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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

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A N A C T

RELATING TO FINANCIAL INSTITUTIONS -- RHODE ISLAND FAIR DEBT
COLLECTION PRACTICES ACT

Introduced By: Senators McKenney, and Pearson

Date Introduced: March 05, 2024

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 19-14.9-3 of the General Laws in Chapter 19-14.9 entitled "Rhode
2 Island Fair Debt Collection Practices Act" is hereby amended to read as follows:

3 **19-14.9-3. Definitions.**

4 For the purposes of this chapter, the following terms shall have the following meaning
5 unless the context otherwise requires:

6 (1) "Consumer" means any person obligated or allegedly obligated to pay any debt, as
7 defined by 15 U.S.C. § 1692a.

8 (2) "Consumer reporting agency" means any person which, for monetary fees, dues, or on
9 a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or
10 evaluating consumer credit information or other information on consumers for the purpose of
11 furnishing consumer reports to third parties.

12 (3) "Creditor" means any person who offers or extends credit creating a debt or to whom a
13 debt is owed, but the term shall not include a person to the extent that he/she receives an assignment
14 or transfer of a debt in default solely for the purpose of facilitating collection of the debt.

15 (4) "Debt" means any obligation or alleged obligation of a consumer to pay money arising
16 out of a transaction in which the money, property, insurance, or services that are the subject of the
17 transaction are primarily for personal, family, or household purposes, whether or not the obligation
18 has been reduced to judgment.

1 (5) “Debt collector” means any person who uses an instrumentality of interstate commerce
2 or the mails in any business the principal purpose of which is the collection of any debts, or who
3 regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be
4 owed or due another. Notwithstanding the exclusion provided by clause (f) below, debt collector
5 shall include a creditor who, in the process of collecting his/her own debt, uses any name other than
6 his/her own which would indicate that a third person is collecting or attempting to collect the debt.
7 Debt collector shall also include a person who uses an instrumentality of interstate commerce or
8 the mails in a business the principal purpose of which is the enforcement of security interests. Debt
9 collector shall not include:

10 (a) An officer or employee of a creditor while, in the name of the creditor, collecting debts
11 for the creditor;

12 (b) A person while acting as a debt collector for another person, both of whom are related
13 by common ownership or affiliated by corporate control, if the person acting as a debt collector
14 does so only for a person to whom it is so related or affiliated and if the principal business of the
15 person is not the collection of a debt;

16 (c) An officer or employee of the United States or a state of the United States to the extent
17 that collecting or attempting to collect a debt is in the performance of his/her official duty;

18 (d) A person while serving or attempting to serve legal process on another person in
19 connection with the judicial enforcement of a debt;

20 (e) A nonprofit organization that, at the request of a consumer, performs bona fide
21 consumer credit counseling and assists the consumer in the liquidation of debts by receiving
22 payments from the consumer and distributing the amounts to creditors;

23 (f) A person collecting or attempting to collect a debt owed or due or asserted to be owed
24 or due another to the extent the activity:

25 (i) Is incidental to a bona fide fiduciary obligation or a bona fide escrow arrangement;

26 (ii) Concerns a debt that was originated by the person;

27 (iii) Concerns a debt that was not in default at the time it was obtained by the person or in
28 connection with a debt secured by a mortgage, when first serviced by the person; or

29 (iv) Concerns a debt obtained by the person as a secured party in a commercial credit
30 transaction involving the creditor;

31 (g) Attorneys-at-law collecting a debt on behalf of a client;

32 (h) An agent or independent contractor employed for the purpose of collecting a charge or
33 bill owed by a tenant to a landlord or owed by a customer to a corporation subject to the supervision
34 of the department of business regulation insofar as the person collects charges or bills only for the

1 landlord or supervised corporations.

2 (6) "Department" means the department of business regulation.

3 (7) "Director" means the director of the department of business regulation, or the director's
4 designee.

5 (8) "Eligible individual" means a Rhode Island resident that has medical debt equal to five
6 percent (5%) or more of their annual income; or has a household income up to four hundred percent
7 (400%) of the federal poverty line.

8 (9) "Medical debt" means a debt arising from the receipt of medical services, products, or
9 devices.

10 (10) "Qualified nonprofit" means a nonprofit entity with experience in and, in the regular
11 course of its operations, purchases medical debt and discharges it at a substantially reduced cost.

12 ~~(8)~~(11) "Registrant" means an entity registered under this chapter.

13 SECTION 2. Section 19-14.9-14 of the General Laws in Chapter 19-14.9 entitled "Rhode
14 Island Fair Debt Collection Practices Act" is hereby repealed.

15 **19-14.9-14. Severability.**

16 ~~If any provision of this chapter or its application to any person or circumstance is held~~
17 ~~invalid by a court of competent jurisdiction, the invalidity does not affect other provisions or~~
18 ~~applications of the chapter that can be given effect without the invalid provision or application, and~~
19 ~~to this end the provisions of the chapter are severable.~~

20 SECTION 3. Chapter 19-14.9 of the General Laws entitled "Rhode Island Fair Debt
21 Collection Practices Act" is hereby amended by adding thereto the following sections:

22 **19-14.9-15. Retirement of certain medical debt for qualifying households.**

23 (a) The general assembly is authorized to appropriate such funds (the "funds") as it deems
24 necessary from the unappropriated balance of funds remaining from the American Rescue Plan Act
25 of 2021 (ARPA), Pub. L. 117-2, as amended, for the purposes of discharging certain medical debt,
26 as further set forth in this section.

27 (b) The general treasurer is hereby authorized to enter into an agreement with a qualified
28 nonprofit for the purpose of purchasing the medical debt of Rhode Island residents that have gone
29 into collections and are being sold by the original or any subsequent creditor. Such agreement with
30 the qualified nonprofit entity shall be made upon terms and conditions consistent with the American
31 Rescue Plan Act.

32 (c) The qualified nonprofit entity shall be selected based upon the entity's ability to
33 implement the provisions of this section in order to reduce medical debt for the people of the state
34 by engaging in the following actions:

1 (1) Contact local hospitals, hospital systems, and collection agencies that deal in and hold
2 medical debt;

3 (2) Purchase entire portfolios of medical debt owed by eligible individuals; and

4 (3) Notify eligible individuals of the discharge of their debt, and the possible federal
5 income tax implications that arise from discharge of indebtedness.

6 (d) Funds appropriated by this section shall be maintained in a separate account for the
7 discharge of medical debt. The general treasurer is authorized to draw from the fund for payment
8 to the qualified nonprofit agency upon presentation of a copy of a valid form 1099-C for debt
9 discharges equaling or in excess of six hundred dollars (\$600), demonstrating the eligible
10 individual's discharge of debt from the qualified nonprofit entity. For medical debt discharged that
11 equals less than six hundred dollars (\$600) the qualified nonprofit agency shall remit a form to the
12 office of the general treasurer and the eligible individual, to be established by the office of the
13 general treasurer, that will include the flowing information;

14 (1) The eligible individual's name;

15 (2) The eligible individual's address;

16 (3) The eligible individual's date of birth;

17 (4) The eligible individual's phone number if any;

18 (5) The eligible individual's social security number;

19 (6) The total amount of medical debt that has been forgiven;

20 (7) The purchase price of the medical debt;

21 (8) A copy of the receipt for the purchase of the medical debt;

22 (9) The date the medical debt was purchased; and

23 (10) The date the medical debt was forgiven.

24 (e) Provided, these funds shall be paid to the qualified nonprofit and not to the hospital,
25 hospital system, or debt collection agency. Payments to the hospital, hospital system, or debt
26 collection agency shall be made from the qualified nonprofit.

27 (f) Medical debt discharged through the qualified nonprofit shall not be counted as taxable
28 income to the eligible individual for purposes of any state income tax.

29 (g) In order for an individual to qualify to have medical debt discharged pursuant to this
30 section, they must be an eligible individual.

31 **19-14.9-16. Severability.**

32 If any provision of this chapter or its application to any person or circumstance is held
33 invalid by a court of competent jurisdiction, the invalidity does not affect other provisions or
34 applications of the chapter that can be given effect without the invalid provision or application, and

1 to this end the provisions of the chapter are severable.

2 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO FINANCIAL INSTITUTIONS -- RHODE ISLAND FAIR DEBT
COLLECTION PRACTICES ACT

1 This act would authorize an appropriation from the American Rescue Plan Act of 2021
2 (ARPA) to allow the governor to contract with a nonprofit entity for purposes of purchasing and
3 retiring large portfolios of medical debt, for the benefit of the people of the state who meet certain
4 debt or income amounts.

5 This act would take effect upon passage.

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