STATE OF NEW YORK

1022

2025-2026 Regular Sessions

IN ASSEMBLY

January 8, 2025

Introduced by M. of A. MAMDANI, LUCAS, LEVENBERG, SEAWRIGHT, KIM, BURDICK, FALL, FORREST -- read once and referred to the Committee on Banks

AN ACT to amend the executive law and the banking law, in relation to establishing the banking bill of rights

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

Section 1. Legislative intent. Across New York, financial institutions terminate individuals' bank accounts or deny their applications with no reason provided or recourse allowed. These banking practices disproportionately impact immigrant communities, resulting in unbanked or underbanked New Yorkers. Such practices harm consumers' credit scores and histories, creating barriers to housing, education and access to the financial industry altogether; they also block millions of dollars of donations to charitable organizations. Furthermore, these unfair and discriminatory practices create a chilling effect on local economies statewide. Personal finance deserves due process, and it is the intent of the legislature to ensure fundamental banking rights for all New Yorkers. Requiring financial institutions to disclose the reasons for adverse actions with respect to credit and deposit accounts will prevent discrimination ex ante, in addition to giving consumers an opportunity to improve their credit or financial status and rectify mistakes that may occur from misinformation or inadequate information; it will also create a beneficial competitive effect on the financial industry.

§ 2. The executive law is amended by adding a new section 296-b to read as follows:

§ 296-b. Banking bill of rights. 1. Definitions. For the purposes of this section, the following terms shall have the following meanings:

a. "Financial institution" shall mean any corporation organized under and subject to the provisions of the banking law, including any bank, trust company, savings bank, savings and loan association, credit union,

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

LBD00252-01-5

mortgage broker, mortgage banker, or other investment entity, whether headquartered within or outside the state, which provides credit or a deposit account to a customer in the state.

b. "Deposit account" shall mean any demand deposit account, including but not limited to, a checking account, time deposit account, certificate of deposit (CD), savings account, passbook account, share account, money market account, or other similar account maintained by a financial institution.

c. "Adverse action" shall mean a termination or closure of an account or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the financial institution's credit or deposit accounts, including but not limited to, loss of privileges. The term "adverse action" shall not include a change in the terms of an account expressly agreed to by an account holder, or any action or forbearance relating to an account taken in connection with inactivity, default, or delinquency of such account.

2. Due process requirements. Notwithstanding any other provision of law or rule or regulation to the contrary, a financial institution shall:

a. provide written notice of:

(1) all the specific reasons for denial of an application for credit or a deposit account to an applicant within ten days of such denial; and

(2) any adverse action of an existing customer's credit or deposit account and all the specific reasons for such adverse action at least thirty days prior to taking such adverse action; provided, however, that where such adverse action is a refusal or failure to authorize an account transaction at a point of sale, or whereby fraud or potentially unlawful activity is detected, written notice shall be provided as soon as reasonably possible but no later than five days after such adverse action is taken.

b. provide a reasonable opportunity for an applicant for credit or a deposit account or a customer with existing credit or a deposit account to contest or correct any information that the financial institution may have relating to denial of an application for credit or a deposit account or any pending adverse action relating to a customer's existing credit or deposit account; and

c. consider any information provided by an applicant for credit or a deposit account or a customer with existing credit or a deposit account pursuant to paragraph b of this subdivision in making a final decision regarding denial of an application for credit or a deposit account or any pending adverse action related to existing credit or a deposit account.

3. Enforcement. a. Any financial institution that violates subparagraph one or two of paragraph a of subdivision two of this section shall be liable to such applicant or customer for the following:

(1) ten thousand dollars for each such violation;

(2) actual damages resulting from such violation, including consequential and incidental damages;

(3) reasonable attorneys' fees; and

(4) in the case of repeat violations or violators, punitive damages.

b. A violation pursuant to paragraph a of this subdivision shall create a presumption of unlawful discriminatory practice pursuant to sections two hundred ninety-six and two hundred ninety-six-a of this article in favor of the applicant or customer.

c. Any applicant or customer seeking to enforce the provisions of this section, in lieu of the procedure set forth in section two hundred nine-

ty-seven of this article, may file a verified complaint with the superintendent of financial services; provided, however, that the filing of such complaint with either the superintendent of financial services or the division shall bar subsequent recourse to the other agency, as well as to any local commission on human rights, with respect to the grievance complained of. In the case of a verified complaint filed with the superintendent of financial services, the procedure set forth in paragraphs a and b of subdivision seven of section two hundred ninety-six-a of this article shall apply. If the superintendent of financial services finds that a violation of this section has occurred, such superintendent shall issue an order determining liability pursuant to paragraph a of this subdivision.

4. Preemption. Nothing in this section shall be construed to preempt any other state or federal law prohibiting the disclosure of certain protected consumer information or limit the ability of financial institutions to make reasonable business judgments.

5. Rules and regulations. The superintendent of financial services is authorized to promulgate rules and regulations to effectuate the provisions of this section.

§ 3. Paragraph a of subdivision 4 of section 296-a of the executive law, as amended by chapter 632 of the laws of 1976, is amended to read as follows:

a. [~~If so requested by~~] A creditor shall furnish an applicant for credit[~~, a creditor shall furnish such applicant~~] with a statement of the specific reasons for rejection of the applicant's application for credit pursuant to section two hundred ninety-six-b of this article.

§ 4. Section 9-d of the banking law, as added by chapter 173 of the laws of 1974 and as further amended by section 104 of part A of chapter 62 of the laws of 2011, is amended to read as follows:

§ 9-d. Enforcement of [~~section~~] sections two hundred ninety-six-a and two hundred ninety-six-b of the executive law. In addition to the powers conferred upon the superintendent of financial services by this chapter, he or she shall enforce [~~section~~] sections two hundred ninety-six-a and two hundred ninety-six-b of the executive law by taking such action as is therein authorized.

§ 5. This act shall take effect immediately.