

3797

2009-2010 Regular Sessions

I N S E N A T E

April 1, 2009

Introduced by Sen. MONSERRATE -- read twice and ordered printed, and
when printed to be committed to the Committee on Consumer Protection

AN ACT to amend the general business law, in relation to debt collection
notices

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. The general business law is amended by adding a new
2 section 601-a to read as follows:
3 S 601-A. DEBT COLLECTION NOTICE TO CONSUMERS. 1. AS USED IN THIS
4 SECTION, THE FOLLOWING TERM SHALL HAVE THE FOLLOWING MEANING:
5 "DEBT COLLECTION AGENCY" SHALL MEAN A PERSON, FIRM OR CORPORATION
6 ENGAGED IN BUSINESS, THE PRINCIPAL PURPOSE OF WHICH IS TO REGULARLY
7 COLLECT OR ATTEMPT TO COLLECT DEBTS: (I) OWED OR DUE OR ASSERTED TO BE
8 OWED OR DUE TO ANOTHER; OR (II) OBTAINED BY, OR ASSIGNED TO, SUCH
9 PERSON, FIRM OR CORPORATION, THAT ARE IN DEFAULT WHEN OBTAINED OR
10 ACQUIRED BY SUCH PERSON, FIRM OR CORPORATION.
11 THE TERM DOES NOT INCLUDE: (I) ANY OFFICER OR EMPLOYEE OF A CREDITOR
12 WHILE, IN THE NAME OF THE CREDITOR, COLLECTING DEBTS FOR SUCH CREDITOR;
13 (II) ANY PERSON WHILE ACTING AS A DEBT COLLECTION AGENCY FOR ANOTHER
14 PERSON, BOTH OF WHOM ARE RELATED BY COMMON OWNERSHIP OR AFFILIATED BY
15 CORPORATE CONTROL, IF THE PERSON ACTING AS A DEBT COLLECTION AGENCY DOES
16 SO ONLY FOR PERSONS TO WHOM IT IS SO RELATED OR AFFILIATED AND IF THE
17 PRINCIPAL BUSINESS OF SUCH PERSON IS NOT THE COLLECTION OF DEBTS;
18 (III) ANY PERSON WHILE SERVING OR ATTEMPTING TO SERVE LEGAL PROCESS ON
19 ANY OTHER PERSON IN CONNECTION WITH THE JUDICIAL ENFORCEMENT OF ANY
20 DEBT;
21 (IV) ANY ATTORNEY-AT-LAW OR LAW FIRM COLLECTING A DEBT IN SUCH CAPACI-
22 TY ON BEHALF OF AND IN THE NAME OF A CLIENT THROUGH LEGAL ACTIVITIES
23 SUCH AS THE FILING AND PROSECUTION OF LAWSUITS TO REDUCE DEBTS TO JUDG-
24 MENTS, BUT NOT ANY ATTORNEY-AT-LAW OR LAW FIRM WHO REGULARLY ENGAGES IN
25 ACTIVITIES TRADITIONALLY ASSOCIATED WITH DEBT COLLECTION, INCLUDING BUT

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

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1 NOT LIMITED TO, SENDING DEMAND LETTERS OR MAKING COLLECTION TELEPHONE
2 CALLS;

3 (V) ANY PERSON EMPLOYED BY A UTILITY REGULATED UNDER THE PROVISIONS OF
4 THE PUBLIC SERVICE LAW, ACTING FOR SUCH UTILITY;

5 (VI) ANY PERSON COLLECTING OR ATTEMPTING TO COLLECT ANY DEBT OWED OR
6 DUE OR ASSERTED TO BE OWED OR DUE ANOTHER TO THE EXTENT SUCH ACTIVITY;

7 (A) IS INCIDENTAL TO A BONA FIDE FIDUCIARY OBLIGATION OR A BONA FIDE
8 ESCROW AGREEMENT; (B) CONCERNS A DEBT WHICH WAS ORIGINATED BY SUCH
9 PERSON; OR (C) CONCERNS A DEBT WHICH WAS NOT IN DEFAULT AT THE TIME IT
10 WAS OBTAINED BY SUCH PERSON AS A SECURED PARTY IN A COMMERCIAL CREDIT
11 TRANSACTION INVOLVING THE CREDITOR;

12 (VII) ANY OFFICER OR EMPLOYEE OF THE UNITED STATES, ANY STATE THEREOF
13 OR ANY POLITICAL SUBDIVISION OF ANY STATE TO THE EXTENT THAT COLLECTING
14 OR ATTEMPTING TO COLLECT ANY DEBT OWED IS IN THE PERFORMANCE OF HIS OR
15 HER OFFICIAL DUTIES; OR

16 (VIII) ANY NON-PROFIT ORGANIZATION WHICH, AT THE REQUEST OF CONSUMERS,
17 PERFORMS BONA FIDE CONSUMER CREDIT COUNSELING AND ASSISTS CUSTOMERS IN
18 THE LIQUIDATION OF THEIR DEBTS BY RECEIVING PAYMENTS FROM SUCH CUSTOMERS
19 AND DISTRIBUTING SUCH AMOUNTS TO CREDITORS.

20 2. EACH AND EVERY DEBT COLLECTION AGENCY SHALL INCLUDE IN EACH INITIAL
21 CORRESPONDENCE ON A PAST DUE DEBT TO A DEBTOR A CLEAR AND CONSPICUOUS
22 WRITTEN STATEMENT OF AT LEAST THE FOLLOWING ITEMS, IN SUBSTANTIALLY THE
23 FOLLOWING FORM, TO BE CLEARLY AND CONSPICUOUSLY LABELED "DEBTOR'S BILL
24 OF RIGHTS":

25 DEBTOR'S BILL OF RIGHTS

26 AS A DEBTOR WHO OWES OR MAY OWE A CONSUMER CLAIM, YOU ARE GIVEN SOME
27 PROTECTION AND RIGHTS BY THE NEW YORK LAW REGULATING DEBT COLLECTION
28 PROCEDURES. YOU SHOULD BE AWARE OF YOUR RIGHTS AND NOT PERMIT YOUR
29 RIGHTS TO BE VIOLATED. SOME, NOT ALL, OF THE MORE IMPORTANT PROTECTIONS
30 ARE HIGHLIGHTED BELOW.

31 1. A DEBT COLLECTOR MAY CONTACT YOU OR ANY MEMBER OF YOUR FAMILY OR
32 HOUSEHOLD DIRECTLY. HOWEVER, THEY MAY NOT CONTACT YOU WITH SUCH FREQUEN-
33 CY, AT UNUSUAL HOURS, OR IN A MANNER THAT CAN BE EXPECTED TO ABUSE OR
34 HARASS YOU. THEY ALSO CANNOT THREATEN ACTION WHICH THEY DO NOT TAKE IN
35 THE USUAL COURSE OF BUSINESS.

36 2. A DEBT COLLECTOR MAY NOT THREATEN TO CONTACT YOUR EMPLOYER REGARD-
37 ING A DEBT PRIOR TO OBTAINING A FINAL JUDGMENT AGAINST YOU. HOWEVER, A
38 DEBT COLLECTOR MAY CONTACT YOUR EMPLOYER TO EXECUTE A WAGE ASSIGNMENT
39 AGREEMENT IF YOU, THE DEBTOR, HAVE AGREED TO THE ASSIGNMENT.

40 3. A DEBT COLLECTOR CANNOT USE A COMMUNICATION WHICH APPEARS TO BE
41 AUTHORIZED, ISSUED, OR APPROVED BY A GOVERNMENT AGENCY OR ATTORNEY WHEN
42 IT IS NOT.

43 4. A DEBT COLLECTOR CANNOT DISCLOSE OR THREATEN TO DISCLOSE INFORMA-
44 TION AFFECTING YOUR REPUTATION FOR CREDITWORTHINESS IF THE COLLECTOR
45 KNOWS OR HAS REASON TO KNOW THE INFORMATION IS FALSE. A DEBT COLLECTOR
46 ALSO CANNOT ATTEMPT OR THREATEN TO ENFORCE A RIGHT WHEN IT KNOWS OR HAS
47 REASON TO KNOW THE RIGHT DOES NOT EXIST.

48 THE NOTICE REQUIRED BY THIS SUBDIVISION SHALL BE PRINTED OR WRITTEN IN
49 AT LEAST TEN POINT BOLD TYPE.

50 S 2. Subdivision 1 of section 602 of the general business law, as
51 added by chapter 753 of the laws of 1973, is amended to read as follows:

52 1. Except as otherwise provided by law, any person who [shall violate]
53 VIOLATES the terms OF SECTION SIX HUNDRED ONE of this article [shall be]
54 IS guilty of a misdemeanor, and each such violation shall be deemed a
55 separate offense. A VIOLATION BY ANY PERSON OF SECTION SIX HUNDRED ONE-A
56 OF THIS ARTICLE, IF SUCH VIOLATION CONSTITUTES THE FIRST SUCH OFFENSE BY

1 SUCH PERSON, IS PUNISHABLE BY A CIVIL PENALTY NOT TO EXCEED TWO HUNDRED
2 FIFTY DOLLARS. THE SECOND OFFENSE AND ANY OFFENSE COMMITTED THEREAFTER
3 ARE PUNISHABLE BY A CIVIL PENALTY NOT TO EXCEED FIVE HUNDRED DOLLARS.
4 S 3. This act shall take effect on the first of January next succeed-
5 ing the date on which it shall have become a law.