

“Coerced debt” is a form of financial abuse in which debt is incurred without genuine voluntary consent. It is commonly associated with domestic violence and human trafficking, and can involve an abuser forcing a victim to obtain credit, or using threats, intimidation, or manipulation to compel borrowing.

Coerced debt presents challenges under traditional fraud laws because a victim may have signed an application or otherwise participated in a transaction, but only under coercion. A growing number of states are seeking to mitigate the consequences of this by establishing in statute specific procedures to stop collection, relieve victims of liability, and correct resulting credit damage.

Definitions vary, but coerced debt generally includes obligations incurred through force, threats, intimidation, duress, undue influence, or economic abuse. Legislation typically addresses both unauthorized use of a victim's identity and transactions in which the victim ostensibly consented but did so under coercion.

In the last few years, coerced debt has developed from a specialized domestic-violence and identity-theft issue into a distinct area of consumer-finance regulation. Seven states (California, Connecticut, Minnesota, Texas, New York, Illinois, and Vermont) have enacted specific protections, primarily aimed at establishing genuine cases of coerced debt through police or third-party reports, permitting victims to notify creditors of their situation, and rules for cessation of collections by creditors. As of October 2026, legislation has also been considered in Kansas, Massachusetts, Michigan, New Jersey, New Mexico, and Pennsylvania.

The principal debate concerns how to balance meaningful relief for victims with appropriate protections against false claims to defraud creditors. Important questions include what level of proof is not an undue additional burden on a coerced debt victim, but is a high enough threshold to prevent an false claims of non-victims to get out of debt they incurred willingly.

AFSA's Position

AFSA believes victims and conceptually supports legislation that protects vulnerable consumers. We also caution that this important concept requires meticulous policymaking in order to prevent fraudulent claims that take creditors' attention and resources away from true victims of coercion. Mandates without carefully balanced prevention of fraud may make legitimate loans too expensive to make—particularly to consumers at the lowest end of the credit spectrum—and may inadvertently create opportunities for fraud.

AFSA members believe that well-made public policy can allow victims relief from coerced debt, while protecting creditors from spurious and fraudulent claims under the law.