

STATE OF NEW YORK

8197

IN SENATE

January 12, 2024

Introduced by Sen. THOMAS -- read twice and ordered printed, and when printed to be committed to the Committee on Banks

AN ACT to amend the financial services law, in relation to creating a private education debt registry

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The financial services law is amended by adding a new article 9 to read as follows:

ARTICLE 9

PRIVATE EDUCATION DEBT REGISTRY

Section 901. Definitions.

902. Private education debt registry.

903. Rules and regulations.

904. Violations.

905. Severability.

§ 901. Definitions. As used in this article:

1. "Fiscal year" means the twelve-month period that the private education creditor uses for financial reporting and budgeting.

2. "Higher education" means higher education, including career education, as those terms are defined in section two of the education law, via correspondence, online, or in person, regardless of whether the higher education institution is accredited within New York state.

3. "Higher education expense" means any expense arising from higher education.

4. "Private education creditor" means any person engaged in the business of securing, making, or extending a private education debt, or any holder of a private education debt, including providers of higher education to which a student education debt is owed. "Private education creditor" shall not include the following persons, only to the extent that state regulation is preempted by federal law:

(a) any federally chartered bank, savings bank, savings and loan association, or credit union;

(b) any bank, savings bank, savings and loan association, or credit union organized under the laws of this or any other state;

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

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1 (c) any wholly owned subsidiary of a federally chartered bank or cred-
2 it union; and

3 (d) any operating subsidiary where each owner of the operating subsid-
4 iary is wholly owned by the same federally chartered bank or credit
5 union.

6 5. "Private education debt" means an extension of credit or debt or
7 obligation owed or incurred by a consumer, contractual or otherwise,
8 contingent or absolute, that meets all of the following criteria:

9 (a) is not made, insured, or guaranteed under Title IV of the Higher
10 Education Act of 1965 (20 U.S.C. s.1070 et seq.);

11 (b) is extended to a consumer expressly, in whole or in part, for, or
12 accrues from nonpayment of, higher education expenses, regardless of
13 whether the credit or debt or obligation is owed to the provider of
14 higher education that the student attends; and

15 (c) shall not include any loan that is secured by real property or a
16 dwelling.

17 "Private education debt" shall include extensions of credit or debt or
18 obligations owed or incurred to refinance a private education debt.

19 6. "Provider of higher education" or "school" means a person engaged
20 in the business of higher education. For the purposes of this defi-
21 nition, a person need not have obtained authorization from the depart-
22 ment of education to operate in this state and need not be an accredited
23 institution.

24 § 902. Private education debt registry. 1. Beginning on or after the
25 one hundred eightieth day after the effective date of this article, no
26 person shall engage in business as a private education creditor in this
27 state without first satisfying the following requirements set forth in
28 subdivisions two and three of this section.

29 2. (a) A private education creditor operating in this state shall
30 register with the superintendent pursuant to any registration procedures
31 set forth by the superintendent by rule or regulation, which may include
32 registration through the Nationwide Multistate Licensing System and
33 Registry, and shall pay a fee set by the superintendent. The superinten-
34 dent may prescribe an alternative registration process and fee structure
35 for a provider of higher education. Registration shall include, at a
36 minimum, the name and address of the private education creditor and any
37 officer, director, partner, or owner of a controlling interest of the
38 private education creditor. A private education creditor shall annually
39 renew its registration and pay a renewal fee pursuant to a procedure and
40 on or before a date to be determined by the superintendent.

41 (b) This subdivision shall not apply to regulated persons, as such
42 term is defined in section one hundred four of this chapter, engaged in
43 business as a private education creditor in this state, to the extent
44 such regulation relates to its business as a private education creditor
45 and such persons are required to furnish data or reports annually to the
46 superintendent.

47 3. A private education creditor operating in this state shall annual-
48 ly, on or before a date to be determined by the superintendent and not
49 to exceed six months following the effective date of this article,
50 provide the superintendent with the following documents and information
51 about such creditor's private education debt portfolio related to
52 consumers that reside in this state pursuant to any procedure set forth
53 by the superintendent, which may include reporting through the Nation-
54 wide Multistate Licensing System and Registry, and which may further
55 include different procedures for regulated persons, as that term is

1 defined in section one hundred four of this chapter, and non-regulated
2 persons:

3 (a) For private education creditors that secure, make, or extend
4 private education debts, other than those private education debts
5 reported pursuant to paragraph (c) of this subdivision, relating to such
6 debts owed by a consumer residing in this state as of the end of the
7 prior fiscal year:

8 (i) a list of all schools for which such private education debts were
9 used to finance higher education, including, in the case of a refinanc-
10 ing loan, the school that the consumer attended using the private educa-
11 tion debt that was refinanced;

12 (ii) the total outstanding dollar amount and number of such private
13 education debts and the number of consumers who owe such private educa-
14 tion debts;

15 (iii) the total dollar amount and number of such private education
16 debts associated with each school identified under subparagraph (i) of
17 this paragraph;

18 (iv) the total dollar amount and number of private education debts
19 secured, made, or extended in the prior fiscal year;

20 (v) the total dollar amount and number of private education debts
21 secured, made, or extended in the prior fiscal year associated with each
22 school identified under subparagraph (i) of this paragraph;

23 (vi) the range of starting interest rates for private education debts
24 secured, made, or extended to consumers in the prior fiscal year and
25 percentage of consumers who receive those rates;

26 (vii) the overall default rate, as well as the overall default for
27 such debts associated with each school listed under subparagraph (i)
28 of this paragraph;

29 (viii) the total dollar amount and number of private education debts
30 that defaulted for reasons other than non-payment in the prior fiscal
31 year, as applicable;

32 (ix) the total dollar amount and number of private education debts
33 with a cosigner, as applicable;

34 (x) the total dollar amount and number of private education debts
35 secured, made, or extended with a cosigner in the prior fiscal year, as
36 applicable;

37 (xi) the total dollar amount and number of private education debts
38 secured, made, or extended to refinance other private education debts or
39 federal student loans, respectively, as applicable;

40 (xii) the total dollar amount and number of private education debts
41 secured, made, or extended to refinance other private education debts or
42 federal student loans, respectively, in the prior fiscal year, as appli-
43 cable;

44 (xiii) the total dollar amount and number of private education debts
45 for which the private education creditor has sued to collect in the
46 prior fiscal year, as applicable;

47 (xiv) additional information as may in the judgment of the superinten-
48 dent be necessary and appropriate in order to assess the total size and
49 status of the private education debt market and to assess borrower well-
50 being; and

51 (xv) A copy of any model promissory note, agreement, contract or other
52 instrument used by a private education creditor during the previous
53 fiscal year to substantiate that a new private education debt has been
54 extended to the consumer or that a consumer owes a debt or obligation to
55 the private education creditor.

1 (b) For private education creditors that acquire or assume private
2 education debts owed by a consumer residing in this state, relating to
3 such debts as of the end of the prior fiscal year:

4 (i) a list of all schools for which such private education debts were
5 used to finance higher education, including, in the case of a refinanc-
6 ing loan, the school that the consumer attended using the private educa-
7 tion debt that was refinanced;

8 (ii) the total outstanding dollar amount and number of such private
9 education debts and number of consumers who owe such private education
10 debts;

11 (iii) the total dollar amount and number of private education debts
12 associated with each school identified under subparagraph (i) of this
13 paragraph;

14 (iv) the total dollar amount and number of private education debts
15 acquired or assumed in the prior fiscal year;

16 (v) the total dollar amount and number of private education debts
17 acquired or assumed in the prior fiscal year associated with each school
18 identified under subparagraph (i) of this paragraph;

19 (vi) the overall default rate, as well as the overall default for such
20 debts associated with each school listed under subparagraph (i) of this
21 paragraph;

22 (vii) the total dollar amount and number of private education debts
23 that defaulted for reasons other than nonpayment in the prior fiscal
24 year, as applicable;

25 (viii) the total dollar amount and number of private education debts
26 with a cosigner, as applicable;

27 (ix) the total dollar amount and number of private education debts
28 that were used to refinance other private education debts, as applica-
29 ble;

30 (x) the total dollar amount and number of private education debts for
31 which the private education creditor has sued to collect in the prior
32 fiscal year, as applicable; and

33 (xi) additional information as may in the judgment of the superinten-
34 dent be necessary and appropriate in order to assess the total size and
35 status of the private education debt market and to assess borrower well-
36 being.

37 (c) For private education creditors that are providers of higher
38 education and whose private education debts result from unpaid debts or
39 obligations that were not extensions of credit and that result from
40 higher education provided in this state, relating to such debts as of
41 the end of the prior fiscal year, reported by race and gender:

42 (i) the total outstanding dollar amount and number of private educa-
43 tion debts and number of consumers who owe those debts;

44 (ii) the total dollar amount and number of private education debts
45 accrued and number of consumers who owe those debts in the prior fiscal
46 year;

47 (iii) the total number and balance of student accounts with an academ-
48 ic or administrative hold resulting from a private education debt;

49 (iv) the total number and balance of student accounts with an academic
50 or administrative hold resulting from a private education debt for which
51 a payment was made in the prior fiscal year and average payment made;

52 (v) the total number of student accounts for which federal financial
53 aid was returned to the federal government upon the student's withdrawal
54 from the provider of higher education in the prior fiscal year, and the
55 total dollar amount of any private education debt accrued as a result;

1 (vi) the number of consumers who owe a private education debt who
2 received a federal pell grant and the average debt owed;

3 (vii) the number of consumers who owe a private education debt who are
4 considered in-state and out-of-state students, and the total debt owed
5 by each group;

6 (viii) the total dollar amount, number of private education debts, and
7 number of consumers for which the private education creditor has in the
8 prior fiscal year (A) charged off the debt, (B) sent the debt to a third
9 party collection agency, (C) initiated a collection lawsuit, (D)
10 reported the debt to a consumer credit reporting agency, and (E) sold
11 the debt;

12 (ix) the total dollar amount, number of private education debts, and
13 number of consumers for which the private education creditor has, in the
14 prior fiscal year, collected on a private education debt in the follow-
15 ing instances: (A) payment arrangements wherein the payment was not
16 considered past due, such as tuition installment agreements; (B)
17 payments made on past due debts during the same academic term or billing
18 cycle in which the debt accrued and before such debts were sent to a
19 collection agency; (C) payments made on past due debts before they were
20 sent to a collection agency, excluding those payments made during the
21 same academic term or billing cycle in which the debt accrued; (D) a
22 third party collection agency, prior to initiating a lawsuit; and (E) a
23 collection lawsuit, including payments made by settlement or pursuant to
24 a judgment;

25 (x) additional information as may in the judgment of the superinten-
26 dent be necessary and appropriate in order to assess the total size and
27 status of the private education debt market and to assess borrower well-
28 being; and

29 (xi) a copy of any model written instrument used by a provider of
30 higher education in the prior fiscal year to substantiate a private
31 education debt, including but not limited to a promissory note, enroll-
32 ment agreement, or contract.

33 4. Not later than one year following the effective date of this
34 section, the superintendent shall create a publicly accessible website
35 that includes at least the following information about private education
36 creditors registered in this state:

37 (a) The name, address, telephone number and website for all private
38 education creditors;

39 (b) A summary of the information required by subdivision three of this
40 section; and

41 (c) Copies of all documents provided under subparagraph (xv) of para-
42 graph (a) of subdivision three of this section and subparagraph (xi) of
43 paragraph (c) of subdivision three of this section.

44 § 903. Rules and regulations. In addition to such powers as may other-
45 wise be prescribed by this chapter, the superintendent is hereby author-
46 ized and empowered to promulgate such rules and regulations as may in
47 the judgment of the superintendent be consistent with the purposes of
48 this article, or appropriate for the effective administration of this
49 article.

50 § 904. Violations. 1. If the superintendent finds, after notice and
51 hearing, that a private education creditor has knowingly violated this
52 article by failing to comply with any registration or reporting require-
53 ment or by furnishing inaccurate information to the superintendent, the
54 superintendent may impose a civil penalty of not more than ten thousand
55 dollars for each violation.

1 2. The superintendent may order that any person who has been found to
2 have knowingly violated any provision of this article, or of the rules
3 and regulations issued pursuant thereto, and has thereby caused finan-
4 cial harm to consumers, be barred for a term not exceeding ten years
5 from acting as a private education creditor, or a stockholder, or an
6 officer, director, partner or other owner, or an employee of a private
7 education creditor.

8 § 905. Severability. If any provision of this article or the applica-
9 tion thereof to any person or circumstance is adjudged invalid by a
10 court of competent jurisdiction, that judgment shall not affect or
11 impair the validity of the other provisions of this article or the
12 application thereof to other persons and circumstances.

13 § 2. This act shall take effect immediately.