

1 H.385

2 An act relating to remedies and protections for victims of coerced debt

3 It is hereby enacted by the General Assembly of the State of Vermont:

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

5 Subchapter 13. Coerced Debt

6 § 2495a. DEFINITIONS

7 As used in this subchapter:

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

9 (A) a copy of a report filed with a federal, state, or local law
10 enforcement agency that identifies the coerced debt and the circumstances
11 under which the coerced debt was incurred, the filing of which subjects the
12 person filing the report to criminal penalties for filing false information if, in
13 fact, the information in the report is false;

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

15 (C) a sworn certification from a qualified third-party professional
16 regarding the debtor’s claim of coerced debt.

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

19 (A) was incurred as a result of domestic abuse, human trafficking, or
20 the abuse, neglect, or exploitation of a vulnerable adult and the perpetrator’s:

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

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

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

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

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

9 (4) “Debtor” means a person who:

10 (A) owes coerced debt; and

11 (B) is a survivor of domestic abuse or human trafficking; or

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

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

16 (6) “Future abuse” means abuse as defined in 15 V.S.A. § 1101(1),
17 except that the abuse need not occur between family or household members.

18 (7) “Good faith” has the same meaning as provided in 9A V.S.A.
19 § 1—201(b)(20).

20 (8) “Human trafficking” has the same meaning as in 13 V.S.A. § 2652
21 or 2653.

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

3 (10) “Qualified third-party professional” means any of the following
4 individuals who do not have a conflict of interest:

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) employed at
8 a program that assists survivors of domestic violence, sexual assault, stalking,
9 human trafficking, or abuse of children, and who has relevant training or
10 expertise;

11 (D) a licensed attorney; or

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

13 (11)(A) “Statement of coerced debt” means a sworn written statement
14 by a debtor provided by mail to a creditor that includes the following
15 information:

16 (i) identification of the debt, or portion of the debt, alleged to be
17 coerced debt;

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

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

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

7 (v) the identity of and contact information for the perpetrator, if
8 known, unless the debtor signs a sworn statement that disclosing such
9 information is likely to result in future abuse to the debtor or to a member of
10 the debtor’s immediate family;

11 (vi) the debtor’s preferred language and contact method and
12 information such as a telephone number, email address, physical address, or
13 safe address for either the debtor or a third party whom the debtor designates to
14 receive information about the coerced debt, which shall be specified by the
15 debtor; and

16 (vii) any other documents the debtor deems appropriate to support
17 the statement.

18 (B) As used in subdivision (A) of this subdivision (11), “mail” means
19 certified mail, certificate of mailing, or any other similar first-class mail
20 tracking method used or approved by the U.S. Postal Service, including
21 Intelligent Mail barcode Tracing (IMb Tracing). The term also includes any

1 electronic or digital transmission that provides a verifiable date, timestamp, or
2 tracking capability.

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

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

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

11 CERTIFICATION OF QUALIFIED THIRD-PARTY PROFESSIONAL

12 I, (name of qualified third-party professional), do hereby
13 certify under penalty of perjury as follows:

14 1. I am a qualified third-party professional as defined in 9 V.S.A.
15 § 2495a(10) who has had in-person contact or face-to-face contact through an
16 electronic medium with (name of debtor).

17 2. Based on my professional interactions with the debtor and
18 information presented to me in my professional capacity, I have a reasonable
19 basis to believe (name of debtor) is a survivor of domestic abuse
20 or human trafficking or is a vulnerable adult who is a survivor of abuse.

1 neglect, or exploitation, and has incurred all or a portion of debt that is coerced
2 debt.

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

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

8 I attest that the foregoing is true and correct.

9 (Printed name of qualified third-party professional)

10 (Signature of qualified third-party professional)

11 (Business address and business telephone)

12 (Date)

13 § 2495b. COERCED DEBT PROHIBITED

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

15 Substantiated coerced debt is not enforceable against the debtor.

16 § 2495c. CREDITOR'S CONDUCT PURSUANT TO A DEBTOR'S

17 STATEMENT OF COERCED DEBT

18 (a) Within 10 business days following receipt of a debtor's statement of
19 coerced debt and adequate documentation, a creditor shall:

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

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

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

6 (b) If a debtor notifies a creditor that a particular debt being collected, or a
7 portion thereof, is coerced debt, but does not provide all the information
8 required under subsection (a) of this section or provides such notice orally, and
9 if such creditor does not cease such collection activities, then within 10
10 business days after receipt of the debtor's notice of the coerced debt, the
11 creditor shall inform the debtor that additional written information is required
12 and shall provide the debtor with Model Form A-1, as described in subsection
13 (g) of this section.

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

20 (2) The 30-day period described in subdivision (1) of this subsection
21 may be extended for up to an additional 15 days if the creditor receives

1 supplementary information from the debtor during that 30-day period that is
2 relevant to the investigation.

3 (d) Within five business days after making a determination under
4 subsection (c) of this section, the creditor shall notify the debtor of such
5 determination in writing and shall provide a good faith basis for the
6 determination. The notice shall not include personally identifiable information
7 of another person. If the creditor:

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

13 (2) determines the available information does not establish that the
14 disputed debt is coerced debt, the creditor may recommence collection
15 activities; however, the creditor is prohibited from selling, assigning, or
16 otherwise transferring such debt.

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

21 (f) In connection with a statement of coerced debt, the creditor:

1 (1) shall not disclose the contact information the debtor provides in the
2 statement of coerced debt to any other person, including the perpetrator or joint
3 account holders, without the debtor's express written authorization, unless
4 directed or authorized to do so by court order; and

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

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

13 MODEL FORM A-1 FOR CREDITORS TO PROVIDE TO DEBTORS

14 [Creditor name:

15 Address:

16 Email address:

17 Telephone number:

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

19 [Debtor's name]

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

1 [Debtor's preferred language]

2 You have given us information about a debt that may have been taken out
3 because someone used your personal information without your permission or
4 because someone intimidated, threatened, forced, or manipulated you into
5 taking out this debt.

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

10 Questions: To temporarily or permanently stop collection of this debt, you
11 need to answer the questions below. If you do not know the answer, you can
12 explain why you do not know the answer.

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

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

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

20 4. What is your preferred contact method and contact information? You
21 can provide a telephone number, email address, physical address, safe address,

1 or the contact information of another trusted person you want to receive
2 information for you because you are concerned about your safety.

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

8 1. A copy of a report filed with a federal, state, or local law enforcement
9 agency that identifies the coerced debt and the circumstances under which the
10 coerced debt was incurred, the filing of which subjects the person filing the
11 report to criminal penalties for filing false information if, in fact, the
12 information in the report is false;

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

14 3. A sworn certification from a qualified third-party professional you talked
15 with about this debt. The statement should include who the person is, where
16 the person works, the person's contact information, and information you
17 shared with the person about the debt and how it was taken out. The third
18 party may be:

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

20 (b) a court-appointed special advocate;

1 (c) a crisis worker as defined in 12 V.S.A. § 1614(a)(1) employed at a
2 program that assists survivors of domestic violence, sexual assault, stalking,
3 human trafficking, or abuse of children, and who has relevant training or
4 expertise;

5 (d) a licensed attorney; or

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

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

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

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

15 1. Notify you in writing that we are stopping all attempts to collect the debt
16 from you, pending our review of your claim.

17 2. Review your claim and make a determination as to whether you should
18 be relieved from liability for the coerced debt.

19 3. Contact the consumer reporting agencies to which we gave information
20 about you and the coerced debt and request that they remove the information
21 from your file and credit report. Alternatively, we also have the right to

1 challenge your claim of coerced debt in court, subject to legal protections for
2 victims of coerced debt.

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

5 If you have questions, please contact us at: [creditor's name, mailing
6 address, telephone number, and email address]. If you prefer to communicate
7 with us by email, please confirm with us by telephone our correct email
8 address for submitting information about the debt so we can ensure a timely
9 response.

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

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

17 § 2495d. CIVIL LEGAL REMEDIES

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

19 (2) In any action initiated by a creditor to seek collection of a debt from
20 a debtor, the debtor may establish a prima facie case that the debt is coerced
21 debt by submitting a statement of coerced debt and adequate documentation. If

1 the debtor establishes a prima facie case of coerced debt, the creditor shall bear
2 the burden of proving, by a preponderance of the evidence, that the debt is not
3 coerced debt.

4 (b) If a court finds a debt is coerced debt:

5 (1) the court shall vacate any previous default judgment issued against
6 the debtor on the coerced debt;

7 (2) the creditor shall have a cause of action against the perpetrator; and

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

11 (c) This section shall not be construed to limit or infringe upon any other
12 rights or remedies available under common law or any other provision of law
13 or rule.

14 (d) If a debtor signs a sworn statement that disclosing the identity of and
15 contact information for the perpetrator is likely to result in future abuse to the
16 debtor or a member of the debtor's immediate family, the creditor may file a
17 motion requesting a hearing to determine the danger of future abuse to the
18 debtor or to a member of the debtor's immediate family. The debtor shall bear
19 the burden of proving by a preponderance of the evidence that, if the debtor
20 discloses the identity of and contact information for the perpetrator, the
21 perpetrator poses a danger of future abuse to the debtor or to a member of the

1 debtor's immediate family. If the court finds that the debtor meets this burden,
2 the debtor shall not be required to disclose the information. If the debtor does
3 not meet this burden, the court shall order the debtor to disclose the identity of,
4 and, if known, the contact information of the perpetrator.

5 (e) In any action involving an alleged coerced debt, upon motion of the
6 debtor, the court may seal court records in accordance with Rule 9 of the
7 Vermont Rules for Public Access to Court Records, redact personally
8 identifiable information, or direct that any deposition or evidentiary hearing be
9 conducted remotely to protect the debtor or a member of the debtor's
10 immediate family from a perpetrator. A debtor seeking a relief from abuse
11 order or an order against stalking or sexual assault shall do so in accordance
12 with 15 V.S.A. chapter 21 or 12 V.S.A. chapter 178, respectively.

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

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

1 (i) 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 (j) An action by a creditor against a perpetrator shall be commenced within
6 six years after the date the creditor received the debtor's statement of coerced
7 debt and adequate documentation or received notice of the identity of the
8 perpetrator, whichever is later.

9 § 2495e. VIOLATIONS

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

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

16 § 2495f. CONFIDENTIALITY

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

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

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

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

13 § 2480d. PROCEDURE IN CASE OF DISPUTED ACCURACY; COERCED

14 DEBT

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

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

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

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

17 (e) If, after a reinvestigation under subsection (a) of this section of any
18 information disputed by a consumer, the information is found to be inaccurate
19 or cannot be verified, the credit reporting agency shall promptly delete such
20 information from the consumer's file. For purposes of this section,

1 “information” ~~shall~~ does not include other information in the same item that is
2 not disputed by the consumer.

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

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

15 (1) a statement that the reinvestigation is complete;

16 (2) a statement of the determination of the agency on the completeness
17 or accuracy of the disputed information;

18 (3) a credit report that is based upon the consumer’s file as that file is
19 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.

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

2 § 2480k. COMPLAINTS TO LAW ENFORCEMENT AGENCIES

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

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

18 Subchapter 8. Protection from Financial Exploitation

19 § 10801. FINDINGS AND INTENT

20 (a) The General Assembly finds that:

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

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

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

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

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

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

14 § 10802. DEFINITIONS

15 As used in this subchapter:

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

1 guardianship, conservatorship, power of attorney, and representative payee
2 accounts, to the extent the account is maintained by a covered entity.

3 (2) “Associated third party” means:

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

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

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

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

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

19 (4) “Customer” means any person who establishes, maintains, or is a
20 beneficiary of an account with a covered entity, including any person who
21 owns, controls, or has a present or contingent legal or beneficial interest in

1 funds held in the account, whether acting directly or through an agency,
2 fiduciary, or representative.

3 (5) “Financial exploitation” means:

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

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

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

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

16 § 10803. PROTECTIVE ACCOUNT ACTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (1) not constitute wrongful dishonor under 9A V.S.A. § 4—402;

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

16 (3) not constitute a violation of 9A V.S.A. Article 4A (fund transfers) or
17 related funds transfer laws, and any delayed payment order is deemed received
18 only when the hold is removed and the covered entity submits the order for
19 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 occurring or has occurred and such disclosure is
5 in the best 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. 4 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. COERCED DEBT; DATA COLLECTION; REPORT

17 (a) Beginning on July 1, 2028, the Commissioner of Financial Regulation
18 shall study the utilization of the coerced debt protections and remedies codified
19 in 9 V.S.A. chapter 63, subchapter 13. In conducting such study, the
20 Commissioner shall consult with representatives from the Vermont Network
21 Against Domestic and Sexual Violence, the Vermont Bankers Association, the

1 Association of Vermont Credit Unions, the Office of the Attorney General,
2 Vermont Legal Aid, and any other person deemed appropriate by the
3 Commissioner. Among other things, the study shall include an assessment of
4 coerced debt claims with regard to:

5 (1) their frequency;

6 (2) creditor investigations;

7 (3) the presence of fraudulent or illegitimate claims;

8 (4) any challenges experienced by debtors or creditors in exercising
9 their rights under the applicable subchapter; and

10 (5) any other matters deemed relevant and appropriate by the
11 Commissioner.

12 (b) On or before November 15, 2029, the Commissioner shall report the
13 Commissioner's findings and recommendations in draft form to the House
14 Committee on Commerce and Economic Development and the Senate
15 Committee on Finance.

16 Sec. 7. EFFECTIVE DATES; APPLICATION

17 (a) This section, Sec. 3 (complaints regarding claims of identity theft), Sec.
18 4 (suspicious banking transactions), and Sec. 5 (report on suspicious banking
19 transactions) shall take effect on passage.

20 (b) Sec. 1 (coerced debt, creditor conduct, civil legal remedies), Sec. 2
21 (duty of credit reporting agency to reinvestigate coerced debt), and Sec. 6

1 (report on coerced debt) shall take effect on July 1, 2028, and shall apply to all
2 outstanding coerced debt, including coerced debt incurred prior to July 1,
3 2028.