

March 10, 2026

The Honorable Sandy Bartlett
Chair, House Judiciary Committee
Maryland State House
100 State Circle
Annapolis, MD 21401

Re: H.B. 1198 Relating to Coerced Debt

Dear Delegate Bartlett,

We write on behalf of the American Financial Services Association (“AFSA”)¹ to express our grave concerns with House Bill 1198. AFSA members acknowledge the disturbing realities of domestic violence and similar forms of abuse on affected individuals, mentally, physically, and financially. We recognize the hardships that individuals who are victims of these crimes must face when they are confronted with economic abuse.

While highly sympathetic to these extremely difficult situations, our members are concerned with the legislation as written, because of the real possibility that its overly 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.

Secured Debt

One of the most concerning aspects of the legislation, as drafted, is that motor-vehicle–secured loans are not excluded from the definition of coerced debt. While we appreciate the bill’s exclusion of real property, the exclusion should also extend to debt secured by personal property to ensure consistency with existing coerced debt statutes and to avoid clouding well-established secured-transactions law. Without this clarification, the bill risks unnecessary interference with a creditor’s long-recognized security interest in financed vehicles. To prevent these complications, the secured-debt carve-out should be amended to clearly exclude all forms of secured debt. We suggest the following language:

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.

“COERCED DEBT’ DOES NOT INCLUDE A DEBT SECURED BY REAL OR PERSONAL PROPERTY”

Limiting the definition of debt to exclude secured debt will ensure Maryland’s coerced debt process remains in line with other states that have addressed this issue (Illinois and New York, for example). Moreover, this change will ensure the legislation does not impinge on an area of law that is expansive and detailed, specifically in the areas of repossession and deficiency-judgment statutes.

Adequate Documentation

As written in HB 1198, an FTC identity theft report to a creditor would satisfy the requirement of providing adequate documentation of coerced debt. While our members agree that proving a legitimate claim of coerced debt should not be overly difficult for a victim of economic abuse, there should be reasonable constraints in place.

The FTC Identity Theft report is an unverified, self-reported claim of identity theft, without external validation and absent any official findings of coerced debt (police investigation, court order, or qualified third-party verification). In fact, the FTC’s identity theft website (<https://www.identitytheft.gov/Steps>) directs victims to pursue additional concrete remedies, reinforcing the form's function as a reporting mechanism only, and the website as one step for consumer guidance and data collection, but not as a conclusive determination or standalone solution for coerced debt.

If the language cannot be removed, we urge the following amendment to the current language:

“A FEDERAL TRADE COMMISSION IDENTITY THEFT REPORT SPECIFICALLY IDENTIFYING A PARTICULAR DEBT, OR PORTION THEREFORE, AS COERCED, BUT NOT AS IDENTITY THEFT”.

This is a reasonable standard that is followed in California and provides for a fair process for both the debtor and the creditor. Under this standard, there is less likelihood of fraud, including the increasingly common viral “credit washing” antics that are blasted in social media circles to facilitate fraud. This ensures creditors maintain the right to review the validity of a case rather than providing immediate relief upon submission.

Finally, we request that lines 5–7 of page 4 be removed. Requiring a creditor to publish information on their website on how a debtor may submit a notice of coerced debt—or through other public communications—creates a meaningful risk of facilitating fraud. Victims of these serious crimes are already likely to receive guidance and information on how to notify a creditor of potential coerced debt through established support channels, including mental-health providers, healthcare professionals, and

domestic-violence organizations, all of which are contemplated in the bill as “QUALIFIED THIRD PARTIES.” Moreover, it is important to note that no other state with a coerced debt framework imposes this additional burden on creditors.

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.

Thank you,

A handwritten signature in black ink, appearing to read "Christian O'Connor", is written in a cursive style.

Christian O'Connor
State Legislative and Regulatory Counsel
American Financial Services Association

Copy to:
All Members of the House Judiciary Committee