Kansas Credit Union Association

A Government Relations Division of Cornerstone

Date: February 12, 2026

To: Representative Susan Humphries, Chair
House Committee on Judiciary

From: Cale Beam
Kansas Credit Union Association

Re: HB 2754 – Neutral Testimony

Chair Humphries, Vice Chair Williams, Ranking Member Osman, and members of the Committee:

Thank you for the opportunity to provide neutral testimony on House Bill 2754.

The Kansas Credit Union Association represents not-for-profit, member-owned credit unions serving more than 1.1 million Kansans across the state. Credit unions strongly support the goal of protecting consumers from coerced and illegitimate debt, and we routinely take action in cases of confirmed fraud or identity theft.

While we appreciate the intent behind HB 2754 and the Committee's focus on addressing this important issue, we have concerns that the bill, as currently drafted, lacks important safeguards and relies on overly broad definitions that could lead to unintended consequences.

As written, HB 2754 does not include a clear, objective trigger—such as a court order—to establish that a debt was coerced or illegitimate. Instead, the bill relies on a broad definition of "adequate documentation," which could include the filing of a police report or identity theft report even when no investigation occurs and no formal determination of coercion is made.

In addition, the bill allows a letter from a health care professional, member of the clergy, or other third party to independently trigger creditor obligations, including pausing collections and refunding previously made payments, without any formal investigation or adjudication. From a lender's perspective, this creates uncertainty around how and when obligations are triggered, even when a financial institution has acted in good faith and followed standard underwriting and compliance procedures.

To illustrate this concern, a borrower could independently come into a financial institution, obtain a loan through normal underwriting processes, and present no identifiable red flags at the

time of origination. If a coercion claim is later made, the credit union could be required to unwind the debt and refund payments despite having had no ability to identify or address the alleged coercion when the loan was made.

Credit unions are committed to assisting legitimate victims and support ceasing collections and correcting credit reports when a debt is determined to be illegitimate. However, we believe these significant obligations should be tied to a clear, objective determination. For that reason, we respectfully suggest that the Committee consider amendments that provide additional clarity around documentation standards and link creditor obligations to an objective trigger—such as a court order—similar to the approach adopted in Texas statute last year. We have provided the Texas language for the Committee's reference.

We believe this type of framework would better balance consumer protections with certainty for lenders, while still ensuring that victims of coercion receive meaningful and appropriate relief.

Thank you for your time and consideration. We would welcome the opportunity to work with the Committee on potential amendments or provide additional information as this legislation moves forward.

AN ACT

relating to the collection of consumer debt incurred by certain individuals as a result of identity theft.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter D, Chapter 392, Finance Code, is amended by adding Section 392.308 to read as follows:

Sec. 392.308. CONSUMER VICTIM OF IDENTITY THEFT. (a) In this section, "identity theft" means:

(1) a violation of Section 521.051, Business & Commerce Code, or a substantially similar federal law or law in another state; or

(2) a criminal offense described by Section 32.51, Penal Code, or a substantially similar federal law or law in another state.

(b) This section does not apply to consumer debt that is a home loan, as defined by Chapter 343, or to the collection of a judgment already obtained.

(c) A creditor, debt collector, or third-party debt collector that receives from a consumer a court order issued under Section 521.103, Business & Commerce Code, or a substantially similar federal law or law in another state, declaring the consumer a victim of identity theft may not attempt to collect a consumer debt or a portion of consumer debt that is a result of the identity theft described by the court order.

(d) A creditor, debt collector, or third-party debt collector who receives notice that a consumer debt is a result of identity theft from a victim of identity theft in accordance with Subsection (c):

(1) shall, not later than the seventh business day after the creditor, debt collector, or third-party debt collector receives the notice, cease efforts to collect the disputed debt or disputed portion of the debt from the victim of identity theft;

(2) shall send to each person who has previously received a report relating to that debt from the creditor, debt collector, or third-party debt collector notice that the debt is disputed under this section and not collectible from the victim of identity theft;

(3) may not sell the debt or transfer it for consideration, except to collect the debt from the alleged perpetrator of identity theft or from a responsible person other than the victim of identity theft; and

(4) may, if the disputed debt or disputed portion of the debt is secured by tangible personal property, enforce the security interest under Chapter 9, Business & Commerce Code, but may not collect or seek to collect any deficiency from the victim of identity theft.

(e) A creditor, debt collector, or third-party debt collector has standing to bring and may bring an action to exercise any right, seek any remedy, or use any lawful means to collect a consumer debt or a portion of consumer debt that is disputed under this section from an alleged perpetrator of identity theft who by

means of identity theft obtained, used, or possessed the money, goods, services, or property of the consumer who is a victim of the alleged perpetrator's identity theft.

SECTION 2. This Act takes effect September 1, 2025.

President of the Senate

Speaker of the House

I certify that H.B. No. 4238 was passed by the House on April 30, 2025, by the following vote: Yeas 135, Nays 0, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 4238 on May 23, 2025, by the following vote: Yeas 135, Nays 0,
2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 4238 was passed by the Senate, with amendments, on May 19, 2025, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: _____

Date

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Governor