

February 20, 2026

The Honorable Michael Marcotte,
Chair, House Committee on Commerce and Economic Development
Vermont State House
115 State Street
Montpelier, VT 05633-5301

Re: H. 385 Relating to Coerced Debt

Dear Representative Marcotte,

I write on behalf of the American Financial Services Association (“AFSA”)¹ to thank you for your committee’s work on House Bill 385 relating to coerced debt. AFSA members acknowledge the disturbing realities of domestic violence and similar forms of abuse on affected individuals, mentally and physically, but also financially. We recognize the hardships that individuals who are victims of these crimes must face when they are confronted with economic abuse.

The changes your committee has made to the current draft of H. 385 go a long way to mitigating AFSA’s concerns about the bill’s potential for unintended consequences. Nevertheless, concerns remain. We are gratified that the current version addresses the use of the Online FTC ID Theft report and the broad "catch-all" category within the "Adequate Documentation" section. Furthermore, striking the term "Economic Abuse" and updating the language in Section 2495c(b) to allow a creditor 30 days to "determine if the debtor has established a prima facie case" is a significant improvement. This ensures creditors maintain the right to review the validity of a case rather than providing immediate relief upon submission.

We humbly recommend further changes to the bill. While highly sympathetic to these extremely difficult situations, our members remain concerned with the legislation as written, because of the real possibility that its broad nature renders it open to exploitation by bad actors. This, in turn, would expose AFSA members to the prospect of writing off legitimate debt as coerced. To address our remaining concerns and ensure the bill preserves its protections for victims without unnecessarily burdening creditors, we respectfully urge you to consider the following amendments.

¹ Founded in 1916, the American Financial Services Association (AFSA), based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members also provide commercial credit to vehicle and equipment dealers.

A significant concern with this legislation is that it does not entirely exclude secured debt from the definition of Coerced Debt contained in §2495(a)(2). While we acknowledge that the amendment exempts mortgages and commercial loans, it still risks clouding other areas of secured lending, such as auto loans, which are already governed by detailed, well-established repossession statutes. Extending coerced debt disputes to these assets creates significant unintended consequences, including unsettling secondary-market contracts and introducing legal uncertainty around vehicle titles. To ensure Vermont's coerced debt process remains practical and aligns with frameworks in other states, we recommend revising the definition of "coerced debt" to categorically exclude all secured debt not just mortgages and commercial loans.

On a related point, we recommend the committee strike provision §2495(a)(2)(A)(i), which includes in the definition of "coerced debt," debt that was incurred through the use of a debtor's personal information *without* their knowledge. It is conceptually counterintuitive to include debt incurred without a debtor's knowledge under a "coerced" debt framework. If a bad actor uses someone's information without their knowledge then the victim's will hasn't been coerced; their identity has simply been stolen. Therefore, including unknown, unauthorized charges under a "coerced debt" framework conflates two distinct legal concepts. Furthermore, this provision is redundant, as existing identity theft and fraud laws already provide established frameworks and relief for debt incurred without a consumer's knowledge.

The disturbing trend of domestic abuse that spills into economic abuse is one that should not be taken lightly. We believe the incorporation of the minor language changes suggested in this letter will produce a piece of policy that is fit-for-purpose, allowing victims of economic abuse to rightfully seek relief from coerced debt, while protecting creditors from spurious and fraudulent claims under the law.

We appreciate your attention to our remaining concerns and respectfully urge your committee to take swift action in addressing the challenges outlined above. If you have any questions or would like to discuss this further, please do not hesitate to contact me at coconnor@afsamail.org or (585) 953-9624 at your convenience.

Sincerely,

A handwritten signature in cursive script that reads 'Elora Rayhan'.

Elora Rayhan
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Copy to:

All Members House Commerce and Economic Development Committee