# STATE OF NEW YORK

3038--A

2025-2026 Regular Sessions

# IN ASSEMBLY

January 23, 2025

Introduced by M. of A. ROSENTHAL, DAVILA, KELLES, WALKER, SHIMSKY, REYES, BURDICK, STECK, PAULIN, OTIS, HEVESI, TAYLOR -- read once and referred to the Committee on Consumer Affairs and Protection -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the general business law, in relation to establishing a right of action for claims arising out of coerced debts

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The general business law is amended by adding a new article 29-HHH to read as follows:

ARTICLE 29-HHH

ACTIONS INVOLVING COERCED DEBTS

Section 604-aa. Definitions.
604-bb. Notice of coerced debt.
604-cc. Coerced debt cause of action and affirmative defense.

§ 604-aa. Definitions. As used in this article, the following terms shall have the following meanings:

1. "Action" means any civil judicial proceeding as defined in section one hundred five of the civil practice law and rules.

2. "Adequate documentation of coerced debt" means documentation that identifies a particular debt, or a portion thereof, as coerced debt, describes the circumstances under which such coerced debt was incurred, and takes the form of any of the following:

(a) a police report;

(b) a federal trade commission identity theft report that identifies a particular debt, or portion thereof, as a coerced debt;

(c) an order from a court of competent jurisdiction setting forth findings of coerced debt; or

(d) a written verification, from a qualified third party to whom the debtor reported the coerced debt, which shall be satisfied by any sworn

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD04056-02-5

or notarized statement including the required information as well as the name, mailing address, and email address or telephone number, as applicable, of such qualified third party's employer or, if self-employed, of such qualified third party.

3. "Coerced debt" is debt incurred as a result of economic abuse, including but not limited to, by means of fraud, duress, intimidation, threat, force, coercion, manipulation, or undue influence, the non-consensual use of the debtor's personal information.

4. "Creditor" means any person, firm, corporation or organization to whom a debt is owed, due, or asserted to be due or owed, or any assignee for value of said person, firm, corporation or organization, including any debt collection agency or debt collector as defined by section six hundred of this chapter; provided, however, that "creditor" shall not include a person to whom a debt is allegedly owed, due, or asserted to be due or owed, where the person asserting such claim caused the debt to arise by engaging in one or more acts of coercion, as identified in subdivision three of this section, against the debtor.

5. "Debt" means any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, rental arrears owed for use and occupancy of a dwelling, or services which are the subject of such transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to a judgment.

6. "Debtor" means any natural person who owes or who is asserted to owe a debt.

7. "Economic abuse", in the context of intimate relationships or relationships between family or household members as defined by section four hundred fifty-nine-a of the social services law, relationships between victims of human trafficking and traffickers, or relationships between children, the elderly, or individuals eligible for protective services under subdivision one of section four hundred seventy-three of the social services law, and their caregivers, means behavior that is coercive, deceptive, manipulative, or that controls, restrains, or sabotages a person's ability to acquire, use, or maintain economic resources to which they are entitled, including but not limited to using coercion, fraud, or manipulation to:

(a) restrict a person's access to money, assets, credit, or financial information;

(b) unfairly use a person's personal information or personal economic resources, including money, assets, and/or credit; or

(c) exert undue influence over a person's financial and economic behavior or decisions, including but not limited to forcing default on joint or other financial obligations, exploiting powers of attorney, guardianship, or conservatorship, or failing or neglecting to act in the best interests of a person to whom one has a fiduciary duty.

8. "Personal information" includes, but is not limited to, a name, address, telephone or mobile phone number, driver registration number or non-driver identification card number, social security number, email address, social media profile or screen name, place of employment, employee identification number, mother's maiden name, financial services account number or code, savings account number or code, checking account number or code, debit or credit card number or code, automated teller machine number or code, electronic serial number, any personal identification number or password of a debtor, and a debtor's personal documents, including, but not limited to, such debtor's driver's license or non-driver identification card, passport, permanent resident card, visa,

birth certificate, social security card, and any copies thereof or information contained therein. "Personal identification number or password", as used in this subdivision, means any number or alphanumeric code which may be used alone or in conjunction with any other information to assume the identity of another person or access financial resources or credit information of another person.

9. "Pleading" means any complaint, petition, counterclaim, cross-claim, interpleader complaint, third-party complaint or any similar papers asserting a claim and demand for relief required to be filed with the court pursuant to rule twenty-one hundred two of the civil practice law and rules, the rules of the chief administrator of the courts, or any local rule or practice established by the court.

10. "Qualified third party" means any (a) law enforcement officer; (b) employee of a court of the state; (c) attorney, physician, psychiatrist, psychologist, social worker, registered nurse, therapist, or clinical professional counselor licensed to practice in any state; (d) person employed by or working on behalf of a government or non-profit office, agency, or service that advises or provides services to persons regarding domestic violence, family violence, human trafficking, or abuse of children, the elderly, or dependent adults; or (e) member of the clergy of a church or religious society or denomination.

§ 604-bb. Notice of coerced debt. 1. Upon receipt of the following, a creditor shall cease collection activities until completion of the review under subdivision three of this section:

(a) adequate documentation of coerced debt; and

(b) the debtor's statement that a particular debt being collected, or portion thereof, is coerced debt.

2. (a) If a debtor notifies a creditor, either orally or in writing, that a debt is a coerced debt but does not provide the documentation required in subdivision one of this section, or such documentation is insufficient, such creditor shall provide written notice to such debtor that includes the following text:

"UNDER NEW YORK GENERAL BUSINESS LAW 604-BB, YOU HAVE THE RIGHT TO DISPUTE DEBT THAT YOU BELIEVE IS COERCED DEBT. A DEBT IS "COERCED" WHEN IT IS INCURRED IN A CONSUMER'S NAME BECAUSE OF THREATS, INTIMIDATION, OR FORCE BY ANOTHER PERSON.

TO DISPUTE COERCED DEBT, YOU MUST SUBMIT A "NOTICE OF COERCED DEBT" IN WRITING. THE "NOTICE OF COERCED DEBT" MUST INCLUDE TWO DOCUMENTS:

1 - A SWORN OR NOTARIZED STATEMENT BY YOU, THE ALLEGED DEBTOR, STATING THAT A CERTAIN DEBT OR PORTION OF A DEBT BEING COLLECTED IS COERCED DEBT.

2 - "ADEQUATE DOCUMENTATION OF COERCED DEBT"

TO PROVIDE "ADEQUATE DOCUMENTATION OF COERCED DEBT," YOU ARE REQUIRED TO PROVIDE ONLY ONE OF THE FOLLOWING DOCUMENTS, BUT YOU MAY PROVIDE MORE THAN ONE.

1 - A POLICE REPORT

2 - A FEDERAL TRADE COMMISSION IDENTITY THEFT REPORT

3 - A COURT ORDER FINDING THAT THE DEBT WAS COERCED

4 - A NOTARIZED STATEMENT FROM A "QUALIFIED THIRD PARTY" THAT YOU REPORTED THE COERCED DEBT TO.

EXAMPLES OF "QUALIFIED THIRD PARTIES" INCLUDE SOCIAL WORKERS AND ATTORNEYS; DOCTORS, NURSES, AND THERAPISTS; EMPLOYEES FROM GOVERNMENT OR NON-PROFIT AGENCIES THAT WORK WITH SURVIVORS OF VIOLENCE; MEMBERS OF THE CLERGY; ELECTED OFFICIALS; AND LAW ENFORCEMENT OFFICERS.

NO MATTER WHICH FORM OF "ADEQUATE DOCUMENTATION OF COERCED DEBT" YOU PROVIDE, IT MUST IDENTIFY THE PARTICULAR DEBT, STATE THAT IT IS COERCED

DEBT, AND DESCRIBE THE CIRCUMSTANCES THAT CAUSED THE DEBT TO BE INCURRED.

TO DISPUTE DEBT THAT YOU BELIEVE IS COERCED DEBT, PLEASE SEND THE REQUIRED DOCUMENTS TO (DESIGNATED ADDRESS). AFTER RECEIVING YOUR NOTICE OF COERCED DEBT, WE WILL INVESTIGATE YOUR CLAIM AND RESPOND IN WRITING WITHIN 35 BUSINESS DAYS. FOR MORE INFORMATION, PLEASE CALL (DESIGNATED PHONE NUMBER)."

(b) If a debtor notifies a creditor in writing that a particular debt being collected, or portion thereof, is coerced debt, but omits information under subdivision one of this section, and if such creditor does not cease such collection activities, such creditor shall provide written notice to such debtor of the additional information that is required.

3. (a) Within ten business days of receiving the information under subdivision one of this section, the creditor shall, if such creditor furnishes adverse information about the debtor to a consumer reporting agency, notify such consumer reporting agency that the account is disputed.

(b) Within thirty business days of receiving the information under subdivision one of this section, the creditor shall complete a review considering all information provided by the debtor and other information available to such creditor in such creditor's file. In connection with such review and communication of the outcome of such review, the creditor shall:

(i) neither directly nor indirectly contact the individual accused of causing the coerced debt to be incurred;

(ii) use only the contact information the debtor provides with the information under subdivision one of this section when attempting to contact such debtor and shall not use any other contact information, even if associated with the account under review, when attempting to contact such debtor; and

(iii) not disclose the documents, information, or contact information the debtor provides with the information under subdivision one of this section to any other person, including, but not limited to, joint account holders, without such debtor's express written authorization. For purposes of this subparagraph, sending documents, information, or contact information the debtor provides under subdivision one of this section to a mailing or electronic mail address other than the one provided by the debtor constitutes unlawful disclosure to a third party, even if such mail or electronic mail address is associated with the account.

(c) Within five business days of completing the review under paragraph (b) of this subdivision, a creditor who recommences collection activities based on such review shall notify the debtor in writing of such creditor's determination and the good faith basis for such determination, and shall enclose all documents and information upon which such creditor bases its determination therewith, provided however such documentation shall not include personally identifiable information of another person. Such written notice shall include a notice of the debtor's right to request reconsideration of such determination to recommence collection activities under subdivision four of this section.

(d) Within five business days of completing the review under paragraph (b) of this subdivision, a creditor who ceases collection activities under this section and, based on such review, does not recommence such collection activities, shall:

(i) notify the debtor in writing that it is ceasing collection activities based on such debtor's claim of coerced debt;

(ii) contact any consumer reporting agencies to which it furnishes information about the debtor and the particular debt and instruct such consumer reporting agencies to delete such information; and

(iii) if the creditor is also a debt collector or debt collection agency, as defined in section six hundred of this chapter, notify the original creditor that it has ceased collection activities because the debt was found to be a coerced debt.

4. A debtor who receives written notice under paragraph (c) of subdivision three of this section that the creditor will recommence collection activities against such debtor based on such creditor's determination under subdivision three of this section may make a request to the creditor that the creditor reconsider such determination to recommence collection activities within thirty days of the date of mailing of such written determination. A debtor requesting reconsideration of a creditor's determination to recommence collection activities shall be permitted to submit additional adequate documentation of coerced debt, as defined in this article. A creditor who receives a debtors request for reconsideration shall complete a review of all information, including additional adequate documentation submitted, within thirty days of receiving such request. Submitting a request for reconsideration of the determination to the creditor shall not be a condition to bringing an action under section six hundred four-cc of this article.

5. No inference or presumption that the debt is valid or invalid, or that the debtor is liable or not liable for such debt, shall arise if the creditor decides after completing the review under subdivision three of this section to cease or recommence the debt collection activities. The exercise or non-exercise of rights under this section shall not constitute a waiver of any other right or defense of the debtor, creditor, debt collector, or any other person.

6. Ceasing collection activities under this section shall not toll the statute of limitations period on any action to collect the debt.

7. If at any time any individual or entity, including, but not limited to the creditor, such creditor's assignor, or any assignee, recommences collection activities on the debt after ceasing collection activities on such debt based on such creditor's review of such debtor's notice of coerced debt, such debtor may submit a subsequent notice of coerced debt. A subsequent notice of coerced debt submitted under this subdivision shall be governed by subdivisions one through six of this section.

8. A debtor injured by a violation of this section shall have a cause of action against the creditor to recover statutory damages of one thousand dollars, actual damages, if any, and the costs and attorneys' fees reasonably incurred in bringing such action.

§ 604-cc. Coerced debt cause of action and affirmative defense. 1. A person shall not cause another person to incur a coerced debt. A person who causes another person to incur a coerced debt in violation of this subdivision shall be civilly liable to the creditor, and/or the debtor in whose name such coerced debt was incurred if such debtor has already paid all or part of such coerced debt, for the amount of such debt, or portion thereof, determined by the court to be a coerced debt, as well as such creditor's and/or debtor's costs and attorneys' fees reasonably incurred in bringing the action. An action under this subdivision shall be commenced within three years of the later of: (a) the creditor's determination that all or part of such debt is coerced debt; or (b) a court's determination that all or part of such debt is coerced debt.

2. (a) A debtor shall have a cause of action against a creditor in any court having jurisdiction to issue a declaratory judgment establishing that a debt or portion of a debt asserted to be owed to such creditor is a coerced debt. Notwithstanding section one thousand one of the civil practice law and rules, any individual alleged to have caused such coerced debt to be incurred shall not be a necessary party to such action. Such action shall not be commenced and maintained unless the following conditions are satisfied:

(i) (1) the debtor provides by first class mail with certification of mailing, certified mail, overnight delivery, or other method that allows for confirmation of the date of mailing, the notice of coerced debt or subsequent notice of coerced debt under section six hundred four-bb of this article, provided, however, that receipt of the notice of coerced debt shall not be a condition to bringing such action if it is sent in a properly addressed envelope; and

(2) the thirty-day period under paragraph (b) of subdivision three of section six hundred four-bb of this article has expired and the debtor has not received written notice that collection activities have ceased; or

(ii) the debtor receives a written determination under paragraph (c) of subdivision three of section six hundred four-bb of this article that the particular disputed debt is not coerced debt.

(b) The submission of a request for reconsideration under subdivision four of section six hundred four-bb of this article of the creditor's decision to recommence debt collection activities based on such creditor's review of the debtor's notice of coerced debt is not a condition to commencing an action under this subdivision.

3. In an action under subdivision two of this section, a debtor shall plead the allegations of coerced debt with particularity and shall attach the documents provided to the creditor pursuant to subdivision one of section six hundred four-bb of this article to any complaint.

4. A debtor who establishes by a preponderance of the evidence in an action pursuant to subdivision two of this section that a debt or portion of a debt asserted to be owed to the creditor is coerced debt shall be entitled to the following relief:

(a) a declaratory judgment stating that the debt or portion thereof is coerced debt and that the alleged debtor shall not be liable for such coerced debt;

(b) an order enjoining or restraining the creditor from holding or attempting to hold the debtor personally liable for the coerced debt or attempting to obtain or enforce any judgment thereon against such debtor and enjoining and restraining all future collection activities with respect to such debt;

(c) an order dismissing any other cause of action brought by the creditor to enforce or collect the coerced debt from the debtor;

(d) if the creditor has furnished adverse information to a consumer reporting agency with respect to such coerced debt, an order directing the creditor to notify such agency to delete all such adverse information; and

(e) the costs and attorneys' fees reasonably incurred in bringing such action.

5. In any action by a creditor against a debtor to collect a debt, it shall be an affirmative defense to such action that all or a portion of the debt is coerced debt. Providing notice to the creditor under section six hundred four-bb of this article shall not be a prerequisite to asserting such defense; provided, however, the documents described in

subdivision one of section six hundred four-bb of this article shall be annexed to the debtor's answer. A debtor who prevails on an affirmative defense of coerced debt shall be entitled to the costs and attorneys' fees reasonably incurred in defending against the action. Notwithstanding section one thousand one of the civil practice law and rules, any individual alleged to have caused such coerced debt to be incurred shall not be or become a necessary party to such action.

6. An action pursuant to subdivision two of this section shall be commenced within three years after the date on which the debtor provided the notice of coerced debt pursuant to section six hundred four-bb of this article to the creditor; provided, however, that if such creditor, its assignor, or any assignee recommences collection activities on the debt after ceasing collection activities on such debt based on such creditor's review of the debtor's claim of coerced debt, such debtor shall have the right to file a subsequent notice of coerced debt pursuant to subdivision seven of section six hundred four-bb of this article and the statute of limitations shall commence on the date on which such debtor provided such subsequent notice of coerced debt.

7. If requested by the debtor, the court presiding over any action in which coerced debt is raised as a claim or affirmative defense shall take appropriate steps necessary to prevent abuse of such debtor or an immediate family member of such debtor, including but not limited to the sealing of court records, the redaction of such debtor's or their immediate family member's personal information, and/or directing that any disposition or hearing be held remotely.

8. The provisions of this article shall not be construed so as to prevent a creditor from enforcing any claim or collecting judgment arising out of a lawful debt or portion thereof from any other person or entity other than the coerced debtor.

9. For debts secured by real or personal property, the private cause of action and affirmative defense authorized by this section shall affect only the debtor's liability for any deficiency after the foreclosure, repossession, or surrender and disposition of the subject collateral.

10. Whenever there shall be a violation of this section, an application may be made by the attorney general in the name of the people of the state of New York to a court or justice having jurisdiction to issue an injunction, and upon notice to the defendant of not less than five days, to enjoin and restrain the continuance of such violations. If it shall appear to the satisfaction of the court or justice that the defendant has, in fact, violated this section, an injunction may be issued by such court or justice, enjoining or restraining any violation, without requiring proof that any person has, in fact, been injured or damaged thereby. In any such proceeding the court may make allowances to the attorney general as provided in section eighty-three hundred three of the civil practice law and rules, and may make direct restitution. In connection with any such proposed application, the attorney general is authorized to take proof and make a determination of the relevant facts and to issue subpoenas in accordance with the civil practice law and rules. Whenever the court shall determine that a violation of this section has occurred, the court may impose a civil penalty for each violation up to five thousand dollars.

§ 2. This act shall take effect on the ninetieth day after it shall have become a law.