

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 police report that identifies the coerced debt and describes the
13 circumstances under which the coerced debt was incurred;

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

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

1 ~~(D)~~(C) a sworn written certification from a qualified third party
2 professional regarding the debtor’s claim of coerced debt, based on
3 information gathered by the third party while acting in their professional
4 capacity.

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

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

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

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

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

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

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

19 ~~(E) with respect to secured debt, only includes the debtor’s liability~~
20 ~~for any deficiency after the foreclosure, repossession, or surrender and~~
21 ~~disposition of the subject collateral. [See § 2495c(h)]~~

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

3 (4) “Debtor” means a person who:

4 (A) owes coerced debt; and

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

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

8 **(B) the coerced debt was incurred as a result of the domestic**
9 **abuse, human trafficking, or the abuse, neglect, or exploitation of a**
10 **vulnerable adult.**

11 (5) “Domestic abuse” has the same meaning provided in 15 V.S.A.
12 § 1101(1).

13 (6) “Human trafficking” has the same meaning provided in 13 V.S.A.
14 § 2652 or 2653.

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

17 (8) “Qualified third party professional” means:

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

19 (B) a court appointed special advocate;

20 (C) a crisis worker as defined in 12 V.S.A. § 1614(a)(1); a licensed
21 social worker; or a clinical mental health counselor as defined in 26 V.S.A.

1 § 3261(3), **employed** at a program that assists older or dependent adults or
2 persons regarding domestic violence, sexual assault, stalking, human
3 trafficking, or abuse of children, and who has relevant training or expertise;

4 (D) a licensed attorney; or

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

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

8 (i) identification of the debt, or portion of the debt alleged to be
9 coerced debt;

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

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

15 (iv) any information known by the debtor, including account
16 information or credit card information and, **if applicable**, the name of **the any**
17 **other** individual in whose name such debt was **jointly** incurred [TBD];

18 (v) the identity of and contact information for the perpetrator of
19 the coerced debt, if known, unless the debtor signs a sworn statement that
20 disclosing such information is likely to result in abuse to the debtor or to a
21 member of the debtor’s immediate family;

1 (vi) the debtor’s preferred **language and** contact method and
2 information such as a telephone number, email address, physical address, or
3 safe address for either the debtor or a third party whom the debtor designates to
4 receive information about the coerced debt, which shall be specified by the
5 debtor **in writing**; and

6 (vii) any other documents the debtor deems appropriate to support
7 the statement.

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

13 **(C) A statement of coerced debt shall include the following**
14 **language inserted above the debtor’s signature and date:**

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

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

21 CERTIFICATION OF QUALIFIED THIRD PARTY PROFESSIONAL

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

3 1. I am a qualified third party professional as defined in 9 V.S.A.
4 § 2495a(8) who has had in-person contact or face-to-face contact through an
5 electronic medium with (name of debtor).

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

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

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

17 I attest that the foregoing is true and correct.

18 (Printed name of qualified third party professional)

19 (Signature of qualified third party professional)

20 (Business address and business telephone)

21 (Date)

1 § 2495b. COERCED DEBT PROHIBITED

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

3 Substantiated coerced debt is not enforceable against the debtor.

4 § 2495c. CREDITOR’S CONDUCT PURSUANT TO A DEBTOR’S

5 STATEMENT OF COERCED DEBT

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

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

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

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

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

1 and shall provide the debtor with Model Form A-1, as described in subsection
2 ~~(h)~~(g) of this section.

3 (c)(1) Within 30 business days following receipt of a debtor’s statement of
4 coerced debt and adequate documentation, the creditor shall **complete a**
5 **reasonable investigation of the disputed information, which shall include a**
6 review of all information provided by the debtor and any other relevant
7 information available to the creditor and, upon completion of the **review**
8 **investigation**, make a determination **as to whether to accept or dispute as to**
9 the accuracy of the debtor’s **claim of coerced debt** ~~debtor’s statement of~~
10 ~~coerced debt and notify the debtor in writing of its determination and the good~~
11 ~~faith basis for such determination.~~

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

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

1 (1) ~~if the creditor accepts the accuracy of the statement of~~ **determines**
2 **the disputed debt is** coerced debt, **the creditor shall notify the debtor that it**
3 **is ceasing collection activities** ~~the creditor shall and~~ contact any consumer
4 reporting agencies to which it furnished adverse information about the debtor's
5 coerced debt and request that such information be deleted from the debtor's
6 file and credit report; or

7 (2) ~~if the creditor disputes the accuracy of the statement of~~ **determines**
8 **the available information does not establish that the disputed debt is**
9 coerced debt, [TBD – 3 options below; others?]

10 **1. Resume collection activities**

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

12 **3. Cease all collection activities unless court finds the debt is not**
13 **coerced debt.**

14 ~~and, as a result, will recommence collection activities against the debtor,~~
15 ~~the creditor shall provide the debtor with written notice of the debtor's right to~~
16 ~~request reconsideration of the creditor's determination as provided in~~
17 ~~subsection (e) of this section.~~

18 ~~(e) Within 30 days following the date of mailing of the creditor's~~
19 ~~determination under subsection (e) of this section, the debtor may request that~~
20 ~~the creditor reconsider its determination to recommence collection activities.~~
21 ~~A debtor requesting reconsideration shall be permitted to submit additional~~

1 ~~documentation or other relevant information. Within 30 days after receiving a~~
2 ~~request for reconsideration, the creditor shall complete a review of all relevant~~
3 ~~information, including any additional adequate documentation submitted by~~
4 ~~the debtor, and make another determination. Any further reconsideration of~~
5 ~~the creditor's determination shall be at the discretion of the creditor.~~

6 ~~Submitting a request for reconsideration of a creditor's initial determination is~~
7 ~~not a required condition for initiating a cause of action for a declaratory~~
8 ~~judgment to determine that the debt was coerced.~~

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

13 ~~(g)(f)~~ In connection with a statement of coerced debt, the creditor:

14 (1) shall not disclose the contact information the debtor provides in the
15 statement of coerced debt to any other person, including the perpetrator of the
16 coerced debt or joint account holders, without the debtor's express written
17 authorization, unless directed [**or authorized?**] to do so by court order; and

18 (2) may request that the debtor provide the identity of and contact
19 information for the perpetrator of the coerced debt, if known, unless the debtor
20 signs a sworn statement that disclosing such information is likely to result in
21 abuse to the debtor or to a member of the debtor's immediate family.

1 (b)(g) Model Form A-1 shall be developed by the Commissioner of
2 Financial Regulation, posted in English and Spanish on a publicly accessible
3 website maintained by the Department of Financial Regulation, and shall be
4 substantially in the following form:

5 MODEL FORM A-1 FOR CREDITORS TO PROVIDE DEBTORS

6 [Creditor name:

7 Address:

8 Email address:

9 Telephone number:

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

11 [Debtor's name]

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

14 [Debtor's preferred language]

15 You have given us information about a debt that may have been taken out
16 because someone used your personal information without your permission or
17 because someone intimidated, threatened, forced, or manipulated you into
18 taking out this debt.

19 For example, an abusive partner could have taken out a credit card or loan
20 in your name without your knowledge or permission or pressured you into

1 taking out credit to buy a car, television, computer, or other item and
2 threatened you with harm if you refused.

3 Questions: To stop collection of this debt, you need to answer the questions
4 below. If you do not know the answer, you can explain why you do not know
5 the answer.

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

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

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

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

16 Supporting Documentation: Please include any one of the documents
17 below that show that the debt was taken out by someone who threatened you or
18 used intimidation, force, manipulation, theft, or other forms of control to take
19 out the debt in your name.

20 You only need to send one, but you may provide more than one.

1 1. A copy of an official, valid report filed with a federal, state, or local law
2 enforcement agency regarding the debtor’s claim of coerced debt that identifies
3 the coerced debt and the circumstances under which the coerced debt was
4 incurred, the filing of which subjects the person filing the report to criminal
5 penalties for filing false information if, in fact, the information in the report is
6 false;

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

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

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

13 (b) a court appointed special advocate;

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

19 (d) a licensed attorney; or

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

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

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

7 **Within 30 days after we receive this information, we will do all of the**
8 **following:**

- 9 1. Stop all attempts to collect the coerced debt from you.
- 10 2. Notify you in writing that we are stopping all attempts to collect the debt
11 from you.
- 12 3. Review your claim and make a determination as to whether you should
13 be relieved from liability for the coerced debt.
- 14 4. Contact the consumer reporting agencies to which we gave information
15 about you and the coerced debt and request that they remove the information
16 from your file and credit report. Alternatively, we also have the right to
17 challenge your claim of coerced debt in court.

18 If you have questions, please contact us at: [Creditor's name, mailing
19 address, telephone number, and email address]. If **you are communicating**
20 **prefer to communicate** with us by email, please confirm with us by telephone

1 our correct email address for submitting information about the debt so we can
2 ensure a timely response.

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

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

11 **§ 2495d. CIVIL LEGAL REMEDIES**

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

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

19 (b) If a court finds a debt was coerced debt:

20 (1) the creditor shall have a cause of action against the perpetrator of the
21 coerced debt; and

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

4 (c) This section shall not be construed to limit or infringe upon any other
5 rights or remedies available under common law or any other provision of law
6 or rule. However, in seeking to bring an action against the perpetrator of
7 coerced debt, a creditor may not compel a debtor to disclose the identity of or
8 the contact information for the perpetrator, to the extent known by the debtor,
9 provided the debtor signs a sworn statement specifying that such disclosure is
10 reasonably likely to result in abuse to the debtor or to a member of the debtor’s
11 immediate family, unless such disclosure is required by court order.

12 (d) In any action involving an alleged coerced debt, the presiding court
13 shall take reasonable and appropriate measures to protect the debtor or a
14 member of the debtor’s immediate family from an alleged perpetrator of
15 coerced debt, including sealing court records, redacting personally identifiable
16 information, and directing that any deposition or evidentiary hearing be
17 conducted remotely.

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

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

4 (g) A person alleged to be a perpetrator of coerced debt shall not be a
5 necessary party to an action between a creditor and a debtor under this
6 subchapter. However, no finding in such an action shall be binding on a
7 person who was not a party to the action.

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

12 (i) An action by a creditor against a perpetrator of coerced debt shall be
13 commenced within six years after the date the creditor discovered or
14 reasonably should have discovered the coerced debt and the identity of the
15 perpetrator.

16 § 2495e. VIOLATIONS

17 (a) A person who **knowingly and materially** violates this subchapter
18 commits an unfair and deceptive act in trade and commerce in violation of
19 section 2453 of this title.

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

4 § 2495f. CONFIDENTIALITY

5 (a) Except as otherwise expressly provided in this subchapter or required
6 by law, any financial and personally identifying information related to a claim
7 of coerced debt that is shared by a debtor pursuant to the provisions of this
8 subchapter shall not be disclosed by the recipient without the express consent
9 of the debtor, unless such disclosure is authorized by court order.

10 (b) Information or material that is subject to privilege protections under
11 federal or state law that is shared by the debtor pursuant to the provisions of
12 this subchapter shall not be disclosed by the recipient, unless the debtor
13 expressly waives the privilege, or the privilege is waived by an express
14 provision of law.

15 (c) Any records or information produced or acquired by a public body
16 pursuant to the provisions of this subchapter that contains financial or
17 personally identifiable information related to a claim of coerced debt shall be
18 kept confidential and shall be exempt from public inspection or copying under
19 Vermont’s Public Records Act. This exemption shall not be subject to 1 V.S.A.
20 § 317(e).

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

1 § 2480d. PROCEDURE IN CASE OF DISPUTED ACCURACY; COERCED
2 DEBT

3 (a) If the completeness or accuracy of any item of information contained in
4 the consumer's file is disputed by the consumer and the consumer notifies the
5 credit reporting agency directly of such dispute, the agency shall reinvestigate
6 free of charge and record the current status of the disputed information on or
7 before 30 business days after the date the agency receives notice from the
8 consumer.

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

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

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

4 (e) If, after a reinvestigation under subsection (a) of this section of any
5 information disputed by a consumer, the information is found to be inaccurate
6 or cannot be verified, the credit reporting agency shall promptly delete such
7 information from the consumer’s file. For purposes of this section,
8 “information” shall not include other information in the same item that is not
9 disputed by the consumer.

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

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

- 1 (1) a statement that the reinvestigation is complete;
- 2 (2) a statement of the determination of the agency on the completeness
3 or accuracy of the disputed information;
- 4 (3) a credit report that is based upon the consumer’s file as that file is
5 revised as a result of the reinvestigation;
- 6 (4) a description of the manner in which the information disputed by the
7 consumer has been altered, changed, deleted, or modified in the consumer’s
8 credit report;
- 9 (5) a description of the procedure used to determine the accuracy and
10 completeness of the information, including the name, business address, and, if
11 available, the telephone number of any person contacted in connection with
12 such information; and
- 13 (6) a notification that the consumer has the right, pursuant to 15 U.S.C.
14 § 1681i, to add a statement to the consumer’s file disputing the accuracy or
15 completeness of the information.
- 16 (h) If a consumer provides notice to a consumer reporting agency that a
17 debt or any portion of a debt is coerced debt and provides the consumer
18 reporting agency either a court order finding that the debt was coerced or a
19 statement of coerced debt and adequate documentation, as those terms are
20 defined in subchapter 13 of this chapter, the consumer reporting agency shall
21 reinvestigate the debt pursuant to this section. If, after the reinvestigation, the

1 credit reporting agency determines that the debt was coerced, the consumer
2 reporting agency shall remove any reference to the debt, or any portion of the
3 debt determined to be coerced debt, from the consumer’s file and credit report.

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

5 § 2480k. COMPLAINTS TO LAW ENFORCEMENT AGENCIES

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

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

21 **Subchapter 8. Protection From Financial Exploitation**

1 § 10801. FINDINGS AND INTENT

2 (a) The General Assembly finds that:

3 (1) A covered entity has a duty imposed by law and contract to conduct
4 customer-directed transactions in a timely manner and in accordance with a
5 customer’s instructions.

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

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

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

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

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

16 § 10802. DEFINITIONS

17 As used in this subchapter:

18 (1) “Account” means any deposit, share, custodial, trust, or transaction
19 account, whether held individually or jointly, and whether checking, savings,
20 money market, certificate of deposit, prepaid, or similar, that is established,
21 maintained, or administered by a covered entity, through which the covered

1 entity accepts, holds, disburses, or transfers funds of a customer. The term
2 includes accounts held for the benefit of another, including fiduciary,
3 guardianship, conservatorship, power of attorney, and representative payee
4 accounts, to the extent the account is maintained by a covered entity.

5 (2) “Associated third party” means:

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

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

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

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

16 (3) “Covered entity” means a bank, trust company, or savings institution
17 as defined in 8 V.S.A. § 11101(32) or a credit union as defined in 8 V.S.A.
18 § 30101(5). The term also includes the subsidiaries and affiliates that provide
19 financial services for such entity, as well as the directors, officers, employees,
20 or agents of such entity.

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

6 (5) “Financial exploitation” means:

7 (A) the wrongful or unauthorized taking, withholding, appropriation,
8 transfer, expenditure, or use of a customer’s money, assets, or property; or

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

12 (i) obtains or attempts to obtain control over the customer’s
13 money, assets, or property through deception, intimidation, coercion, or undue
14 influence, for the purpose or effect of depriving the customer of the ownership,
15 use, benefit, or possession of the customer’s money, assets, or property; or

16 (ii) converts or misuses the customer’s money, assets, or property
17 so as to deprive the customer of the ownership, use, benefit, or possession of
18 the customer’s money, assets, or property.

19 § 10803. PROTECTIVE ACCOUNT ACTION

20 (a) If a covered entity reasonably believes that a customer is or has been the
21 victim of financial exploitation or attempted financial exploitation, and such

1 belief is based on information either individually observed or received from a
2 State, local, or law enforcement agency, the covered entity may take one or
3 more of the following measures to protect a customer’s account:

4 (1) delay or refuse one or more transactions with or involving the
5 customer;

6 (2) delay or refuse to permit the withdrawal or disbursement of funds
7 contained in the customer’s account;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 § 10804. ASSOCIATED THIRD PARTY; NOTIFICATIONS

2 (a) A covered entity may notify an associated third party, if it
3 reasonably believes that the financial exploitation or attempted financial
4 exploitation of a customer is or has occurred and such disclosure is in the best
5 interests of the customer.

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

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

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

16 § 10805. IMMUNITY

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

1 § 10806. CONSTRUCTION

2 This subchapter shall be liberally construed to encourage covered entities to
3 take reasonable protective actions to prevent the financial exploitation of their
4 customers.

5 Sec. 5. SUSPICIOUS TRANSACTION HOLDS; DATA COLLECTION;
6 REPORT

7 The Commissioner of Financial Regulation shall consult, at least annually,
8 with representatives from the Vermont Bankers Association and the
9 Association of Vermont Credit Unions, and any other relevant party
10 determined by the Commissioner, for the purpose of collecting data about the
11 number and dollar amount of suspicious transaction holds implemented by a
12 covered entity pursuant to Sec. 1 of this act and report such information in
13 aggregated form to the House Committee on Commerce and Economic
14 Development and the Senate Committee on Finance on or before January 15,
15 2027, and annually thereafter.

16 Sec. 6. EFFECTIVE DATES; APPLICATION

17 (a) This section and Secs. 4 and 5 (suspicious banking transactions) of this
18 act shall take effect upon passage.

19 (b) Secs. 1 and 2 (coerced debt and creditors), Sec. 2 (coerc of this act shall
20 take effect on July 1, 2028, and shall apply to all outstanding coerced debt,
21 including coerced debt incurred prior to July 1, 2028.

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(Committee vote: _____)

Representative _____

FOR THE COMMITTEE