

**HOUSE . . . . . No. 02761**

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The Commonwealth of Massachusetts

PRESENTED BY:

*Linda Dorcena Forry and*

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act protecting consumers from unsolicited loans.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Linda Dorcena Forry</i>	<i>12th Suffolk</i>
<i>Steven A. Baddour</i>	<i>First Essex</i>
<i>Jennifer E. Benson</i>	<i>37th Middlesex</i>
<i>James B. Eldridge</i>	<i>Middlesex and Worcester</i>
<i>Sonia Chang-Diaz</i>	<i>Second Suffolk</i>
<i>Chris Walsh</i>	<i>6th Middlesex</i>
<i>Nick Collins</i>	<i>4th Suffolk</i>
<i>George Ross</i>	<i>2nd Bristol</i>
<i>Byron Rushing</i>	<i>9th Suffolk</i>
<i>Cory Atkins</i>	<i>14th Middlesex</i>
<i>Gloria L. Fox</i>	<i>7th Suffolk</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>
<i>Kathi-Anne Reinstein</i>	<i>16th Suffolk</i>

# HOUSE . . . . . No. 02761

By Ms. Forry of Boston and Senator Mr. Baddour, a joint petition (accompanied by bill, House, No. 2761) of Reinstein and others relative to protecting consumers from unsolicited loans Joint Committee on Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION  
SEE  
□ SENATE  
□ , NO. 2393 OF 2009-2010.]

## The Commonwealth of Massachusetts

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**In the Year Two Thousand Eleven**  
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An Act protecting consumers from unsolicited loans.

*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 140E the  
2 following chapter:- CHAPTER 140F UNSOLICITED LOAN CONSUMER PROTECTION

3 Section 1. For the purposes of this chapter the following words shall have the following  
4 meanings, unless the context clearly requires otherwise:- “Addressee”, the intended recipient of  
5 an unsolicited loan instrument. “Commissioner”, the commissioner of banks. “Unauthorized  
6 use”, negotiation of an unsolicited loan instrument by a person other than the addressee who does  
7 not have actual, implied or apparent authority for the negotiation and from which the addressee  
8 receives no benefit. “Unsolicited loan instrument”, a negotiable check, money order, draft or

9 other instrument that may be used by a consumer to activate a loan which was not solicited by  
10 the consumer.

11 Section 2. No unsolicited loan instrument shall be issued except in response to a request or  
12 application; provided, however, that this section shall not prohibit a financial institution from  
13 advancing money or credit in accordance with law and pursuant to a customer relationship, as  
14 defined in the Gramm-Leach-Bliley Act of 1999 15 U.S.C. section 6809 (11) or a valid mortgage  
15 or loan agreement.

16 Section 3. If a an unsolicited loan instrument is negotiated, the obligor shall have the right to  
17 rescind the contract within 10 days of the date that a negotiable instrument is cashed by notifying  
18 the financial institution or lender and returning the entire amount of the loan pursuant to the  
19 negotiable instrument.

20 Section 4. An addressee shall not be held liable for any debt incurred by an unauthorized use or  
21 fraudulent negotiation of an unsolicited loan instrument by a party other than the addressee. In  
22 the event of an unauthorized use or fraudulent negotiation of an unsolicited loan instrument, the  
23 issuing institution shall: (1) provide the addressee with a written statement releasing the  
24 addressee of liability for the debt; (2) take steps in accordance with the rules and regulations of  
25 the commissioner to repair an adverse effect to the addressee's credit rating as a result of the  
26 unauthorized use or fraudulent negotiation; and (3) provide the addressee with a written  
27 statement informing the addressee that the steps have been or will be taken.

28 Section 5. A financial institution or lender shall not transfer funds held in an account of the  
29 addressee in the financial institution as a consequence of a default of a debt owed to the

30 institution as a result of the unauthorized use or fraudulent negotiation of an unsolicited loan  
31 instrument.

32 Section 6. A person or entity that knowingly sends an unsolicited loan instrument as provided  
33 under section 2 shall be punished by a fine of not more than \$5,000 for each violation.

34 Section 7. The commissioner shall adopt rules and regulations as are necessary to implement this  
35 chapter.

36 Section 8. A violation of this chapter, or any rule or regulation issued hereunder, shall constitute  
37 an unfair or deceptive act under chapter 93A.

38 SECTION 2. Chapter 266 of the General Laws is hereby amended by inserting after section 33A  
39 the following section:- Section 33B.

40 (a) For purposes of this section the following words shall have the following meanings, unless  
41 the context clearly requires otherwise:- “Negotiates”, to convert into cash or equivalent value.  
42 “Unsolicited loan instrument”, a negotiable check, money order, draft or other instrument that  
43 may be used by a consumer to activate a loan which was not solicited by the consumer.

44 (b) Whoever knowingly and fraudulently negotiates an unsolicited loan instrument shall be  
45 punished by imprisonment in the house of correction for not more than 2 ½ years or in the state  
46 prison for not more than 5 years or by a fine of not more than \$25,000, or by both such fine and  
47 imprisonment.