;

6 (b) a court appointed special advocate;

7 (c) a crisis worker as defined in 12 V.S.A. § 1614(a)(1); a licensed
8 social worker; or a clinical mental health counselor as defined in 26 V.S.A.
9 § 3261(3); employed at a program that assists older or dependent vulnerable
10 adults, or persons regarding or survivors of domestic violence or sexual
11 assault, stalking, human trafficking, or abuse of children, and who has relevant
12 training or expertise;

13 (d) a licensed attorney; or

14 (e) a health care provider as defined in 18 V.S.A. § 9402(7).

15 In addition to the required documentation, you may include any other
16 document such as [a divorce decree, restraining order, protection from abuse
17 order] or other document that includes information about the debt and how it
18 was taken out.

19 We need to receive your answers to the above questions and at least one
20 document supporting your claim before we stop collecting on the debt.

1 Within 30 days after we receive this information, we will do all of the
2 following:

3 1. Stop all attempts to collect the coerced debt from you.

4 2. Notify you in writing that we are stopping all attempts to collect the debt
5 from you.

6 3. Review your claim and make a determination as to whether you should
7 be relieved from liability for the coerced debt.

8 4. Contact the consumer reporting agencies to which we gave information
9 about you and the coerced debt and request that they remove the information
10 from your file and credit report. Alternatively, we also have the right to
11 challenge your claim of coerced debt in court, subject to legal protections for
12 victims of coerced debt.

13 **Your statement of coerced debt must be notarized or certified as true**
14 **and accurate by you under penalty of perjury.**

15 If you have questions, please contact us at: [Creditor's name, mailing
16 address, telephone number, and email address]. If you prefer to communicate
17 with us by email, please confirm with us by telephone our correct email
18 address for submitting information about the debt so we can ensure a timely
19 response.

20 For more information, see 9 V.S.A. chapter 63, subchapter 13.

1 (h) With respect to coerced debt secured by tangible personal property,
2 nothing in this subchapter shall affect a creditor's right to enforce a security
3 interest upon default under 9A V.S.A. § 9-9 (Uniform Commercial Code -
4 Secured Transactions), including repossession, surrender, or court-ordered
5 seizure of the subject collateral. However, a creditor is prohibited from
6 collecting or seeking to collect any deficiency from the victim of coerced debt.

7 § 2495d. CIVIL LEGAL REMEDIES

8 (a)(1) A debtor shall not be liable to a creditor for coerced debt.

9 (2) In any action initiated by a creditor to seek collection of a debt from
10 a debtor, the debtor may establish a prima facie case that the debt is coerced
11 debt by submitting a statement of coerced debt and adequate documentation. If
12 the debtor establishes a prima facie case of coerced debt, the creditor shall bear
13 the burden of proving, by a preponderance of the evidence, that the debt is not
14 coerced debt.

15 (b) If a court finds a debt ~~was~~ **is** coerced debt:

16 (1) the creditor shall have a cause of action against the perpetrator; and

17 (2) the debtor shall have a cause of action against the perpetrator for any
18 payments made or costs incurred by the debtor in connection with the coerced
19 debt.

20 **(c)** This section shall not be construed to limit or infringe upon any other
21 rights or remedies available under common law or any other provision of law

1 or rule. However, in seeking to bring an action against the perpetrator, a
2 creditor may not compel a debtor to disclose the identity of or the contact
3 information for the perpetrator, to the extent known by the debtor, provided the
4 debtor signs a sworn statement specifying that such disclosure is reasonably
5 likely to result in abuse to the debtor or to a member of the debtor’s immediate
6 family, unless such disclosure is required by court order.

7 (d) In any action involving an alleged coerced debt, the presiding court
8 shall take reasonable and appropriate measures to protect the debtor or a
9 member of the debtor’s immediate family from a perpetrator, including sealing
10 court records, redacting personally identifiable information, and directing that
11 any deposition or evidentiary hearing be conducted remotely. [Add “upon
12 request” and more guidance to court]

13 (e) The provisions of this subchapter apply in any action brought in a court
14 of this State, notwithstanding a contractual choice-of-law provision.

15 (f) Nothing in this subchapter shall be construed to preclude a creditor from
16 seeking recourse under applicable law for a claim of coerced debt that is
17 knowingly and materially false.

18 (g) A person alleged to be a perpetrator shall not be a necessary party to an
19 action between a creditor and a debtor under this subchapter. However, no
20 finding in such an action shall be binding on a person who was not a party to
21 the action.

1 (h) An action by a debtor against a perpetrator shall be commenced within
2 six years after the date the debtor discovered or reasonably should have
3 discovered the coerced debt or within six years after the coercion or abuse
4 giving rise to the debt ceased, whichever is later.

5 (i) An action by a creditor against a perpetrator shall be commenced within
6 six years after the date the creditor discovered or reasonably should have
7 discovered the coerced debt received the debtor's statement of coerced debt
8 and adequate documentation or received notice of the identity of the
9 perpetrator, whichever is later. [Judiciary]

10 § 2495e. VIOLATIONS

11 (a) A person who knowingly and materially violates this subchapter
12 commits an unfair and deceptive act in trade and commerce in violation of
13 section 2453 of this title.

14 (b) The Attorney General has the same authority to make rules, conduct
15 civil investigations, enter into assurances of discontinuance, and bring civil
16 actions as provided under subchapter 1 of this chapter.

17 § 2495f. CONFIDENTIALITY

18 (a) Except as otherwise expressly provided in this subchapter or required
19 by law, any financial and personally identifying information related to a claim
20 of coerced debt that is shared by a debtor pursuant to the provisions of this

1 subchapter shall not be disclosed by the recipient without the express consent
2 of the debtor, unless such disclosure is authorized by court order.

3 (b) Information or material that is subject to privilege protections under
4 federal or state law that is shared by the debtor pursuant to the provisions of
5 this subchapter shall not be disclosed by the recipient, unless the debtor
6 expressly waives the privilege, or the privilege is waived by an express
7 provision of law.

8 (c) Any records or information produced or acquired by a public body
9 pursuant to the provisions of this subchapter that contains financial or
10 personally identifiable information related to a claim of coerced debt shall be
11 kept confidential and shall be exempt from public inspection or copying under
12 Vermont's Public Records Act. This exemption shall not be subject to 1 V.S.A.
13 § 317(e).

14 Sec. 2. 9 V.S.A. § 2480d is amended to read:

15 § 2480d. PROCEDURE IN CASE OF DISPUTED ACCURACY; COERCED

16 DEBT

17 (a) If the completeness or accuracy of any item of information contained in
18 the consumer's file is disputed by the consumer and the consumer notifies the
19 credit reporting agency directly of such dispute, the agency shall reinvestigate
20 free of charge and record the current status of the disputed information on or

1 before 30 business days after the date the agency receives notice from the
2 consumer.

3 (b) On or before five business days after the date a credit reporting agency
4 receives notice of a dispute from a consumer in accordance with subsection (a)
5 of this section, the agency shall provide notice of the dispute to all persons who
6 provided any item of information in dispute.

7 (c) Notwithstanding subsection (a) of this section, a credit reporting agency
8 may terminate a reinvestigation of information disputed by a consumer under
9 such subsection if the agency reasonably determines that such dispute by the
10 consumer is frivolous or irrelevant. Upon making such a determination, a
11 credit reporting agency shall promptly notify the consumer of such
12 determination and the reasons therefor, by mail, or if authorized by the
13 consumer for that purpose, by telephone. The presence of contradictory
14 information in the consumer's file does not in and of itself constitute
15 reasonable grounds for determining the dispute is frivolous or irrelevant.

16 (d) In conducting a reinvestigation under subsection (a) of this section, the
17 credit reporting agency shall review and consider all relevant information
18 submitted by the consumer with respect to such disputed information.

19 (e) If, after a reinvestigation under subsection (a) of this section of any
20 information disputed by a consumer, the information is found to be inaccurate
21 or cannot be verified, the credit reporting agency shall promptly delete such

1 information from the consumer's file. For purposes of this section,
2 "information" shall not include other information in the same item that is not
3 disputed by the consumer.

4 (f) If any information is deleted after a reinvestigation under subsection (a)
5 of this section, the information may not be reinserted in the consumer's file
6 after deletion unless the person who furnishes the information reinvestigates
7 and states in writing or by electronic record to the agency that the information
8 is complete and accurate. Such furnisher shall not provide such statement
9 unless the furnisher reasonably believes that the information is complete and
10 accurate. Upon such reinvestigation and statement by the furnisher, the credit
11 reporting agency shall promptly notify the consumer of any reinsertion.

12 (g) A credit reporting agency shall provide written notice of the results of
13 any reinvestigation under this subsection within five business days of
14 following the completion of the reinvestigation, by mail or, if authorized by the
15 consumer for that purpose, by telephone. This notice shall include:

- 16 (1) a statement that the reinvestigation is complete;
17 (2) a statement of the determination of the agency on the completeness
18 or accuracy of the disputed information;
19 (3) a credit report that is based upon the consumer's file as that file is
20 revised as a result of the reinvestigation;

1 (4) a description of the manner in which the information disputed by the
2 consumer has been altered, changed, deleted, or modified in the consumer's
3 credit report;

4 (5) a description of the procedure used to determine the accuracy and
5 completeness of the information, including the name, business address, and, if
6 available, the telephone number of any person contacted in connection with
7 such information; and

8 (6) a notification that the consumer has the right, pursuant to 15 U.S.C.
9 § 1681i, to add a statement to the consumer's file disputing the accuracy or
10 completeness of the information.

11 (h) If a consumer provides notice to a consumer reporting agency that a
12 debt or any portion of a debt is coerced debt and provides the consumer
13 reporting agency either a court order finding that the debt was coerced or a
14 statement of coerced debt and adequate documentation, as those terms are
15 defined in subchapter 13 of this chapter, the consumer reporting agency shall
16 reinvestigate the debt pursuant to this section. If, after the reinvestigation, the
17 credit reporting agency determines that the debt was coerced, the consumer
18 reporting agency shall remove any reference to the debt, or any portion of the
19 debt determined to be coerced debt, from the consumer's file and credit report.

20 Sec. 3. 9 V.S.A. § 2480k is amended to read:

21 § 2480k. COMPLAINTS TO LAW ENFORCEMENT AGENCIES

1 A person who has learned or reasonably suspects that ~~his or her~~ the person's
2 personal identifying information has been unlawfully used by another, as
3 described in 13 V.S.A. § ~~2030(a)~~ 2030, may make a complaint about the
4 unlawful use of personal identifying information to the State Police or to the
5 person's local law enforcement agency. The law enforcement agency shall
6 take the complaint and provide the complainant with a copy of the complaint,
7 the name of the law enforcement officer taking the complaint, and an incident
8 number or case number assigned to the complaint by the law enforcement
9 agency. If the suspected crime was committed in a different jurisdiction, the
10 law enforcement agency shall take the complaint and provide the complainant
11 with a copy of the complaint, the name of the law enforcement officer taking
12 the complaint, and an incident number or case number assigned to the
13 complaint by the law enforcement agency and refer the complaint to a law
14 enforcement agency in that different jurisdiction.

15 Sec. 4. 8 V.S.A. chapter 200, subchapter 8 is added to read:

16 Subchapter 8. Protection From Financial Exploitation

17 § 10801. FINDINGS AND INTENT

18 (a) The General Assembly finds that:

19 (1) A covered entity has a duty imposed by law and contract to conduct
20 customer-directed transactions in a timely manner and in accordance with a
21 customer's instructions.

1 (2) Customers are increasingly being induced to authorize transactions
2 that are not in their best interests.

3 (b) It is the intent of the General Assembly to:

4 (1) ensure customers have ready access to their funds; and

5 (2) provide a covered entity with the tools and protections to intervene
6 in a customer-directed transaction when the covered entity reasonably believes
7 the transaction presents potential significant risk of harm to the customer.

8 (c) It is not the intent of the General Assembly to impose a duty on a
9 covered entity to contravene the valid instructions of a customer and nothing in
10 this chapter creates such a duty.

11 § 10802. DEFINITIONS

12 As used in this subchapter:

13 (1) “Account” means any deposit, share, custodial, trust, or transaction
14 account, whether held individually or jointly, and whether checking, savings,
15 money market, certificate of deposit, prepaid, or similar, that is established,
16 maintained, or administered by a covered entity, through which the covered
17 entity accepts, holds, disburses, or transfers funds of a customer. The term
18 includes accounts held for the benefit of another, including fiduciary,
19 guardianship, conservatorship, power of attorney, and representative payee
20 accounts, to the extent the account is maintained by a covered entity.

21 (2) “Associated third party” means:

1 (A) a parent, spouse, adult child, sibling, or other family member of a
2 customer whom a covered entity reasonably believes is closely associated with
3 the customer;

4 (B) an individual the customer has authorized to be contacted by the
5 customer’s covered entity;

6 (C) a co-owner, additional authorized signatory, or beneficiary on a
7 customer’s account or an agent for the customer under a power of attorney; or

8 (D) a licensed attorney, trustee, conservator, guardian, or other
9 fiduciary selected by a court or governmental agency to manage some or all of
10 the financial affairs of the customer.

11 (3) “Covered entity” means a bank, trust company, or savings institution
12 as defined in 8 V.S.A. § 11101(32) or a credit union as defined in 8 V.S.A.
13 § 30101(5). The term also includes the subsidiaries and affiliates that provide
14 financial services for such entity, as well as the directors, officers, employees,
15 or agents of such entity.

16 (4) “Customer” means any person who establishes, maintains, or is a
17 beneficiary of an account with a covered entity, including any person who
18 owns, controls, or has a present or contingent legal or beneficial interest in
19 funds held in the account, whether acting directly or through an agency,
20 fiduciary, or representative.

21 (5) “Financial exploitation” means:

1 (A) the wrongful or unauthorized taking, withholding, appropriation,
2 transfer, expenditure, or use of a customer's money, assets, or property; or

3 (B) any act or omission by a person, including by a fiduciary or other
4 representative of the customer, whether acting under a power of attorney,
5 guardianship, conservatorship, trust, or similar authority that:

6 (i) obtains or attempts to obtain control over the customer's
7 money, assets, or property through deception, intimidation, coercion, or undue
8 influence, for the purpose or effect of depriving the customer of the ownership,
9 use, benefit, or possession of the customer's money, assets, or property; or

10 (ii) converts or misuses the customer's money, assets, or property
11 so as to deprive the customer of the ownership, use, benefit, or possession of
12 the customer's money, assets, or property.

13 § 10803. PROTECTIVE ACCOUNT ACTION

14 (a) If a covered entity reasonably believes that a customer is or has been the
15 victim of financial exploitation or attempted financial exploitation, and such
16 belief is based on information either individually observed or received from a
17 State, local, or law enforcement agency, the covered entity may take one or
18 more of the following measures to protect a customer's account:

19 (1) delay or refuse one or more transactions with or involving the
20 customer;

1 (2) delay or refuse to permit the withdrawal or disbursement of funds
2 contained in the customer's account;

3 (3) prevent a change in ownership of the customer's account;

4 (4) prevent a transfer of funds from the customer's account to an
5 account owned wholly or partially by another person;

6 (5) refuse to comply with instructions given to the covered entity by an
7 agent or person acting for or with an agent under a power of attorney signed or
8 purported to have been signed by the customer; or

9 (6) prevent or change the designation of the beneficiaries to receive any
10 property, benefit, or contract rights for the customer.

11 (b) A covered entity is not required to take protective action under this
12 section with regard to a customer's account but may use its sole discretion to
13 determine whether taking such action is warranted based on the information
14 available to it at the time.

15 (c)(1) The authority to delay a transaction under this section expires at the
16 earlier of:

17 (A) 15 business days after the date on which the covered entity
18 initiated the delay;

19 (B) when the covered entity is satisfied within its sole discretion that
20 the transaction will not likely result in financial exploitation; or

21 (C) upon a court order directing the release of funds.

1 (2) Unless otherwise directed by a court order, the covered entity may
2 extend the duration of the delay for up to an additional 15 days based on a
3 reasonable belief that the financial exploitation or attempted financial
4 exploitation of the customer may continue.

5 (d) Any refusal, delay, or other protective action taken by a covered entity
6 in good faith under this section to prevent the financial exploitation of a
7 customer shall:

8 (1) not constitute wrongful dishonor under section 4-402 of Title 9A;

9 (2) constitute reasonable grounds under the federal Check Clearing for
10 the 21st Century Act, 12 U.S.C. § 5001 et seq., the Expedited Funds
11 Availability Act, 12 U.S.C. § 4001 et seq., or related regulations, without
12 imposing a duty to review every deposit or check individually; and

13 (3) not constitute a violation of Article 4A of Title 9A (fund transfers) or
14 related funds transfer laws, and any delayed payment order is deemed received
15 only when the hold is removed, and the covered entity submits the order for
16 processing.

17 § 10804. ASSOCIATED THIRD PARTY; NOTIFICATIONS

18 (a) A covered entity may notify an associated third party, if any, if it
19 reasonably believes that the financial exploitation or attempted financial
20 exploitation of a customer is or has occurred and such disclosure is in the best
21 interests of the customer.

1 (b) A covered entity may choose not to notify an associated third party if it
2 reasonably believes that the third party is, was, or may be engaged in the
3 financial exploitation or attempted financial exploitation of the customer.

4 (c) A covered entity shall limit disclosures to an associated third party to
5 only information necessary to convey its suspicion that the customer was or
6 may be the victim or intended victim of financial exploitation.

7 (d) Any disclosure by a covered entity pursuant to this section is exempt
8 from the financial privacy protections specified under subchapter 2 of this
9 chapter and, to the extent permitted by federal law, under the Gramm-Leach-
10 Bliley Act, 15 U.S.C. 6801 et seq., as those laws may be amended.

11 § 10805. IMMUNITY

12 When carrying out protective actions authorized by this subchapter, a
13 covered entity shall be protected from civil, criminal, and administrative
14 liability for any act or omission within the scope of its duties and authorized by
15 this subchapter, provided the act or omission is in good faith and does not
16 amount to gross negligence or willful misconduct.

17 § 10806. CONSTRUCTION

18 This subchapter shall be liberally construed to encourage covered entities to
19 take reasonable protective actions to prevent the financial exploitation of their
20 customers.

21 Sec. 5. SUSPICIOUS TRANSACTION HOLDS; DATA COLLECTION;

REPORT

The Commissioner of Financial Regulation shall consult, at least annually, with representatives from the Vermont Bankers Association and the Association of Vermont Credit Unions, and any other relevant party determined by the Commissioner, for the purpose of collecting data about the number and dollar amount of suspicious transaction holds implemented by a covered entity pursuant to Sec. 4 of this act and report such information in aggregated form to the House Committee on Commerce and Economic Development and the Senate Committee on Finance on or before January 15, 2027, and annually thereafter.

Sec. 6. **EFFECTIVE DATES**; APPLICATION

(a) This section, Sec. 3 (complaints regarding claims of identity theft), Sec. 4 (suspicious banking transactions) and Sec. 5 (report on suspicious banking transactions) of this act shall take effect upon passage.

(b) Sec. 1 (coerced debt, creditor conduct, civil legal remedies) and Sec. 2 (duty of credit reporting agency to reinvestigate coerced debt) of this act shall take effect on July 1, 2028, and shall apply to all outstanding coerced debt, including coerced debt incurred prior to July 1, 2028.

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5 (Committee vote: _____)

6

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Representative _____

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FOR THE COMMITTEE