

STATE OF NEW YORK

916

2023-2024 Regular Sessions

IN SENATE

January 9, 2023

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

AN ACT to amend the banking law, in relation to earned wage access services

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

1 Section 1. The banking law is amended by adding a new article 9-B to
2 read as follows:

ARTICLE 9-B

EARNED WAGE ACCESS SERVICES

Section 374-aa. Definitions.

6 374-bb. Registration requirements for earned wage access service
7 providers.

8 374-cc. Other requirements for earned wage access services
9 provided in this state.

10 374-dd. Annual report.

11 374-ee. Authority of the superintendent.

12 § 374-aa. Definitions. As used in this article, the following terms
13 shall have the following meanings:

14 1. "Consumer" means a natural person residing in the state of New
15 York.

16 2. "Earned but unpaid income" means funds that are based on wages,
17 compensation, or income that a consumer has represented, and that the
18 provider has reasonably determined have been earned or have accrued to
19 the benefit of the consumer but have not, at the time of the remittance
20 of proceeds, been paid to the consumer by an obligor.

21 3. "Earned wage access services" means the business of delivering
22 proceeds to a consumer prior to the next date on which an obligor is
23 obligated to pay salary, wages, or other monetary benefits to the
24 consumer.

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

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1 4. "Non-recourse" means that a provider cannot compel or attempt to
2 compel repayment by a consumer of outstanding proceeds or non-mandatory
3 payments owed by such consumer to such provider through any of the
4 following means:

5 (a) a civil suit against such consumer in a court of competent juris-
6 isdiction;

7 (b) use of a third-party to pursue collection of outstanding proceeds
8 or non-mandatory payments on the provider's behalf; and

9 (c) sale of outstanding proceeds to a third-party collector or debt
10 purchaser. Such term does not preclude the use by a provider of any of
11 the foregoing methods to compel or attempt to compel repayment of
12 outstanding amounts incurred by a consumer through fraudulent means.

13 5. "Obligor" means an employer or another person, including an inde-
14 pendent contractor, who is contractually or legally obligated to pay a
15 consumer any sum of money on an hourly, project-based, piecework, or
16 other basis. Such term does not include the customer of an obligor or
17 another third-party that has an obligation to make any payment to a
18 consumer based solely on the consumer's agency relationship with the
19 obligor.

20 6. "Outstanding proceeds" means proceeds remitted to a consumer by a
21 provider but have not yet been repaid to such provider.

22 7. "Mandatory payment" means an amount determined by a provider which
23 must be paid by a consumer to such provider as a condition of receiving
24 proceeds.

25 8. "Non-mandatory payment" means an amount paid by a consumer or an
26 obligor to a provider for earned wage access services, which does not
27 meet the definition of a mandatory payment. For purposes of this arti-
28 cle, such term includes, but is not limited to, the following:

29 (a) a fee imposed by a provider for delivery or expedited delivery of
30 proceeds to a consumer, provided that such provider offers the consumer
31 at least one option of receiving proceeds at no cost;

32 (b) an amount paid by an obligor to a provider on the consumer's
33 behalf, which entitles the consumer to receive proceeds at no cost to
34 such consumer;

35 (c) a subscription or membership fee imposed by a provider for a group
36 of services that includes earned wage access services, provided that
37 such provider offers the consumer at least one option of receiving
38 proceeds at no cost; and

39 (d) a tip or gratuity paid by a consumer to a provider, provided that
40 such provider offers the consumer at least one option of receiving
41 proceeds at no cost.

42 9. "Proceeds" means the amount of earned but unpaid income that has
43 been remitted to the consumer by a provider.

44 10. "Provider" means a person who is in the business of offering and
45 providing earned wage access services to consumers.

46 § 374-bb. Registration requirements for earned wage access service
47 providers. 1. No person shall provide earned wage access services in the
48 state unless such person is registered as a provider with the depart-
49 ment.

50 2. An application to become registered as an earned wage access
51 service provider shall be in writing, under oath, in such form as shall
52 be prescribed by the superintendent. Notwithstanding article three of
53 the state technology law or any other law to the contrary, the super-
54 intendent may require that an application for, or renewal of, a regis-
55 tration be made or executed by electronic means, including through the
56 National Mortgage Licensing System and Registry or other entities desig-

1 nated by the National Mortgage Licensing System and Registry if he or
2 she deems it necessary to ensure the efficient and effective adminis-
3 tration of this article. Such application shall contain the name and
4 complete business address or addresses of the applicant. Such applica-
5 tion shall also include an affirmation of financial solvency noting such
6 capitalization requirements and access to such credit as may be required
7 by the superintendent, and such descriptions of the business activities,
8 financial responsibility, and general character and fitness of the
9 applicant as may be required by the superintendent.

10 3. As a condition for the issuance and retention of a registration,
11 and subject to such regulations as the superintendent shall prescribe,
12 applicants for a registration shall file with the superintendent a sure-
13 ty bond or make a deposit in an amount and form prescribed by regu-
14 lations of the superintendent. Such regulations shall provide for a
15 varying bond amount based upon a registrant's volume of business and any
16 other relevant factors as determined by the superintendent, but in no
17 case shall such bond be less than ten thousand dollars nor more than
18 fifty thousand dollars; provided however that if the superintendent
19 determines, in his or her sole discretion, that a registrant has engaged
20 in a pattern of conduct resulting in bona fide consumer complaints of
21 misconduct, the superintendent may require such registrant to post a
22 surety bond, or keep on deposit as provided in this subdivision, twice
23 the amount of such bond or deposit as is required consistent with such
24 regulations. In the event of the insolvency, liquidation or bankruptcy
25 of such registrant, or the surrender or revocation of such provider's
26 registration, or where the superintendent takes possession of such
27 registrant, the proceeds of each bond or deposit shall constitute a
28 trust fund to be used exclusively to reimburse consumer fees or other
29 charges determined by the superintendent to be improperly charged or
30 collected and to pay past due department of financial services examina-
31 tion costs and assessments charged to the registrant, unpaid penalties,
32 or other obligations of the registrant. The superintendent is authorized
33 to promulgate such regulations as are necessary and desirable to define
34 and implement the provisions of this subdivision. Persons and entities
35 registered prior to the effective date of any regulations of the super-
36 intendent implementing or modifying the bonding requirement authorized
37 by this subdivision shall file such bond or establish such deposit with-
38 in six months of the effective date of such regulations.

39 4. Upon the filing of an application for registration, if the super-
40 intendent shall find that the financial responsibility, experience,
41 character, and general fitness of the applicant, and of the members
42 thereof if the applicant is a co-partnership or association, and of the
43 officers and directors thereof if the applicant is a corporation, are
44 such as to command the confidence of the community and to warrant belief
45 that the business will be operated honestly, fairly, and efficiently
46 within the purpose of this article, the superintendent shall thereupon
47 register the applicant as an earned wage access service provider on a
48 roll maintained for that purpose at the department, and issue a certif-
49 icate attesting to such registration in duplicate. If the superintendent
50 shall not so find, the superintendent shall not register such applicant,
51 and shall notify the applicant of the denial. The superintendent shall
52 transmit one copy of such certificate to the applicant and file another
53 in the office of the department. Upon receipt of such certificate an
54 earned wage access service provider shall be authorized to engage in the
55 business of providing earned wage access services. Such registration
56 shall remain in full force and effect until it is surrendered by the

1 registrant or revoked or suspended as hereinafter provided, except that
2 such registration shall expire upon the registrant's failure to pay the
3 required assessment thirty days after the date or dates such payment or
4 payments are due. If the registrant fails to pay such charged assessment
5 by the date or dates such payment or payments are due, then the regis-
6 trant shall be required to pay, in addition, a late fee in the amount of
7 one hundred dollars. Such registration shall be reinstated if the regis-
8 trant pays such assessment charged and any applicable late fees and/or
9 interest within sixty days of such expiration. The superintendent shall
10 approve or deny every application for registration hereunder within
11 ninety days from the filing of a complete application provided, however,
12 that failure to act within the prescribed period shall not be deemed
13 approval of any such application.

14 5. The superintendent may refuse to issue a certificate pursuant to
15 this article if he or she shall find that the applicant, or any person
16 who is a director or officer of the applicant: (a) has been convicted of
17 a crime involving an activity which is a felony under this chapter or
18 under article one hundred fifty-five, one hundred seventy, one hundred
19 seventy-five, one hundred seventy-six, one hundred eighty, one hundred
20 eighty-five, one hundred eighty-seven, one hundred ninety, two hundred,
21 two hundred ten or four hundred seventy of the penal law or any compara-
22 ble felony under the laws of any other state or the United States,
23 provided that such crime would be a felony if committed and prosecuted
24 under the laws of this state; or (b) has had a license or registration
25 revoked by the superintendent; or (c) has been a director or officer of
26 an entity which has had a license or registration revoked by the super-
27 intendent.

28 6. Each certificate issued to a registered earned wage access service
29 provider under this article shall state the address or addresses at
30 which the business is to be conducted, or shall state that all business
31 of the applicant is conducted online, and shall state fully the name of
32 the registrant, and the date and place of its incorporation if applica-
33 ble. A copy of such certificate shall be prominently posted in each
34 place of business of the registrant or available online via a link on
35 the homepage of the registrant. Such certificate shall not be transfera-
36 ble or assignable. In the event the location at which the business is to
37 be conducted shall be changed, the registrant shall forthwith notify the
38 superintendent who shall thereupon without charge attach to the certif-
39 icate an amendment certificate setting forth such changed location.

40 § 374-cc. Other requirements for earned wage access services offered
41 in this state. 1. Any provider that offers earned wage access services
42 to a consumer in this state shall comply with the following:

43 (a) A provider shall provide all proceeds on a non-recourse basis and
44 shall treat non-mandatory payments as non-recourse payment obligations;

45 (b) Before providing proceeds to a consumer, a provider shall inform
46 the consumer, in writing, of any non-mandatory payments that may be
47 associated with the provision of earned wage access services by that
48 provider;

49 (c) Every time a provider provides proceeds to a consumer, the provid-
50 er shall inform the consumer when the provider will make its first
51 attempt to seek repayment of those proceeds from the consumer; and

52 (d) A provider that seeks repayment of proceeds from a consumer's
53 depository institution account shall comply with applicable National
54 Automated Clearinghouse Association rules.

55 2. A provider that is registered in the state shall not:

56 (a) require a consumer to make a mandatory payment;

1 (b) charge a late fee or any other penalty charge for failure to repay
2 outstanding proceeds;

3 (c) condition the amount of proceeds provided to a consumer on the
4 amount of a non-mandatory payment made by such consumer to such provid-
5 er. This prohibition shall not be construed to prohibit a non-mandatory
6 payment equal to a percentage of proceeds provided, as long as the
7 percentage applied does not vary based on the amount of proceeds
8 provided;

9 (d) condition the frequency with which proceeds are provided to a
10 consumer on the amount of a non-mandatory payment made by such consumer
11 to such provider. This prohibition shall not be construed to prohibit a
12 non-mandatory payment equal to a percentage of proceeds provided, as
13 long as the percentage applied does not vary based on the amount of
14 proceeds provided;

15 (e) report a consumer's payment or failed repayment of proceeds to a
16 consumer credit reporting agency or a debt collector;

17 (f) require a credit report or credit score to determine a consumer's
18 eligibility for earned wage access services; or

19 (g) provide, sell, or otherwise disclose to any third party, including
20 an obligor, any non-public personal information collected from or about
21 a consumer, except as necessary to provide earned wage access services
22 to the consumer and as allowed by applicable federal and state law.

23 3. Proceeds provided to a consumer by a provider in accordance with
24 this article shall not be considered credit, the provider of those
25 proceeds shall not be considered a creditor, and non-mandatory payments
26 paid to such provider shall not be considered finance charges, for
27 purposes of the federal Truth in Lending Act.

28 4. Proceeds provided to a consumer by a provider in accordance with
29 this article shall not be considered wage deductions for purposes of
30 section one hundred ninety-three of the labor law and shall not be
31 subject to regulation by the superintendent under article nine of this
32 chapter. Further, the provider of those proceeds shall not be required
33 to obtain a license under article nine of this chapter.

34 § 374-dd. Annual report. 1. On or before the first day of April of
35 each year, a provider shall submit an annual report to the superinten-
36 dent that includes all of the following information for earned wage
37 access services provided by such provider during the prior calendar
38 year:

39 (a) gross revenue attributable to earned wage access services;

40 (b) the total number of transactions in which proceeds were remitted
41 to consumers;

42 (c) the total number of unique consumers to whom proceeds were remit-
43 ted;

44 (d) the total dollar amount of proceeds the provider remitted to
45 consumers;

46 (e) the total dollar amount of non-mandatory payments the provider
47 received from consumers;

48 (f) the total number of transactions in which proceeds were remitted
49 to consumers for which the provider did not receive repayment of any
50 outstanding proceeds, and the total dollar amount of such transactions;

51 (g) the total number of transactions in which proceeds were remitted
52 to consumers, for which the provider received partial repayment of
53 outstanding proceeds, the total dollar amount of such transactions, and
54 the total dollar amount of outstanding proceeds attributable to such
55 transactions; and

1 (h) the total number of transactions in which outstanding proceeds
2 were repaid after the original, scheduled repayment date, and the total
3 dollar amount of such transactions.

4 2. Failure of a provider to submit a report on a timely basis in
5 accordance with this article may constitute grounds for disciplinary
6 action by the superintendent.

7 § 374-ee. Authority of the superintendent. 1. The superintendent is
8 hereby authorized and empowered to make such general rules and regu-
9 lations, and such specific rulings, demands, and findings as may be
10 necessary for the proper conduct of the business authorized and regis-
11 tered under and for the enforcement of this article, in addition hereto
12 and not inconsistent herewith.

13 2. The superintendent shall have the power to make such investigations
14 and conduct such hearings as he or she shall deem necessary to determine
15 whether any registrant or any other person has violated any of the
16 provisions of this article, or whether any registrant has conducted
17 itself in such manner as would justify the suspension or revocation of
18 its registration.

19 3. In making any investigation or conducting any hearing pursuant to
20 the provisions of this article, the superintendent, or any person duly
21 designated by him or her, shall have the power at all times to subpoena
22 witnesses; to take depositions of witnesses residing without the state,
23 in the manner provided for in civil actions in courts of record; to pay
24 such witnesses the fees and mileage for their attendance provided for
25 witnesses in civil actions in courts of record; and to administer oaths.
26 He or she shall also have the power to compel by order or subpoena the
27 production of and to examine all relevant books, records, accounts and
28 other documents. Any person who fails to obey the command of the subpoe-
29 na without reasonable excuse, or refuses without reasonable cause to be
30 served or to be examined or to answer a question or to produce a book or
31 paper when ordered so to do, or fails to perform any act required here-
32 under to be performed, shall be subject to the compulsions in such cases
33 made and provided by law, and if the person be registered hereunder, the
34 superintendent shall have the right to suspend or revoke the registra-
35 tion.

36 4. The superintendent may require of any registrant such reports,
37 under oath or otherwise, concerning the registrant's business in this
38 state, as he or she may deem necessary for the enforcement of this arti-
39 cle.

40 5. All reports of investigations and other reports rendered pursuant
41 to this section, and all correspondence and memoranda concerning or
42 arising out of such investigations or reports, including any duly
43 authenticated copy or copies thereof in the possession of any registrant
44 or the department, shall be confidential communications, shall not be
45 subject to subpoena and shall not be made public unless, in the judgment
46 of the superintendent, the ends of justice and the public advantage will
47 be subserved by the publication thereof, in which event the superinten-
48 dent may publish or authorize the publication of a copy of any such
49 report or other material referred to in this subdivision, or any part
50 thereof, in such manner as may be deemed proper. For purposes of this
51 subdivision, "reports of investigations, and other reports rendered
52 pursuant to this section and all correspondence and memoranda concerning
53 or arising out of such investigations or reports" shall have the same
54 meaning as such terms are defined pursuant to subdivision ten of section
55 thirty-six of this chapter.

1 6. Without limiting any power granted to the superintendent under any
2 other provision of this chapter, the superintendent may, in a proceeding
3 after notice and a hearing, impose penalties on earned wage access
4 providers who violate this article or any rules promulgated hereunder.
5 Section forty-four of this chapter shall govern the amount and nature of
6 those penalties.

7 § 2. Subdivision 10 of section 36 of the banking law, as amended by
8 section 2 of part L of chapter 58 of the laws of 2019, is amended to
9 read as follows:

10 10. All reports of examinations and investigations, correspondence and
11 memoranda concerning or arising out of such examination and investi-
12 gations, including any duly authenticated copy or copies thereof in the
13 possession of any banking organization, bank holding company or any
14 subsidiary thereof (as such terms "bank holding company" and "subsidi-
15 ary" are defined in article three-A of this chapter), any corporation
16 or any other entity affiliated with a banking organization within the
17 meaning of subdivision six of this section and any non-banking subsid-
18 iary of a corporation or any other entity which is an affiliate of a
19 banking organization within the meaning of subdivision six-a of this
20 section, foreign banking corporation, licensed lender, licensed cashier
21 of checks, licensed mortgage banker, registered mortgage broker,
22 licensed mortgage loan originator, licensed sales finance company,
23 registered mortgage loan servicer, licensed student loan servicer,
24 licensed insurance premium finance agency, licensed transmitter of
25 money, licensed budget planner, registered earned wage access service
26 provider, any other person or entity subject to supervision under this
27 chapter, or the department, shall be confidential communications, shall
28 not be subject to subpoena and shall not be made public unless, in the
29 judgment of the superintendent, the ends of justice and the public
30 advantage will be subserved by the publication thereof, in which event
31 the superintendent may publish or authorize the publication of a copy of
32 any such report or any part thereof in such manner as may be deemed
33 proper or unless such laws specifically authorize such disclosure. For
34 the purposes of this subdivision, "reports of examinations and investi-
35 gations, and any correspondence and memoranda concerning or arising out
36 of such examinations and investigations", includes any such materials of
37 a bank, insurance or securities regulatory agency or any unit of the
38 federal government or that of this state any other state or that of any
39 foreign government which are considered confidential by such agency or
40 unit and which are in the possession of the department or which are
41 otherwise confidential materials that have been shared by the department
42 with any such agency or unit and are in the possession of such agency or
43 unit.

44 § 3. This act shall take effect on the one hundred twentieth day after
45 it shall have become a law. Effective immediately, the addition, amend-
46 ment and/or repeal of any rule or regulation necessary for the implemen-
47 tation of this act on its effective date are authorized to be made and
48 completed on or before such effective date.