

SENATE No. 2638

The Commonwealth of Massachusetts

—
**In the One Hundred and Ninety-Third General Court
(2023-2024)**
—

SENATE, March 14, 2024.

The committee on Financial Services to whom was referred the petition (accompanied by bill, Senate, No. 629) of James B. Eldridge, Michael J. Barrett, Vanna Howard and Sal N. DiDomenico for legislation relative to fairness in debt collection, report the accompanying bill (Senate, No. 2638).

For the committee,
Paul R. Feeney

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An Act relative to fairness in debt collection.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The General Laws are hereby amended by inserting after chapter 93K the
2 following chapter:-

3 CHAPTER 93L.

4 DEBT COLLECTION FAIRNESS ACT.

5 Section 1. As used in this chapter, the following words shall have the following meanings
6 unless the context clearly requires otherwise:

7 “Charge-off”, a declaration by a creditor that a delinquent consumer loan, consumer
8 credit account or other consumer debt has been removed from a creditor’s books as an asset and
9 treated as a loss or expense.

10 “Consumer”, a natural person.

11 “Consumer form contract”, a contract in writing between a business and a consumer
12 involving goods or services including, but not limited to, credit or financial services, primarily

13 for personal, family or household purposes, that has been drafted by the business for use with
14 more than 1 consumer, unless the only other consumer is the spouse of the first consumer.

15 “Consumer debt”, an 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
18 obligation has been reduced to judgment; provided, however, that “consumer debt” shall not
19 include a common expense or charge levied under chapter 183A or 183B; an obligation or
20 alleged obligation to pay common expenses or charges levied pursuant to a covenant or
21 agreement running with the land; or a residential mortgage loan. A “residential mortgage loan”
22 shall mean any loan primarily for personal, family, or household use that is secured by a
23 mortgage, deed of trust, or other equivalent consensual security interest on a dwelling as defined
24 in 15 U.S.C. section 1602(w) or residential real estate upon which is constructed or intended to
25 be constructed a dwelling as so defined.

26 “Creditor”, a person or entity to whom a debt is owed, including a judgment creditor and
27 any other person or entity that obtains an execution on a debt; provided, however, that “creditor”
28 shall not include an organization of unit owners as defined in section 1 of chapter 183A, a time-
29 share association under chapter 183B or a homeowner association or entity to whom debt is
30 owed pursuant to a covenant or agreement running with the land.

31 “Debt buyer”, a person or entity that is engaged in the business of purchasing delinquent
32 or charged-off consumer loans or consumer credit accounts or other delinquent consumer debt
33 for collection purposes, whether it collects the debt itself or hires a third-party for collection or
34 an attorney for litigation in order to collect the debt.

35 “Debt collector”, any person or entity who uses an instrumentality of interstate commerce
36 or the mails in any business the principal purpose of which is the collection of a debt, or who
37 regularly collects or attempts to collect, directly or indirectly, a debt owed or due or asserted to
38 be owed or due another.

39 “Earnings”, gross compensation paid or payable for personal services, whether
40 denominated as wages, salary, commission, bonus, payment for skilled, personal or professional
41 services or otherwise, whether earned as an employee or as an independent contractor.

42 “Execution”, an attachment, levy, garnishment or other disablement, freeze or seizure of
43 property, whether pre-judgment or post-judgment, to satisfy a debt or a creditor’s exercise of a
44 right of setoff to collect a debt; provided, however, that it shall not include self-help repossession
45 of collateral.

46 “Exempt”, not subject to execution, levy, attachment, garnishment, setoff, self-help,
47 seizure or other form of process, court order, creditor or other action for debt collection or
48 restitution or other equitable claim unless otherwise specified.

49 “Garnishment”, a legal or equitable procedure through which the earnings, property or
50 funds of a person are required by a court of competent jurisdiction to be withheld by another
51 entity for payment of a debt to a creditor.

52 “Trustee”, a trustee served pursuant to chapter 246.

53 Section 2. (a) Notwithstanding section 34 of chapter 235, if earnings of a consumer are
54 attached to satisfy a judgment for collection of a consumer debt, wages equal to the greater of 90
55 per cent of the debtor's gross weekly wages or 65 times the greater of the federal minimum

56 hourly wage under 29 U.S.C. section 206(a)(1) or the state minimum hourly wage under section
57 1 of chapter 151 in effect at the time shall be exempt from the attachment and not subject to
58 garnishment. This exemption shall be adjusted pro rata for a pay period that is more than weekly.

59 (b) Notwithstanding subsection (a), a judgment debtor may seek to exempt additional
60 wages from attachment by making a claim of undue financial hardship by filing a form with the
61 court. Such form shall be prepared by the court to allow a judgment debtor to easily identify the
62 basis for the judgment debtor's request for an additional exemption. Upon the filing of the
63 financial hardship form, the court shall hold a hearing as soon as practicable to determine the
64 total amount that shall be exempted from the judgment debtors' wages.

65 (c) If more than 1 order of attachment for a consumer debt is served on a trustee with
66 respect to the same consumer, the order of attachment served earliest shall take priority. If an
67 order of attachment with greater priority consumes the entirety of the income that is available for
68 garnishment under the preceding subsections, then the consumer's earnings shall not be
69 garnished pursuant to the order of attachment with lower priority.

70 (d) The protections for earnings under this section apply to consumers whose physical
71 place of employment is in the commonwealth, notwithstanding that the consumer's employer
72 may have corporate offices or other places of business located outside the commonwealth.

73 (e) This section shall not apply in a proceeding to attach earnings or a pension to satisfy a
74 divorce, separate maintenance or child support order of a court of competent jurisdiction and in
75 such a proceeding, including an action for trustee process to enforce a support order under
76 section 36A of chapter 208, federal law limiting the amounts that may be trustee, assigned or
77 attached in order to satisfy an alimony, maintenance or child support order shall apply.

78 (f) Except as otherwise permitted by law, an amount held by a trustee for a defendant in a
79 pension, as defined in section 28 of chapter 246 shall be reserved in the hands of the trustee and
80 shall be exempt from attachment to satisfy a judgment for collection of a consumer debt.

81 (g) An employer shall not take adverse action against an employee or refuse to hire an
82 individual because of one or more garnishments for consumer debts or because of obligations
83 that any garnishments impose against the employer. An employer who violates this section shall
84 be liable in a civil action, action for contempt or other appropriate proceeding to the employee or
85 individual for the wages and employment benefits lost by the employee or individual from the
86 time of the unlawful discipline, suspension, refusal to hire or discharge to the period of
87 reinstatement and an additional penalty of not more than \$1,000.

88 (h) Income from child support payments shall be exempt from collection.

89 Section 3. (a) Notwithstanding section 2 of chapter 260, an action for the collection of a
90 consumer debt shall be commenced only within five years after the cause of action accrues. This
91 limitations period shall apply to a consumer debt, whether the claim sounds in contract, account
92 stated, open account or other cause, and notwithstanding another applicable statute of limitations
93 of the Commonwealth or other jurisdiction. This time period also applies to a claim for a
94 consumer debt based on a contract or instrument under seal.

95 (b) Notwithstanding section 14 of chapter 260, a payment on a consumer debt after the
96 limitations period in subsection (a) has run shall not revive or extend the limitations period or bar
97 the consumer from asserting a defense to the collection of a consumer debt.

98 (c) No creditor, debt buyer, or debt collector shall bring a suit or initiate an arbitration or
99 other legal proceeding to collect a consumer debt if the applicable limitations period on the
100 consumer debt in subsection (a) has expired.

101 (d) A waiver by a consumer of a protection or right under this section is void and shall
102 not be enforced.

103 (e) Notwithstanding section 20 of chapter 260 or any other general or special law to the
104 contrary, an action upon a judgment or decree on a consumer debt, including an execution upon
105 or trustee process based on the judgment or decree and other activity to collect on the judgment,
106 shall be commenced within 10 years after the entry of the judgment or decree. If an action on a
107 judgment has commenced within 10 years, it may be renewed once for another 10 years. A
108 judgment whose enforcement has been barred by the running of this limitations period shall not
109 be revived or renewed.

110 Section 4. (a) For matters arising from a consumer debt, a plaintiff who has obtained a
111 judgment shall provide written notice to a consumer at least 30 days prior to a supplementary
112 proceeding in a civil action for the examination of a consumer pursuant to section 14 of chapter
113 224 or a payment review hearing in a small claims action pursuant to Uniform Small Claims
114 Rule 7(i). The notice shall inform the consumer of the opportunity to submit a financial affidavit
115 in a form prescribed by the court and signed under the penalties of perjury. If the consumer
116 indicates through the financial affidavit that all income and assets are exempt and files it as
117 directed by the court, the court shall acknowledge receipt and inform both parties that the hearing
118 is canceled. Once a signed financial affidavit form indicating that all income and assets are
119 exempt is on file in that case, no further supplementary proceedings or payment review hearings

120 may be scheduled unless the judgment creditor presents evidence of the judgment debtor's non-
121 exempt income or assets and the court determines that there is a reasonable basis to believe that
122 there are non-exempt assets or income warranting the scheduling of a new supplementary
123 proceeding or payment review hearing.

124 (b) Notwithstanding the provisions of sections 18 and 20 of chapter 224 or any other
125 applicable law or court rule, for matters arising from a consumer debt no capias or other warrant
126 to compel the attendance of a consumer shall be issued for failure of the consumer to appear at a
127 supplementary proceeding in a civil action for the examination of a consumer pursuant to section
128 14 of chapter 224 or a payment review hearing in a small claims action pursuant to Uniform
129 Small Claims Rule 7(i). Instead failure to appear shall trigger the scheduling of a show cause
130 hearing for the court to determine whether a capias or other warrant to compel the attendance of
131 a consumer should issue. No capias or other warrant shall issue to compel the attendance of a
132 consumer without evidence that notice of the show cause hearing was served on the consumer
133 either by signed return receipt or by a sworn return of service.

134 (c) Notwithstanding the provisions of sections 18 and 20 of chapter 224 or any other
135 applicable law or court rule, a consumer that is compelled to attend pursuant to a capias or other
136 warrant shall be brought before the court the same day. The consumer shall be given the
137 opportunity to complete the financial affidavit described in paragraph (a). The capias or other
138 warrant shall be satisfied by the consumer's appearance in court or completion of the financial
139 affidavit indicating that all forms of income and assets are exempt.

140 (d) Notwithstanding the provisions of sections 18 and 20 of chapter 224 or any other
141 applicable law or court rule, no person shall be imprisoned or jailed for failure to pay a consumer

142 debt, nor shall any person be imprisoned or jailed for contempt of or failure to comply with a
143 court order to pay a consumer debt in part or in full.

144 Section 5. (a) Except as provided in subsection (b), if a plaintiff prevails in an action to
145 collect a consumer debt, interest computed pursuant to section 6C of chapter 231 or section 8
146 chapter 235 shall be limited to a fixed rate of interest of 12 percent per annum.

147 (b) For actions to collect a consumer debt, judgments entered on or after January 1, 2025,
148 or where an application for renewal of judgment is filed on or after January 1, 2025, interest shall
149 be limited to a fixed rate of 3 percent per annum. The new 3 percent interest rate shall not apply
150 retroactively. To that end, this provision shall not require any interest which accrued at a higher
151 interest rate prior to January, 1 2025 to be re-calculated or reduced to the new 3 percent rate.
152 Judgments issued prior to January 1, 2025 with an interest rate other than 3 percent per annum
153 are not required to be amended or reissued by the courts.

154 (c) If the plaintiff prevails in an action to collect a consumer debt, the plaintiff shall be
155 entitled to collect attorney's fees only if the contract or other document evidencing the
156 indebtedness sets forth an obligation of the consumer to pay attorney's fees, subject to the
157 following provisions: (i) if the contract or other document evidencing indebtedness provides for
158 attorney's fees in some specific percentage, the provision and obligation shall be valid and
159 enforceable up to but not in excess of 15 per cent of the amount of the debt excluding attorney's
160 fees and collection costs; (ii) if a contract or other document evidencing indebtedness provides
161 for the payment of reasonable attorney's fees by the consumer , without specifying a specific
162 percentage, the provision shall be construed to mean the lesser of 15 per cent of the amount of
163 the debt, excluding attorney's fees and collection costs, or the amount of attorney's fees

164 calculated by a reasonable rate for such cases multiplied by the amount of time reasonably
165 expended to obtain the judgment; and (iii) the documentation setting forth a party's obligation to
166 pay attorney's fees shall be provided to the court before a court may enforce those provisions;
167 provided, however, that the documentation shall not include materials that the plaintiff has
168 already filed together with the complaint in compliance with applicable court rules.

169 (d) If the consumer is the prevailing party in an action to collect a consumer debt, the
170 consumer shall be entitled to an award of reasonable attorney's fees, unless the case is
171 voluntarily dismissed with prejudice pursuant to Rule 41(a)(1)(i) of the Massachusetts Rules of
172 Civil Procedure or a stipulation of dismissal explicitly provides otherwise. The amount of the
173 debt that the plaintiff sought shall not be a factor in determining the reasonableness of the award.
174 In the alternative, at the consumer's election, a prevailing consumer in an action to collect a
175 consumer debt shall be awarded the amount of attorney's fees that the plaintiff would have been
176 entitled to collect if the plaintiff had been the prevailing party.

177 Section 6. (a) A violation of sections 2 to 5, inclusive, shall also be a violation of chapter
178 93A.

179 (b) A portion of a contract, including a consumer form contract, that violates sections 2 to
180 5, inclusive, shall be void.

181 SECTION 2. Section 28 of chapter 246 of the General Laws is hereby amended by
182 adding the following paragraph:

183 This section shall not apply in a proceeding to attach earnings or a pension to satisfy a
184 judgment for collection of a consumer debt, as defined in section 1 of chapter 93L, and in such
185 an action said chapter 93L shall apply.

186 SECTION 3. Section 3 of Chapter 93L shall not apply to a consumer debt for which the
187 cause of action accrued before January 1, 2025; provided, however, that subsection (b) of section
188 3 of said chapter 93L shall apply to payments made after the effective date of this act. Provided
189 further that subsection (b) of section 6 of chapter 93L shall not apply to a contract, including a
190 consumer form contract that is in effect before January 1, 2025.

191 SECTION 4. This act shall take effect on January 1, 2025.