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I N A S S E M B L Y

(PREFILED)

January 4, 2012

Introduced by M. of A. QUART -- read once and referred to the Committee
on Consumer Affairs and Protection

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

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY,
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
26 NOT LIMITED TO, SENDING DEMAND LETTERS OR MAKING COLLECTION TELEPHONE
27 CALLS;

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

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

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

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

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

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

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

23 DEBTOR'S BILL OF RIGHTS

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

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

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

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

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

46 FOR MORE INFORMATION ABOUT YOUR RIGHTS UNDER STATE AND FEDERAL DEBT
47 COLLECTION PROCEDURES LAW, CONTACT THE NEW YORK STATE DEPARTMENT OF
48 FINANCIAL SERVICES AT (INSERT THE CURRENT TELEPHONE NUMBER ESTABLISHED
49 BY THE DEPARTMENT OF FINANCIAL SERVICES FOR RECEIVING INQUIRIES FROM
50 CONSUMERS) OR (INSERT THE CURRENT ADDRESS OF THE WEBSITE OR WEBPAGE
51 CREATED PURSUANT TO PARAGRAPH 8 OF SUBDIVISION (C) OF SECTION THREE
52 HUNDRED ONE OF THE FINANCIAL SERVICES LAW). YOU MAY ALSO CONTACT THE
53 NEW YORK STATE ATTORNEY GENERAL AT (INSERT THE CURRENT TELEPHONE NUMBER
54 ESTABLISHED BY THE DEPARTMENT OF LAW FOR RECEIVING INQUIRIES FROM
55 CONSUMERS) OR (INSERT THE CURRENT ADDRESS OF THE WEBSITE OF THE DEPART-
56 MENT OF LAW).

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

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

5 1. Except as otherwise provided by law, any person who [shall violate]
6 VIOLATES the terms OF SECTION SIX HUNDRED ONE of this article [shall be]
7 IS guilty of a misdemeanor, and each such violation shall be deemed a
8 separate offense. A VIOLATION BY ANY PERSON OF SECTION SIX HUNDRED ONE-A
9 OF THIS ARTICLE, IF SUCH VIOLATION CONSTITUTES THE FIRST SUCH OFFENSE BY
10 SUCH PERSON, IS PUNISHABLE BY A CIVIL PENALTY NOT TO EXCEED TWO HUNDRED
11 FIFTY DOLLARS. THE SECOND OFFENSE AND ANY OFFENSE COMMITTED THEREAFTER
12 ARE PUNISHABLE BY A CIVIL PENALTY NOT TO EXCEED FIVE HUNDRED DOLLARS.

13 S 3. Paragraphs 6 and 7 of subdivision (c) of section 301 of the
14 financial services law, as added by section 1 of part A of chapter 62 of
15 the laws of 2011, are amended and a new paragraph 8 is added to read as
16 follows:

17 (6) providing technical assistance to local governments and not-for-
18 profits in the development of consumer protection measures with respect
19 to financial products and services; [and]

20 (7) continuing and expanding the detection, investigation and
21 prevention of insurance fraud[.] ; AND

22 (8) ESTABLISHING A WEBSITE OR WEBPAGE THAT INCLUDES, BUT IS NOT LIMIT-
23 ED TO, INFORMATION REGARDING THE PROTECTION AND RIGHTS AFFORDED TO
24 CONSUMERS UNDER STATE AND FEDERAL LAWS REGULATING DEBT COLLECTION PROCE-
25 DURES, A SAMPLE INITIAL DEBT COLLECTION DISPUTE LETTER, A SAMPLE DEBT
26 COLLECTION CEASE AND DESIST LETTER, AND THE CURRENT CONTACT INFORMATION
27 FOR THE ATTORNEY GENERAL AND THE FEDERAL TRADE COMMISSION.

28 S 4. This act shall take effect on the first of January next succeed-
29 ing the date on which it shall have become a law.