

New York Amends, Delays Coerced Debt Law

March 31, 2026 | [Thomas P. Quinn, Jr.](#) and [Chuck Dodge](#)

With a few days to spare as the clock ticked toward a March 20th effective date, New York Governor Kathy Hochul kept good on an earlier promise to revise the state's coerced debt law (the "Coerced Debt Law"). The Coerced Debt Law, which resides in Article 29-HHH of the state's General Business Law, was initially adopted in mid-December 2025. However, even upon its passage the Governor noted in her Approval Memorandum that the legislation "contains numerous technical errors, substantive issues and structural defects." These infirmities have largely been corrected with the adoption of Chapter 90 of the 2026 Session Laws ("Chapter 90").

Governor Hochul signed Chapter 90 on March 18th, two days before the Coerced Debt Law was to become effective. To the relief of the industry, Chapter 90 pushed out the effective date of the legislation by an additional 90 days making the revised Coerced Debt Law effective in mid-June, 2026. It also clarifies that the Coerced Debt Law is intended to be prospective in its application. As amended by Chapter 90, the Coerced Debt Law will only apply to debts incurred on or after the law's revised effective date.

However, in addition to buying the industry time, Chapter 90 also significantly modifies the core requirements of the Coerced Debt Law. Let's start with its scope. Chapter 90 significantly pares back the application of the Coerced Debt Law to secured debts. Debts secured by real property are now largely *excluded* from the coverage of the Coerced Debt Law. Real estate secured credit now is subject only to the provision that holds the person who caused another to incur a coerced debt (i.e., the "perpetrator" of such debt) civilly liable to the creditor and/or the debtor (if the debtor has paid some or all of such coerced debt) for the amount of the coerced debt - including any deficiency that might remain after a foreclosure on the collateral - as well as the reasonable costs and attorney's fees incurred in bringing an action to enforce such liability.

Debts secured by personal property like motor vehicles or watercraft will enjoy a more limited exemption. Going forward debts secured by personal property (such as an auto loan or credit sale) will not be subject to the provisions of the Coerced Debt Law permitting a debtor to provide creditors with a qualifying notice (i.e., a statement of the debtor that a particular debt being collected is coerced debt plus adequate documentation thereof) to pause collection efforts pending the creditor's investigation of that claim.

Personal property secured credit will also receive an exemption from the provisions of the Coerced Debt Law that empower a debtor to seek a declaratory judgment against a creditor that a debt (or a portion of a debt) owed to such creditor is a coerced debt. However, the right of a debtor to raise as an affirmative defense to a creditor collection action that the debt in question is a coerced debt remains

intact for personal property secured debt. However, Chapter 90 sensibly clarifies that this right does not limit the right of the creditor to enforce its security interest in the collateral property, including repossession or voluntary surrender of such collateral. Rather, the affirmative defense right for a personal property secured obligation only affects the debtor's liability for the post disposition deficiency balance.

While the revisions to the Coerced Debt Law are less dramatic for unsecured credit, the post Chapter 90 amendments to the law also merit analysis. Let's start with the definitions. As revised, the definition of "coerced debt" now incorporates elements of three separate definitions in the initial version of the Coerced Debt Law (the definitions of debt, coerced debt and economic abuse). The finalized definition of this term means a consumer-purpose debt that a debtor incurred because of duress, intimidation, threats, force, coercion, manipulation or undue influence that arises in the context of:

- Intimate relationships;
- Relationships between family or household members;
- Relationships between human traffickers and their victims;
- Relationships between children and their parents or caretakers; and
- Relationships between the elderly or individuals eligible for protective services and the caregivers for such parties.

Two edits were made to the definition of what constitutes "adequate documentation of coerced debt" that a borrower must provide along with his/her statement when notifying an unsecured creditor that a debt is coerced debt. The first is an expansion to the types of report that a debtor may provide. While previously this was limited to an FTC identity theft report, the revised definition expands this to include an official, valid report filed by the debtor with any federal, state or local law enforcement agency that identifies a particular debt (or a portion of a debt) as coerced so long as such report will subject the filing debtor to criminal penalties if the report is false. This modification should put the filing debtor on the point of the sword for ensuring that any such report filed is legitimate. The second edit is a clarification to the ability of debtor to provide a written verification of a debt being coerced debt from a qualified third party, which now requires that the debtor reported such debt as a coerced debt to the qualified third party while such party was acting in his/her professional capacity.

For creditors subject to the notice and investigation provisions (such as a creditor offering unsecured credit) of the Coerced Debt Law, these provisions have also been revised in several important ways. First, Chapter 90 provides creditors with a 10 business day period, running from its receipt of a qualified notice (i.e., a statement that a particular debt is a coerced debt AND adequate documentation that is so), to cease "collection activities" until the creditor completes its review to determine whether it agrees with that allegation. Previously this requirement had no timeframe associated with it, arguably meaning that a creditor must cease "collection activities" immediately upon receiving notice of the claim that a debt was coerced. Second, while the revised Coerced Debt Law does not define precisely what constitutes "collection activities," it does affirmatively exclude communications that are required by state or federal law or regulation. Finally, the Coerced Debt Law, as revised by Chapter 90, also modifies the prior right of the debtor to bring suit for a violation of the notification and investigation rules by the creditor by inserting a 15 day window for a creditor who is notified of a violation to cure the alleged

violation for the debtor's cause of action arises.

The right of the debtor to seek a declaratory judgment that s/he should not be liable for his/her unsecured debt (or a portion of his/her unsecured debt) because it is a coerced debt remains intact, but under the revised Coerced Debt law this right is delayed. Under the amended law the debtor must have submitted a request for reconsideration under the notice and creditor investigation provisions discussed above and either (a) the creditor has informed the debtor that it is affirming its prior determination under the notice and investigation rules that the debt is not a "coerced debt" or (b) the creditor did not notify the debtor of its subsequent determination within 35 days of the debtor submitting a reconsideration request. This adjustment effectively requires the debtor to exercise the qualified notice and creditor investigation rights as a prerequisite to seeking a declaratory judgment regarding the nature of the debt. This was not the case in the original bill, as these two rights stood as independent options for the debtor to elect. As a practical matter, the updated provision should reduce the number of instances in which a declaratory judgment might be sought.

While Chapter 90 provides the industry with a breather, a narrower scope and improved clarity of the Coerced Debt Law's requirements, and less regulatory overhead imposed by the rule much work remains. Creditors will need to revisit existing servicing and collection policies and procedures to ensure that the requirements of the law are appropriately sorted and implemented over the next two and a half months. The Coerced Debt Law retains Attorney General enforcement for violations of the statute which can carry civil penalties of up to \$5,000 per violation. So, in addition to the public policy benefit of protecting consumers who have been the victim of undue economic coercion there is also a bottom-line incentive for creditors to ensure that they have their policies and procedures locked down on this issue by the time the new effective date rolls around.

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