

STATE OF NEW YORK

5309

2017-2018 Regular Sessions

IN ASSEMBLY

February 7, 2017

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

AN ACT to amend the general business law and the banking law, in relation to providing for budget planning and debt settlement services

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

1 Section 1. Section 455 of the general business law, as amended by
2 chapter 629 of the laws of 2002, subdivision 1 as amended by chapter 456
3 of the laws of 2006, and subdivision 4 as amended by chapter 549 of the
4 laws of 2013, is amended to read as follows:

5 § 455. Definitions. 1. Budget planning, as used in this article, means
6 the making of a contract between a person or entity engaged in the busi-
7 ness of budget planning with a particular debtor whereby:

8 (i) the debtor agrees to pay a sum or sums of money in any manner or
9 form and the person or entity engaged in the business of budget planning
10 distributes, or supervises, coordinates or controls the distribution of,
11 or has a contractual relationship with another person or entity that
12 distributes, or supervises, coordinates or controls such distribution
13 of, the same among certain specified creditors in accordance with a
14 periodic payment plan agreed upon; and

15 (ii) the debtor agrees to pay to such person or entity, or such other
16 person or entity that distributes, or supervises, coordinates or
17 controls such distribution of, a sum or sums of money, any valuable
18 consideration for such services or for any other services rendered in
19 connection therewith; provided, however, that "budget planning" does not
20 include "debt settlement services" as defined in section five hundred
21 eighty-eight-a of the banking law. For the purposes of this article, a
22 person or entity shall be considered as engaged in the business of budg-
23 et planning in New York, and subject to this article and the licensing
24 and other requirements of article twelve-C of the banking law, if such
25 person or entity solicits budget planning business within this state

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

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1 and, in connection with such solicitation, enters into a contract for
2 budget planning with an individual then resident in this state.

3 2. Person, as used in this article, shall not include a person admit-
4 ted to practice law in this state.

5 3. Entity, as used in this article, shall not include a firm, partner-
6 ship, professional corporation, or other organization, all of the
7 members or principals of which are admitted to practice law in this
8 state.

9 4. ~~Person or entity as used in this article shall not include a char-
10 itable corporation as defined in paragraph (a) of section one hundred
11 two (Definitions) of the not for profit corporation law of this state,
12 or an entity incorporated in another state and having a similar not for
13 profit status, licensed by the superintendent, to engage in the business
14 of budget planning as defined in this section.~~

15 ~~5.]~~ Any attorney licensed to practice law in this state who is engaged
16 in budget planning shall:

- 17 (a) negotiate directly with creditors on behalf of the client;
- 18 (b) ensure that all moneys received from the client are deposited in
19 the attorney's account maintained for client funds;
- 20 (c) pay creditors from such account; and
- 21 (d) offer budget planning services through the same legal entity that
22 the attorney uses to practice law.

23 § 2. Section 457 of the general business law, as amended by chapter
24 629 of the laws of 2002, is amended to read as follows:

25 § 457. ~~Penalty~~ Penalties for violation of this article; criminal and
26 civil. (a) Whoever either individually or as officer, director or
27 employee of any person, firm, association or corporation, violates any
28 of the provisions of the preceding section shall be guilty of a class A
29 misdemeanor ~~[for each such violation]~~ punishable as provided in articles
30 seventy and eighty of the penal law.

31 (b) Whenever there shall be a violation of this article, application
32 may be made by the attorney general in the name of the people of the
33 state of New York to a court or justice having jurisdiction by a special
34 proceeding to issue an injunction, and upon notice to the defendant of
35 not less than five days, to enjoin and restrain the continuance of such
36 violations; and if it shall appear to the satisfaction of the court or
37 justice that the defendant has, in fact, violated this article, an
38 injunction may be issued by such court or justice, enjoining and
39 restraining any further violation, without requiring proof that any
40 person has, in fact, been injured or damaged thereby. In connection with
41 any such proposed application, the attorney general is authorized to
42 take proof and make a determination of the relevant facts and to issue
43 subpoenas in accordance with the civil practice law and rules. Whenever
44 the court shall determine that a violation of section four hundred
45 fifty-six of this article has occurred, the court may impose a civil
46 penalty of not more than five hundred dollars per contract made in
47 violation of such section, not to exceed one hundred thousand dollars.

48 § 3. Section 579 of the banking law, as amended by chapter 549 of the
49 laws of 2013, is amended to read as follows:

50 § 579. Doing business without license prohibited. ~~[Only a charitable~~
51 ~~corporation as defined in paragraph (a) of section one hundred two~~
52 ~~(Definitions) of the not for profit corporation law of this state, or an~~
53 ~~entity incorporated in another state and having a similar not for profit~~
54 ~~status.]~~ No person or entity shall engage in the business of budget
55 planning as defined in subdivision one of section four hundred fifty-
56 five of the general business law ~~[of this state]~~ except as authorized by

1 this article and without first obtaining a license from the superinten-
2 dent.

3 § 4. Subdivision 2 of section 584-a of the banking law, as added by
4 chapter 629 of the laws of 2002, is amended to read as follows:

5 2. the total fees agreed to for such services, including any adjust-
6 ments for estimated available rebates from creditors, provided that
7 nothing in this subdivision shall require a licensee to share rebates
8 with its clients and provided that any fees or charges imposed must be
9 fair, reasonable and easily understood;

10 § 5. Section 584-b of the banking law is amended by adding a new
11 subdivision 4-a to read as follows:

12 4-a. No licensee shall impose any fee or charge whatsoever that is
13 not fair, reasonable and able to be easily understood.

14 § 6. Section 585 of the banking law, as amended by chapter 629 of the
15 laws of 2002, is amended to read as follows:

16 § 585. Superintendent authorized to examine. For the purpose of
17 discovering violations of this article or securing information lawfully
18 required by him or her hereunder, the superintendent may at any time,
19 and as often as he or she may determine, either personally or by a
20 person duly designated by him or her, investigate the business and exam-
21 ine the books, accounts, records, and files used therein of every licen-
22 see hereunder. For that purpose the superintendent and his or her duly
23 designated representative shall have free access to the offices and
24 place of business, books, accounts, papers, records, files, safes and
25 vaults of all such licensees. The superintendent and any person duly
26 designated by him or her shall have authority to require the attendance
27 of and to examine under oath all persons whose testimony he or she may
28 require relative to such business. The expenses incurred in making any
29 examination pursuant to this section shall be assessed against and paid
30 by the licensee so examined, except that traveling and subsistence
31 expenses so incurred shall be charged against and paid by licensees in
32 such proportions as the superintendent shall deem just and reasonable,
33 and such proportionate charges shall be added to the assessment of the
34 other expenses incurred upon each examination. Upon written notice by
35 the superintendent of the total amount of such assessment, the licensee
36 shall become liable for and shall pay such assessment to the superinten-
37 dent. If, upon review, the superintendent shall determine that the fees
38 or service charges set by the licensee are unfair, unreasonable or
39 unclear, he or she shall direct the licensee to make adjustments in said
40 fees and service charges in accordance with his or her findings, which
41 shall set forth a detailed factual basis and reasoning supporting such
42 finding.

43 § 7. Subdivision 10 of section 36 of the banking law, as amended by
44 chapter 182 of the laws of 2011, is amended to read as follows:

45 10. All reports of examinations and investigations, correspondence and
46 memoranda concerning or arising out of such examination and investi-
47 gations, including any duly authenticated copy or copies thereof in the
48 possession of any banking organization, bank holding company or any
49 subsidiary thereof (as such terms "bank holding company" and "subsidi-
50 ary" are defined in article three-A of this chapter), any corporation
51 or any other entity affiliated with a banking organization within the
52 meaning of subdivision six of this section and any non-banking subsid-
53 iary of a corporation or any other entity which is an affiliate of a
54 banking organization within the meaning of subdivision six-a of this
55 section, foreign banking corporation, licensed lender, licensed cashier
56 of checks, licensed mortgage banker, registered mortgage broker,

1 licensed mortgage loan originator, licensed sales finance company,
2 registered mortgage loan servicer, licensed insurance premium finance
3 agency, licensed transmitter of money, licensed budget planner, licensed
4 debt settlement company, any other person or entity subject to super-
5 vision under this chapter, or the department, shall be confidential
6 communications, shall not be subject to subpoena and shall not be made
7 public unless, in the judgment of the superintendent, the ends of
8 justice and the public advantage will be subserved by the publication
9 thereof, in which event the superintendent may publish or authorize the
10 publication of a copy of any such report or any part thereof in such
11 manner as may be deemed proper or unless such laws specifically author-
12 ize such disclosure. For the purposes of this subdivision, "reports of
13 examinations and investigations, and any correspondence and memoranda
14 concerning or arising out of such examinations and investigations",
15 includes any such materials of a bank, insurance or securities regulato-
16 ry agency or any unit of the federal government or that of this state
17 any other state or that of any foreign government which are considered
18 confidential by such agency or unit and which are in the possession of
19 the department or which are otherwise confidential materials that have
20 been shared by the department with any such agency or unit and are in
21 the possession of such agency or unit.

22 § 8. Subdivisions 1, 2, 3 and 5 of section 39 of the banking law,
23 subdivisions 1, 2 and 5 as amended by chapter 123 of the laws of 2009
24 and subdivision 3 as amended by chapter 155 of the laws of 2012, are
25 amended to read as follows:

26 1. To appear and explain an apparent violation. Whenever it shall
27 appear to the superintendent that any banking organization, bank holding
28 company, registered mortgage broker, licensed mortgage banker, regis-
29 tered mortgage loan servicer, licensed mortgage loan originator,
30 licensed lender, licensed casher of checks, licensed sales finance
31 company, licensed insurance premium finance agency, licensed transmitter
32 of money, licensed budget planner, licensed debt settlement company,
33 out-of-state state bank that maintains a branch or branches or represen-
34 tative or other offices in this state, or foreign banking corporation
35 licensed by the superintendent to do business or maintain a represen-
36 tative office in this state has violated any law or regulation, he or
37 she may, in his or her discretion, issue an order describing such appar-
38 ent violation and requiring such banking organization, bank holding
39 company, registered mortgage broker, licensed mortgage banker, licensed
40 mortgage loan originator, licensed lender, licensed casher of checks,
41 licensed sales finance company, licensed insurance premium finance agen-
42 cy, licensed transmitter of money, licensed budget planner, licensed
43 debt settlement company, out-of-state state bank that maintains a branch
44 or branches or representative or other offices in this state, or foreign
45 banking corporation to appear before him or her, at a time and place
46 fixed in said order, to present an explanation of such apparent
47 violation.

48 2. To discontinue unauthorized or unsafe and unsound practices. When-
49 ever it shall appear to the superintendent that any banking organiza-
50 tion, bank holding company, registered mortgage broker, licensed mort-
51 gage banker, registered mortgage loan servicer, licensed mortgage loan
52 originator, licensed lender, licensed casher of checks, licensed sales
53 finance company, licensed insurance premium finance agency, licensed
54 transmitter of money, licensed budget planner, licensed debt settlement
55 company, out-of-state state bank that maintains a branch or branches or
56 representative or other offices in this state, or foreign banking corpo-

1 ration licensed by the superintendent to do business in this state is
2 conducting business in an unauthorized or unsafe and unsound manner, he
3 or she may, in his or her discretion, issue an order directing the
4 discontinuance of such unauthorized or unsafe and unsound practices, and
5 fixing a time and place at which such banking organization, bank holding
6 company, registered mortgage broker, licensed mortgage banker, regis-
7 tered mortgage loan servicer, licensed mortgage loan originator,
8 licensed lender, licensed casher of checks, licensed sales finance
9 company, licensed insurance premium finance agency, licensed transmitter
10 of money, licensed budget planner, licensed debt settlement company,
11 out-of-state state bank that maintains a branch or branches or represen-
12 tative or other offices in this state, or foreign banking corporation
13 may voluntarily appear before him or her to present any explanation in
14 defense of the practices directed in said order to be discontinued.

15 3. To make good impairment of capital or to ensure compliance with
16 financial requirements. Whenever it shall appear to the superintendent
17 that the capital or capital stock of any banking organization, bank
18 holding company or any subsidiary thereof which is organized, licensed
19 or registered pursuant to this chapter, is impaired, or the financial
20 requirements imposed by subdivision one of section two hundred two-b of
21 this chapter or any regulation of the superintendent on any branch or
22 agency of a foreign banking corporation or the financial requirements
23 imposed by this chapter or any regulation of the superintendent on any
24 licensed lender, registered mortgage broker, licensed mortgage banker,
25 licensed casher of checks, licensed sales finance company, licensed
26 insurance premium finance agency, licensed transmitter of money,
27 licensed budget planner, licensed debt settlement company or private
28 banker are not satisfied, the superintendent may, in the superinten-
29 dent's discretion, issue an order directing that such banking organiza-
30 tion, bank holding company, branch or agency of a foreign banking corpo-
31 ration, registered mortgage broker, licensed mortgage banker, licensed
32 lender, licensed casher of checks, licensed sales finance company,
33 licensed insurance premium finance agency, licensed transmitter of
34 money, licensed budget planner, licensed debt settlement company or
35 private banker make good such deficiency forthwith or within a time
36 specified in such order.

37 5. To keep books and accounts as prescribed. Whenever it shall appear
38 to the superintendent that any banking organization, bank holding compa-
39 ny, registered mortgage broker, licensed mortgage banker, registered
40 mortgage loan servicer, licensed mortgage loan originator, licensed
41 lender, licensed casher of checks, licensed sales finance company,
42 licensed insurance premium finance agency, licensed transmitter of
43 money, licensed budget planner, licensed debt settlement company, agency
44 or branch of a foreign banking corporation licensed by the superinten-
45 dent to do business in this state, does not keep its books and accounts
46 in such manner as to enable him or her to readily ascertain its true
47 condition, he or she may, in his or her discretion, issue an order
48 requiring such banking organization, bank holding company, registered
49 mortgage broker, licensed mortgage banker, registered mortgage loan
50 servicer, licensed mortgage loan originator, licensed lender, licensed
51 casher of checks, licensed sales finance company, licensed insurance
52 premium finance agency, licensed transmitter of money, licensed budget
53 planner, licensed debt settlement company, or foreign banking corpo-
54 ration, or the officers or agents thereof, or any of them, to open and
55 keep such books or accounts as he or she may, in his or her discretion,

1 determine and prescribe for the purpose of keeping accurate and conven-
2 ient records of its transactions and accounts.

3 § 9. Paragraph (a) of subdivision 1 of section 44 of the banking law,
4 as amended by chapter 155 of the laws of 2012, is amended to read as
5 follows:

6 (a) Without limiting any power granted to the superintendent under any
7 other provision of this chapter, the superintendent may, in a proceeding
8 after notice and a hearing, require any safe deposit company, licensed
9 lender, licensed casher of checks, licensed sales finance company,
10 licensed insurance premium finance agency, licensed transmitter of
11 money, licensed mortgage banker, registered mortgage broker, licensed
12 mortgage loan originator, registered mortgage loan servicer ~~[or]~~,
13 licensed budget planner or licensed debt settlement company to pay to
14 the people of this state a penalty for any violation of this chapter,
15 any regulation promulgated thereunder, any final or temporary order
16 issued pursuant to section thirty-nine of this article, any condition
17 imposed in writing by the superintendent in connection with the grant of
18 any application or request, or any written agreement entered into with
19 the superintendent.

20 § 10. The banking law is amended by adding a new article 12-CC to read
21 as follows:

22 ARTICLE XII-CC
23 DEBT SETTLEMENT COMPANIES

24 Section 588-a. Definitions.

25 588-b. Doing business without license prohibited.

26 588-c. Application for license.

27 588-d. Conditions for issuance of a license; procedure where
28 application denied.

29 588-e. License provisions.

30 588-f. Changes in officers or directors of licensee.

31 588-g. Changes in control.

32 588-h. Grounds for suspension, revocation, or termination of
33 license; procedure.

34 588-i. Advertising and marketing practices.

35 588-j. Individualized financial analysis; statement.

36 588-k. Required pre-agreement disclosures and warnings.

37 588-l. Debt settlement services agreements.

38 588-m. Fees.

39 588-n. Debtor settlement accounts; monthly accounting.

40 588-o. Cancellation of debt settlement services agreement; right
41 to refunds.

42 588-p. Obligation of good faith.

43 588-q. Prohibited activities.

44 588-r. Superintendent authorized to examine.

45 588-s. Licensee's books and records; reports.

46 588-t. Penalties; noncompliance.

47 588-u. Authority of superintendent.

48 588-v. Severability.

49 § 588-a. Definitions. As used in this article: 1. "Affiliate" means
50 any person that directly or indirectly controls, is controlled by, or is
51 under common control with another person.

52 2. "Clearly and conspicuously" means that a statement, representation,
53 term, or disclosure is so presented as to be readily apparent and under-
54 stood by the person to whom it is being addressed. Factors to be consid-
55 ered for this purpose include but are not limited to size, placement,
56 color contrast, length, crawl time, and audibility.

1 3. "Debtor" means any individual who has incurred indebtedness or owes
2 a debt.

3 4. "Debtor settlement account" means any account or other means or
4 device in which payments, deposits, or other transfers from a debtor are
5 arranged, held, or transferred by or to a debt settlement company for
6 the accumulation of the debtor's funds in anticipation of proffering an
7 adjustment or settlement of a debt or obligation of the debtor.

8 5. "Debt settlement company" means any person:

9 (a) engaging in, or holding himself, herself, or itself out as engag-
10 ing in, the business of providing debt settlement services in exchange
11 for or in expectation of any compensation or gain; or

12 (b) soliciting for or acting on behalf of any person engaging in, or
13 holding himself, herself, or itself out as engaging in, the business of
14 providing debt settlement services in exchange for or in expectation of
15 any compensation or gain; provided, however, that "debt settlement
16 company" shall not include:

17 (i) the following exempt persons:

18 (A) any attorney licensed to practice law in this state when acting in
19 the ordinary practice of law and through the entity used by the attorney
20 in the ordinary practice of law, and not holding himself or herself out
21 as a debt settlement company, and not providing debt settlement
22 services, except as incidental to legal representation;

23 (B) any public officer while acting in an official capacity and any
24 person acting under court order; or

25 (C) any person while performing services incidental to the dissol-
26 ution, winding up, or liquidation of a partnership, corporation, or
27 other business enterprise; or

28 (D) any bank, trust company, savings bank, savings and loan associ-
29 ation, or credit union, whether incorporated, chartered, or organized
30 under the laws of this state or any other state or the United States, or
31 any operating subsidiary of any such bank, trust company, savings bank,
32 savings and loan association, or credit union.

33 (ii) such other persons as may be specifically exempted by the super-
34 intendent in his or her sole discretion and consistent with the purposes
35 of this article and the rules and regulations promulgated hereunder.

36 6. "Debt settlement services" means:

37 (a) offering to provide or providing advice or services, or offering
38 to act or acting as an intermediary between or on behalf of a debtor and
39 one or more of the debtor's creditors, where the primary purpose of the
40 advice, service, or action is to obtain a settlement, adjustment, or
41 satisfaction of the debtor's unsecured debt to a creditor in an amount
42 less than the principal amount of the debt or in an amount less than the
43 current outstanding balance of the debt; or

44 (b) offering to provide services related to or providing services
45 advising, encouraging, assisting, or counseling a debtor to accumulate
46 funds for the primary purpose of proposing, obtaining, or seeking to
47 obtain a settlement, adjustment, or satisfaction of the debtor's unse-
48 cured debt to a creditor in an amount less than the principal amount of
49 the debt or in an amount less than the current outstanding balance of
50 the debt; provided, however, that debt settlement services shall not
51 include:

52 (i) "budget planning" as defined in section four hundred fifty-five of
53 the general business law; or

54 (ii) the services of an attorney in providing information, advice, or
55 legal representation with respect to filing a case or proceeding under
56 Title 11 of the United States Code.

1 7. "Debt settlement services agreement" means a contract or other
2 agreement with a debtor related to the provision of debt settlement
3 services.

4 8. "Enrollment fee" means any fee, obligation, or compensation paid or
5 to be paid by the debtor to a debt settlement company in consideration
6 of or in connection with establishing a debt settlement services agree-
7 ment.

8 9. "Maintenance fee" means any fee, obligation, or compensation paid
9 or to be paid by a debtor to a debt settlement company in consideration
10 of or in connection with maintaining the relationship and services
11 provided by a debt settlement company in accordance with a debt settle-
12 ment services agreement.

13 10. "Person" means an individual, partnership, limited liability
14 company, corporation, association, or any other legal entity.

15 11. "Principal amount of the debt" means the total amount owed by a
16 debtor to one or more creditors for a debt that is included in a debt
17 settlement services agreement at the time when the debtor enters into
18 such agreement.

19 12. "Settlement fee" means any fee, obligation, or compensation paid
20 or to be paid by a debtor to a debt settlement company in consideration
21 of or in connection with an agreement or other arrangement on the part
22 of a creditor to accept less than the principal amount of the debt as
23 satisfaction of the creditor's claim against the debtor.

24 § 588-b. Doing business without license prohibited. 1. Except as
25 provided in subdivision three of this section, no person shall engage in
26 the business of a debt settlement company in this state without first
27 obtaining a license from the superintendent in accordance with the
28 licensing procedure provided in this article and such rules and regu-
29 lations as may be promulgated hereunder.

30 2. The business of a debt settlement company is conducted in this
31 state if the debt settlement company, its employees, or its agents are
32 located in this state or if the debt settlement company advertises,
33 solicits, offers, or contracts to provide debt settlement services to
34 debtors then resident in this state.

35 3. If a debt settlement company is licensed under this article, subdi-
36 vision one of this section does not apply to any employee of such licen-
37 see.

38 § 588-c. Application for license. 1. Application for a license
39 required under this article shall be in writing, under oath, and in the
40 form prescribed by the superintendent, and shall contain the following:

41 (a) the exact name and complete street address of the applicant and,
42 if applicable, its date of incorporation or organization;

43 (b) the name and complete business and residential address and occupa-
44 tion of each officer and director of the applicant and each person that
45 owns at least ten percent of the shares or other ownership interests of
46 the applicant;

47 (c) the complete street address of the principal office from which the
48 business is to be conducted;

49 (d) if the applicant has one or more branches, subsidiaries, or affil-
50 iates located in this state, soliciting business in this state, or doing
51 business with residents of this state, the complete address of each such
52 place of business; and

53 (e) such other pertinent information as the superintendent may
54 require, including but not limited to evidence indicating that the
55 applicant, or an officer, director, or manager of such applicant has at

1 least one year of experience in financial services or related fields
2 applicable to debt settlement services.

3 2. An applicant shall file a master application for its principal
4 office and supplemental applications for each branch office that will
5 conduct the business of a debt settlement company in this state.

6 3. Upon original application for a license or licenses, the applicant
7 shall pay an investigation fee in an aggregate amount as prescribed
8 pursuant to section eighteen-a of this chapter. No additional investi-
9 gation fee shall be required for any subsequent application for a
10 license unless such application is subsequent to a denial of a license
11 or to a revocation, suspension, surrender, or termination of a license;
12 provided, however, that an application to establish a branch office of
13 the licensee shall be accompanied by the fee prescribed in section eigh-
14 teen-a of this chapter.

15 4. As a condition for the issuance and retention of a license, and
16 subject to such regulations as the superintendent shall prescribe,
17 applicants for a license shall file with the superintendent a surety
18 bond in favor of the superintendent, issued by a bonding company or
19 insurance company authorized to do business in this state, and in a form
20 satisfactory to the superintendent.

21 (a) In lieu of the surety bond required by this subdivision, an appli-
22 cant may pledge to the superintendent and maintain in a pledge account
23 with such banks, savings banks, savings and loan associations, trust
24 companies, national banks, federal savings banks, or federal savings and
25 loan associations in the state as such licensee may designate and the
26 superintendent may approve:

27 (i) interest-bearing bills, notes, bonds, debentures, or other obli-
28 gations issued or guaranteed by the United States or any state or other
29 local governmental entity or any instrumentality thereof, bearing a
30 rating of one of the three highest grades by a nationally recognized
31 statistical rating organization that has been engaged in rating state
32 and municipal issues for a period of not less than five years;

33 (ii) dollar deposits; or

34 (iii) such other assets or letters of credit as the superintendent
35 shall by rule or regulation permit.

36 (b) Except as provided hereunder, the principal amount of such surety
37 bond or deposit shall be two hundred fifty thousand dollars. The super-
38 intendent may:

39 (i) require a larger bond or deposit if he or she determines, in his
40 or her sole discretion, that a licensee has engaged in a pattern of
41 conduct resulting in bona fide debtor complaints of misconduct and that
42 such increased bond or deposit is necessary for the protection of
43 debtors; or

44 (ii) increase or decrease the amount of such bond or deposit based
45 upon the applicant's or licensee's financial condition, business plan,
46 business experience, or any other factor the superintendent considers
47 appropriate.

48 (c) The proceeds of such surety bond or deposit shall constitute a
49 trust fund to be used exclusively:

50 (A) to reimburse fees that have been improperly charged to or
51 collected from debtors with respect to the business of a debt settlement
52 company in this state, as such business is described in section five
53 hundred eighty-eight-b of this article;

54 (B) to reimburse amounts that have not been properly distributed to
55 creditors or properly returned to debtors with respect to the business

1 of a debt settlement company in this state, as such business is
2 described in section five hundred eighty-eight-b of this article; and
3 (C) to pay outstanding banking department examination costs and
4 assessments.

5 § 588-d. Conditions for issuance of a license; procedure where appli-
6 cation denied. Upon the filing of an application for a license, if the
7 superintendent shall find that the financial responsibility, experience,
8 character, and general fitness of the applicant, and of the control
9 persons, officers, and directors thereof are such as to command the
10 confidence of the community and to warrant belief that the business will
11 be operated honestly, fairly, and efficiently within the purposes of
12 this article, he or she shall thereupon issue a license in duplicate to
13 engage in debt settlement services in accordance with the provisions of
14 this article. The superintendent shall transmit one copy of such
15 license to the applicant and file the other in the office of the depart-
16 ment. Such license shall remain in full force and effect until it is
17 surrendered by the licensee or revoked, suspended, or terminated as
18 hereinafter provided. If the superintendent shall not so find, he or
19 she shall not issue such license and he or she shall notify the appli-
20 cant of the denial.

21 § 588-e. License provisions. Each license issued under this article
22 shall state the principal office address and, if applicable, the address
23 of the branch office for which it was issued. Such license shall state
24 fully the name of the licensee and, if applicable, the date and place of
25 its incorporation or organization. A copy of such license shall be prom-
26 inently posted in the principal office and, if applicable, such branch
27 office. Such license shall not be transferable or assignable. In the
28 event the location at which the business is to be conducted shall be
29 changed, the licensee shall forthwith notify the superintendent who
30 shall thereupon without charge attach to the license a rider setting
31 forth such changed location.

32 § 588-f. Changes in officers or directors of licensee. In the event
33 that there shall be any change among the officers or directors of any
34 licensee, the licensee shall promptly notify the superintendent of the
35 name, address, and occupation of each new officer or director and
36 provide such other information as the superintendent may require.

37 § 588-g. Changes in control. 1. It shall be unlawful except with the
38 prior approval of the superintendent for any action to be taken which
39 results in a change of control of the business of a licensee. Prior to
40 any change of control, the person desirous of acquiring control of the
41 business of a licensee shall make written application to the superinten-
42 dent and pay an investigation fee as prescribed pursuant to section
43 eighteen-a of this chapter to the superintendent. The application shall
44 contain such information as the superintendent may prescribe as neces-
45 sary or appropriate for the purpose of making the determination required
46 by subdivision two of this section.

47 2. The superintendent shall approve or disapprove the proposed change
48 of control of a licensee in accordance with the provisions of section
49 five hundred eighty-eight-d of this article.

50 3. As used in this section, the term "control" means the possession,
51 directly or indirectly, of the power to direct or cause the direction of
52 the management and policies of a licensee, whether through the ownership
53 of voting stock of such licensee, the ownership of voting stock of any
54 person which possesses such power or otherwise. Control shall be
55 presumed to exist if any person, directly or indirectly, owns, controls
56 or holds with power to vote ten percent or more of the voting stock of

1 any licensee or of any person which owns, controls or holds with power
2 to vote ten percent or more of the voting stock of any licensee, but no
3 person shall be deemed to control a licensee solely by reason of being
4 an officer or director of such licensee or person. The superintendent
5 may in his or her discretion, upon the application of a licensee or any
6 person who, directly or indirectly, owns, controls or holds with power
7 to vote or seeks to own, control or hold with power to vote any voting
8 stock of such licensee, determine whether or not the ownership, control
9 or holding of such voting stock constitutes or would constitute control
10 of such licensee for purposes of this section.

11 § 588-h. Grounds for suspension, revocation, or termination of
12 license; procedure. 1. In addition to the authority set forth in subdivi-
13 vision two of this section, the superintendent may suspend or revoke any
14 license issued under this article if, after notice and a hearing, he or
15 she shall find that:

16 (a) the licensee has violated any provisions of this article, or of
17 any rule or regulation made by the superintendent under and within the
18 authority of this article;

19 (b) any fact or condition exists which, if it had existed at the time
20 of the original application for such license, would have warranted the
21 superintendent in refusing originally to issue such license; or

22 (c) the licensee or an officer, director, or control person of the
23 licensee has been convicted of a crime against the laws of this state or
24 any other state or of the United States involving moral turpitude or
25 fraudulent or dishonest actions, or a final judgment in a court of
26 competent jurisdiction has been entered against the licensee or an offi-
27 cer, director, or control person of the licensee in a civil action aris-
28 ing from fraud, misrepresentation, or deceit.

29 2. (a) The superintendent may, for good cause, without notice or a
30 hearing, issue an order suspending any license issued pursuant to this
31 article for a period not exceeding ninety days, pending investigation.
32 "Good cause", as used in this subdivision, shall exist only when the
33 licensee has defaulted or is likely to default in performing its finan-
34 cial engagements or engages or has engaged in dishonest or inequitable
35 practices which may cause substantial harm to the persons afforded the
36 protection of this article.

37 (b) The superintendent may, in his or her sole discretion, without
38 notice or a hearing, issue an order suspending any license issued pursu-
39 ant to the authority of this article upon the failure of such licensee
40 to make any payments as required by this chapter.

41 (c) The superintendent may, in his or her sole discretion, without
42 notice or a hearing, issue an order suspending any license issued pursu-
43 ant to the authority of this article:

44 (i) thirty days after the date the licensee fails to file any report
45 required under this article to be filed by it with the superintendent;

46 (ii) immediately upon the licensee filing a petition in bankruptcy;

47 (iii) at least thirty days after the licensee has had filed against it
48 a petition in bankruptcy; or

49 (iv) immediately upon the receipt by the superintendent of notice that
50 the surety bond required pursuant to section five hundred eighty-eight-c
51 of this article is no longer in effect or that the value of assets in
52 the pledge account is less than the required amount.

53 3. If the superintendent has issued an order suspending a license
54 issued pursuant to the authority of this article pursuant to paragraph
55 (a) of subdivision two of this section, such license may be reinstated
56 if the superintendent determines, in his or her sole discretion after

1 investigation, that good cause therefor did not exist or no longer
2 exists. If the superintendent has issued an order suspending a license
3 issued pursuant to paragraph (b) or (c) of subdivision two of this
4 section, such license may be reinstated, if the superintendent deter-
5 mines, in his or her sole discretion, that the licensee has cured all
6 deficiencies set forth in such order by the close of business ninety
7 days after the date of such suspension order, including, without limita-
8 tion, making any overdue payment, having any such bankruptcy petition
9 dismissed, or having such bond reinstated or depositing all required
10 additional assets. Otherwise, in the case of a suspension pursuant to
11 paragraph (b) or (c) of subdivision two of this section, unless the
12 superintendent has, in his or her sole discretion, extended such suspen-
13 sion, all licenses of such licensee shall be deemed to be automatically
14 terminated by operation of law at the close of business on such nineti-
15 eth day.

16 4. Except as provided for in subdivision two of this section, no
17 license shall be revoked or suspended except after notice and a hearing
18 thereon.

19 5. With the prior consent of the superintendent, any licensee may
20 surrender any license by delivering to the superintendent written notice
21 that it thereby surrenders such license, but such surrender shall not
22 affect such licensee's civil or criminal liability for acts committed
23 prior to such surrender or its obligations to the superintendent for
24 assessments, fees, or administrative actions with respect to the periods
25 before such surrender.

26 6. No revocation, suspension, termination, or surrender of any license
27 shall impair or affect the obligation of any pre-existing lawful
28 contract between the licensee and any person.

29 7. Every license issued hereunder shall remain in force and effect
30 until the same shall have been surrendered, revoked, suspended, or
31 terminated in accordance with the provisions of this article, but the
32 superintendent shall have authority to reinstate a suspended license or
33 to issue a new license to a licensee whose license shall have been
34 revoked if no fact or condition then exists which would have warranted
35 the superintendent in refusing originally to issue such license under
36 this article.

37 8. Whenever the superintendent shall revoke or suspend a license
38 issued pursuant to this article, he or she shall forthwith execute in
39 duplicate a written order to that effect. The superintendent shall file
40 one copy of such order in the office of the department and shall forth-
41 with serve the other copy upon the licensee. Any such order may be
42 reviewed in the manner provided by article seventy-eight of the civil
43 practice law and rules. Such application for review as authorized by
44 this section must be made within thirty days from the date of such order
45 of suspension or revocation.

46 9. Whenever a license shall have terminated in accordance with this
47 article, the superintendent shall notify the licensee that the license
48 has terminated and that the licensee may not engage in the business of a
49 debt settlement company in this state.

50 § 588-i. Advertising and marketing practices. 1. A debt settlement
51 company shall not, expressly or by implication, make any unfair or
52 deceptive representations, or any omissions of material facts, in any of
53 its advertising or marketing communications concerning debt settlement
54 services.

55 2. All advertising and marketing communications concerning debt
56 settlement services shall disclose the following information clearly and

1 conspicuously: "Debt settlement services are not appropriate for every-
2 one. Failure to pay your monthly bills in a timely manner will result in
3 increased balances and will harm your credit rating. Not all creditors
4 will agree to reduce the amount you owe, and they may pursue collection,
5 including lawsuits."

6 3. All advertising and marketing communications of a licensed debt
7 settlement company concerning debt settlement services shall indicate
8 that the debt settlement company is licensed by the department and shall
9 contain the name and office address of such debt settlement company,
10 which shall conform to a name and address on record with the department.

11 § 588-j. Individualized financial analysis; statement. 1. Prior to
12 entering into a debt settlement services agreement, a debt settlement
13 company shall prepare and provide to the debtor in writing and retain a
14 copy of:

15 (a) an individualized financial analysis, including a listing of the
16 debtor's income, expenses, and debts; and

17 (b) a statement containing:

18 (i) a description of the services to be provided under the proposed
19 debt settlement services agreement;

20 (ii) a good faith estimate of the time it will take to complete all
21 steps necessary for a settlement of each debt included under the
22 proposed debt settlement services agreement;

23 (iii) the total amount of debt owed to each creditor included under
24 the proposed debt settlement services agreement;

25 (iv) the total amount of money estimated to be necessary to complete
26 all steps necessary for a settlement of each debt included under the
27 proposed debt settlement services agreement; and

28 (v) the monthly targeted amount of money necessary to complete all
29 steps necessary for a settlement of each debt included under the
30 proposed debt settlement services agreement.

31 2. A debt settlement company shall not enter into a debt settlement
32 services agreement unless it makes written determinations, supported by
33 the financial analysis, that:

34 (a) the debtor can reasonably meet the requirements of such proposed
35 debt settlement services agreement, including the fees and the savings
36 goals; and

37 (b) such proposed debt settlement services agreement will be suitable
38 for the debtor at the time it is to be signed.

39 § 588-k. Required pre-agreement disclosures and warnings. 1. Before
40 the debtor signs a debt settlement services agreement, the debt settle-
41 ment company shall provide an oral and written notice to the debtor that
42 clearly and conspicuously discloses all of the following:

43 (a) debt settlement services may not be suitable for all debtors;

44 (b) using debt settlement services likely will harm the debtor's cred-
45 it history, credit rating, and credit score;

46 (c) using debt settlement services does not stop creditor collection
47 activity, including creditor lawsuits and garnishments;

48 (d) not all creditors will accept a reduction in the balance, interest
49 rate, or fees a debtor owes;

50 (e) the debtor should inquire about other means of dealing with debt,
51 including but not limited to budget planning and bankruptcy;

52 (f) the debtor remains obligated to make periodic or scheduled
53 payments to creditors while participating in a debt settlement program;

54 (g) the failure to make periodic or scheduled payments to a creditor
55 is likely to:

1 (i) harm the debtor's credit history, credit rating, and/or credit
2 score;

3 (ii) lead the creditor to increase lawful collection activity, includ-
4 ing litigation, garnishment of the debtor's wages, and judgment liens on
5 the debtor's property; and

6 (iii) lead to the imposition by the creditor of interest charges, late
7 fees, and other penalty fees, increasing the amount owed by the debtor;
8 and

9 (h) the debtor may be required to pay taxes on any amount of debt that
10 is forgiven.

11 2. The written notice required by subdivision one of this section
12 shall be entitled "Debtor Notice and Rights Form".

13 3. Prior to signing a debt settlement services agreement, the debtor
14 shall sign and date an acknowledgment form at the end of the Debtor
15 Notice and Rights Form. The acknowledgment form shall state: "I, the
16 debtor, have received from the debt settlement company a copy of the
17 form entitled Debtor Notice and Rights Form." The debt settlement compa-
18 ny or its representative shall also sign and date the acknowledgment
19 form, which shall include the name and address of the debt settlement
20 company. The acknowledgment form shall be in duplicate and incorporated
21 into the Debtor Notice and Rights Form. The original acknowledgment form
22 shall be retained by the debt settlement company, and the duplicate copy
23 shall be given to the debtor.

24 4. The requirements of this section are satisfied if the debt settle-
25 ment company gives the debtor the following warning verbatim, both oral-
26 ly and in writing, with the caption "DEBTOR NOTICE AND RIGHTS FORM" in
27 at least twenty-eight-point font and the remaining portion in at least
28 fourteen-point font, before the debtor signs a debt settlement services
29 agreement:

30 "DEBTOR NOTICE AND RIGHTS FORM

31 CAUTION

32 Using debt settlement services will LIKELY HARM your credit history,
33 credit rating, and credit score.

34 We CANNOT GUARANTEE that you will successfully reduce or eliminate
35 your debt.

36 YOU REMAIN OBLIGATED TO MAKE PAYMENTS TO YOUR CREDITORS. If you stop
37 paying your creditors, there is a strong likelihood some or all of the
38 following may happen:

39 - CREDITORS MAY STILL CONTACT YOU AND TRY TO COLLECT.
40 - CREDITORS MAY STILL SUE YOU FOR THE MONEY YOU OWE.
41 - YOUR WAGES OR BANK ACCOUNT MAY STILL BE GARNISHED.
42 - LIENS MAY STILL BE PLACED ON YOUR PROPERTY.
43 - YOUR CREDIT HISTORY, CREDIT RATING, AND/OR CREDIT SCORE LIKELY WILL
44 BE HARMED.

45 - THE AMOUNT OF MONEY YOU OWE MAY INCREASE DUE TO CREDITOR IMPOSITION
46 OF INTEREST CHARGES, LATE FEES, AND OTHER PENALTY FEES.

47 - NOT ALL CREDITORS WILL AGREE TO ACCEPT A BALANCE REDUCTION.

48 IF WE DO SETTLE YOUR DEBT, YOU MAY BE REQUIRED TO PAY TAXES ON THE
49 AMOUNT FORGIVEN.

50 DEBT SETTLEMENT SERVICES ARE NOT RIGHT FOR EVERYONE. YOU SHOULD
51 CONSIDER ALL YOUR OPTIONS FOR ADDRESSING YOUR DEBT, SUCH AS BUDGET PLAN-
52 NING OR A BANKRUPTCY FILING.

53 YOUR RIGHT TO CANCEL

54 If you sign a debt settlement services agreement, you have the right
55 to cancel at any time and receive a full refund of all unearned fees you

1 have paid to the debt settlement company and all funds placed in your
2 debtor settlement account that have not been paid to any creditors. If
3 you cancel within ninety days of signing the debt settlement services
4 agreement you also have the right to receive a full refund of any
5 enrollment fees you have paid.

6 ACKNOWLEDGMENT BY DEBTOR

7 I, the debtor, have received from the debt settlement company a copy
8 of the form entitled Debtor Notice and Rights Form."

9 § 588-1. Debt settlement services agreements. 1. A debt settlement
10 company shall not provide debt settlement services to a debtor without a
11 written debt settlement services agreement signed and dated by both the
12 debtor and the debt settlement company.

13 2. Any debt settlement services agreement entered into in violation of
14 the provisions of this section is void.

15 3. Each debt settlement company shall submit to the banking department
16 any form of debt settlement services agreement it intends to use.

17 4. A debt settlement services agreement shall disclose all of the
18 following clearly and conspicuously:

19 (a) the name and address of the debtor;

20 (b) the date of execution of the debt settlement services agreement;

21 (c) the legal name of the debt settlement company, including any other
22 business names used in this state by the debt settlement company;

23 (d) the complete street address of the debt settlement company, which
24 shall conform to an address on record with the department;

25 (e) the license number of the principal office and, if applicable, of
26 the branch office under which the debt settlement company is licensed in
27 this state;

28 (f) a toll-free telephone number at which the debtor may speak with a
29 representative of the debt settlement company during normal business
30 hours;

31 (g) a complete list of the debtor's accounts, debts, and obligations
32 covered by the debt settlement services agreement, including the name of
33 each creditor and the principal amount of each debt;

34 (h) a description of the services to be provided by the debt settle-
35 ment company, including the expected time frame for settlement for each
36 account, debt, or obligation included in paragraph (g) of this subdivi-
37 sion;

38 (i) an itemized list of all fees, including any enrollment fee and
39 settlement fees to be paid by the debtor to the debt settlement company,
40 and the date, approximate date, or circumstances under which each fee
41 will become due;

42 (j) a good faith estimate of the total amount of all fees to be
43 collected by the debt settlement company from the debtor for the
44 provision of debt settlement services under the debt settlement services
45 agreement;

46 (k) a statement of the proposed savings goals for the debtor, stating:

47 (i) the amount to be saved per month;

48 (ii) the time period over which the savings goals extend;

49 (iii) the amount of money the debtor must save before a settlement
50 offer will be made to each of the debtor's creditors; and

51 (iv) the total amount of the savings expected to be paid by the debtor
52 pursuant to the terms of the debt settlement services agreement;

53 (l) the written individualized financial analysis required by section
54 five hundred eighty-eight-j of this article;

55 (m) a written notice to the debtor stating:

1 (i) that the debtor may cancel the debt settlement services agreement
2 at any time; and

3 (ii) that upon such cancellation:

4 (A) all powers of attorney granted to the debt settlement company by
5 the debtor shall be considered revoked and voided; and

6 (B) the debtor may be entitled to a refund. The terms of such refund
7 shall also be stated and shall be consistent with the requirements of
8 section five hundred eighty-eight-o of this article.

9 (n) a form the debtor may use to cancel the debt settlement services
10 agreement pursuant to the provisions of section five hundred eighty-
11 eight-o of this article. The form shall disclose clearly and conspicu-
12 ously how the debtor can cancel the debt settlement services agreement,
13 including applicable addresses, telephone numbers, facsimile numbers,
14 and electronic mail addresses the debtor can use to cancel the debt
15 settlement services agreement;

16 (o) a clear and conspicuous notice to the debtor that the debtor may
17 contact the department with any questions or complaints regarding the
18 debt settlement company along with the address, telephone number and
19 internet website of the department.

20 5. (a) A debt settlement services agreement may confer on a debt
21 settlement company a power of attorney to settle the debtor's debt for
22 no more than fifty percent of the principal amount of the debt. An
23 agreement may not confer a power of attorney to settle a debt for more
24 than fifty percent of that amount, but may confer a power of attorney to
25 negotiate with creditors of the debtor on behalf of the debtor. A debt
26 settlement services agreement must provide that the debt settlement
27 company will obtain the assent of the debtor after a creditor has
28 assented to a settlement for more than fifty percent of the principal
29 amount of the debt.

30 (b) A debt settlement services agreement may not provide for applica-
31 tion of the law of any jurisdiction other than the United States and
32 this state.

33 6. If a debt settlement company communicates with a debtor primarily
34 in a language other than English, then the debt settlement company shall
35 furnish to the debtor a written translation in that other language of
36 all the disclosures and documents required by this article.

37 § 588-m. Fees. 1. The types of fees that a debt settlement company may
38 charge a debtor are the following:

39 (a) enrollment fees; and

40 (b) settlement fees.

41 2. All fee types not included under subdivision one of this section
42 are prohibited, including maintenance fees.

43 3. The amount of an enrollment fee charged by a debt settlement compa-
44 ny shall not exceed fifty dollars or such other amount as set by the
45 superintendent.

46 4. The amount of the settlement fee charged by a debt settlement
47 company with respect to each debt covered by a debt settlement services
48 agreement shall not exceed the lesser of:

49 (a) the amount that is reasonable and commensurate to the debt settle-
50 ment services provided to the debtor; and

51 (b) the amount that is twenty percent of the difference between:

52 (i) the principal amount of the debt; and

53 (ii) the amount:

54 (A) paid by the debt settlement company to the creditor pursuant to
55 the settlement negotiated by the debt settlement company on behalf of

1 the debtor as full and complete satisfaction of the creditor's claim
2 with regard to that debt; or

3 (B) negotiated by the debt settlement company and paid by the debtor
4 to the creditor pursuant to a settlement negotiated by the debt settle-
5 ment company on behalf of the debtor as full and complete satisfaction
6 of the creditor's claim with regard to that debt.

7 5. A debt settlement company shall not collect any settlement fee from
8 a debtor until:

9 (a) the creditor enters into a legally enforceable agreement with the
10 debtor to accept funds in a specific dollar amount as full and complete
11 satisfaction of the creditor's claim with regard to that debt; and

12 (b) those funds are provided to the creditor:

13 (i) by the debt settlement company on behalf of the debtor; or

14 (ii) directly by the debtor pursuant to a settlement negotiated by the
15 debt settlement company.

16 6. It shall be unlawful to split or divide the provision of debt
17 settlement services to a debtor into separate debt settlement services
18 agreements for the purpose of collecting additional fees from such
19 debtor.

20 § 588-n. Debtor settlement accounts; monthly accounting. 1. A debt
21 settlement company that receives funds from a debtor shall hold all
22 funds received for a debtor settlement account in a properly designated
23 bank account in a federally insured depository institution.

24 (a) Such funds shall:

25 (i) constitute trust funds owned by the debtor from whom they were
26 received;

27 (ii) remain the property of such debtor until the debt settlement
28 company disburses the funds to a creditor on behalf of such debtor;

29 (iii) be kept separate and apart at all times from funds belonging to
30 the debt settlement company or any of its officers, employees, or
31 agents; and

32 (iv) be deposited in such bank account not later than the end of the
33 business day following receipt by the debt settlement company or its
34 agent.

35 (b) A debt settlement company or its agent that maintains one or more
36 debtor settlement accounts shall obtain and preserve a written agreement
37 from each bank in which any such account is maintained. Such written
38 agreement shall expressly provide that the funds in such debtor settle-
39 ment account shall be subject to no right, charge, security interest,
40 lien, or claim of any kind in favor of such bank or any person claiming
41 through such bank.

42 (c) Any interest earned on a debtor settlement account shall be cred-
43 ited to the debtor. If the funds of multiple debtors are kept in a
44 single interest earning bank account, then the interest earned shall be
45 deposited pro rata among the debtors whose funds are in the account.

46 (d) A debt settlement company may not hold funds received for a debtor
47 settlement account in an account administered by a person that gives or
48 accepts any money or other compensation in exchange for referrals of
49 business involving the debt settlement company.

50 2. A debt settlement company shall, no less than monthly, provide each
51 debtor with which it has a debt settlement services agreement a state-
52 ment of fees paid, settlements completed, remaining debts and, if funds
53 are held in a bank account pursuant to subdivision one of this section,
54 account balances.

55 3. Nothing in this article requires the establishment of a debtor
56 settlement account if no debtor funds other than enrollment fees or

1 earned settlement fees are held or controlled by a debt settlement
2 company.

3 § 588-o. Cancellation of debt settlement services agreement; right to
4 refunds. 1. A debtor may cancel a debt settlement services agreement at
5 any time until after the debt settlement company has fully performed
6 each service the debt settlement company contracted to perform or
7 represented that it would perform.

8 2. If a debtor cancels a debt settlement services agreement not later
9 than ninety days after the date of the execution of the debt settlement
10 services agreement or at any time upon a violation of a provision of
11 this article by the debt settlement company, the debt settlement company
12 shall refund to the debtor:

13 (a) all fees paid to the debt settlement company by the debtor, with
14 the exception of any earned settlement fee; and

15 (b) all funds provided by the debtor to the debt settlement company
16 that:

17 (i) have accumulated in a debtor settlement account; and

18 (ii) the debt settlement company has not disbursed to creditors.

19 3. If a debtor cancels a debt settlement services agreement later than
20 ninety days after the date of the execution of the debt settlement
21 services agreement and for any reason other than for a violation of a
22 provision of this article by the debt settlement company, the debt
23 settlement company shall refund to the debtor:

24 (a) all fees paid to the debt settlement company by the debtor, with
25 the exception of any earned settlement fee and any enrollment fee; and

26 (b) all funds provided by the debtor to the debt settlement company
27 that:

28 (i) have accumulated in a debtor settlement account; and

29 (ii) the debt settlement company has not disbursed to creditors.

30 4. A debt settlement company shall make any refund required under this
31 section within five business days after receipt of written notice of
32 cancellation, and shall include with such refund a full statement of
33 account showing:

34 (a) the fees received by the debt settlement company from the debtor;

35 (b) the fees refunded to the debtor by the debt settlement company;

36 (c) the payments made by the debt settlement company to creditors on
37 behalf of the debtor;

38 (d) the settlement fees earned, if any, by the debt settlement company
39 by settling debt on behalf of the debtor;

40 (e) the savings of the debtor held by the debt settlement company
41 immediately prior to such refund; and

42 (f) the savings of the debtor refunded to the debtor by the debt
43 settlement company.

44 5. Upon cancellation of a debt settlement services agreement by the
45 debtor:

46 (a) all powers of attorney and direct debit authorizations granted to
47 the debt settlement company by the debtor shall be considered revoked
48 and voided; and

49 (b) the debt settlement company shall immediately take any action
50 necessary to reflect cancellation of the debt settlement services agree-
51 ment, including but not limited to notifying the recipient of any direct
52 debit authorization.

53 6. Upon the cancellation of a debt settlement services agreement, the
54 debt settlement company shall provide timely written notice of the
55 cancellation of such agreement to each of the creditors with whom the

1 debt settlement company has had any prior communication on behalf of the
2 debtor in connection with the provision of any debt settlement services.

3 § 588-p. Obligation of good faith. A debt settlement company shall act
4 in good faith in all matters under this article.

5 § 588-q. Prohibited activities. 1. No person, except a licensee, may
6 make any representation, directly or indirectly, orally or in writing
7 that he, she, or it is licensed under this article.

8 2. No person, other than a licensee or a person exempt from the
9 licensing requirements of this article, shall use the title "debt
10 settlement company" or the terms "debt settlement" or "debt settlement
11 services" in any advertising, marketing communication, business card, or
12 letterhead.

13 3. A debt settlement company shall not do any of the following:

14 (a) charge or collect from a debtor any fee not permitted by, in an
15 amount in excess of the maximum amount permitted by, or at a time earli-
16 er than permitted by section five hundred eighty-eight-m of this arti-
17 cle;

18 (b) include in a debt settlement services agreement any secured debt;

19 (c) advise or represent, expressly or by implication, that debtors
20 should stop making payments to their creditors;

21 (d) advise or represent, expressly or by implication, that debtors
22 should stop communicating with their creditors;

23 (e) engage in any practice that prohibits or limits the debtor or any
24 creditor from communication directly with one another;

25 (f) change the mailing address on any of a debtor's statements from a
26 creditor;

27 (g) make loans or offer credit or solicit or accept any note, mort-
28 gage, or negotiable instrument other than a check signed by the debtor
29 and dated no later than the date of signature;

30 (h) take any confession of judgment or power of attorney to confess
31 judgment against the debtor or appear as the debtor or on behalf of the
32 debtor in any judicial, administrative, or other action or proceeding;

33 (i) take any release or waiver of any obligation to be performed on
34 the part of the debt settlement company or any right of the debtor;

35 (j) advertise, display, distribute, broadcast, or televise services or
36 permit services to be advertised, displayed, distributed, broadcasted,
37 or televised, in any manner whatsoever, that contains any false,
38 misleading, or deceptive statements or representations with regard to
39 any matter involving the business of debt settlement services, including
40 but not limited to the fees to be charged, the services to be performed,
41 the results or outcomes of those services, or the effect those services
42 will have on a debtor's credit rating or on creditor collection efforts;

43 (k) receive any cash, fee, gift, bonus, premium, reward, or other
44 compensation from any person other than the debtor explicitly for the
45 provision of debt settlement services to that debtor;

46 (l) offer or provide gifts or bonuses to debtors for signing a debt
47 settlement services agreement or for referring another potential custom-
48 er or customers;

49 (m) except with the prior consent of the debtor, disclose to anyone
50 the name or any personal information of a debtor for whom the debt
51 settlement company has provided or is providing debt settlement services
52 other than to a debtor's own creditors or the debt settlement company's
53 agents or affiliates for the purpose of providing debt settlement
54 services. "Personal information of a debtor" as used herein shall
55 include but not be limited to a debtor's name, photograph, address,
56 telephone number, social security number, date of birth, driver's iden-

1 tification number, credit card number, bank account number, mother's
2 maiden name, medical or disability information, if any, as well as any
3 other identification number which a licensee may possess;

4 (n) enter into a debt settlement services agreement with a debtor
5 without first providing the disclosures and financial analysis and
6 making the determinations required by this article;

7 (o) misrepresent any material fact, make a material omission, or make
8 a false promise directed to one or more debtors in connection with the
9 solicitation, offering, contracting, or provision of debt settlement
10 services;

11 (p) violate the provisions of applicable do-not-call statutes;

12 (q) purchase debts or engage in the practice or business of debt
13 collection;

14 (r) represent or imply to a person participating in or considering
15 debt settlement services that the purchase of any ancillary goods or
16 services is required;

17 (s) use a communication which simulates in any manner a legal or judi-
18 cial process, or which gives the false appearance of being authorized,
19 issued, or approved by a government, governmental agency, or attorney-
20 at-law; or

21 (t) make a representation that the debt settlement company will
22 furnish money to pay bills or prevent attachment.

23 § 588-r. Superintendent authorized to examine. For the purpose of
24 discovering violations of this article or securing information lawfully
25 required by him or her hereunder, the superintendent may at any time,
26 and as often as he or she may determine, either personally or by a
27 person duly designated by him or her, investigate the business and exam-
28 ine the books, accounts, records, and files used therein of every licen-
29 see hereunder. For that purpose the superintendent and his or her duly
30 designated representative shall have free access to the offices and
31 place of business, books, accounts, papers, records, files, safes and
32 vaults of all such licensees. The superintendent and any person duly
33 designated by him or her shall have authority to require the attendance
34 of and to examine under oath all persons whose testimony he or she may
35 require relative to such business. The expenses incurred in making any
36 examination pursuant to this section shall be assessed against and paid
37 by the licensee so examined, except that traveling and subsistence
38 expenses so incurred shall be charged against and paid by licensees in
39 such proportions as the superintendent shall deem just and reasonable,
40 and such proportionate charges shall be added to the assessment of the
41 other expenses incurred upon each examination. Upon written notice by
42 the superintendent of the total amount of such assessment, the licensee
43 shall become liable for and shall pay such assessment to the superinten-
44 dent.

45 § 588-s. Licensee's books and records; reports. 1. The licensee shall
46 create and use in its business such books, accounts, and records as will
47 enable the superintendent to determine whether such licensee is comply-
48 ing with the provisions of this article and with the rules and regu-
49 lations lawfully made by the superintendent hereunder. Every licensee
50 shall preserve such books, accounts, and records for at least six years
51 by any manner permitted by this chapter.

52 2. Each licensee shall annually, on or before the first day of Febru-
53 ary, file a report with the superintendent giving such information as
54 the superintendent may require concerning the business and operations
55 during the preceding calendar year of such licensee under authority of
56 this article. Such report shall be subscribed and affirmed as true by

1 the licensee under the penalties of perjury and shall be in the form
2 prescribed by the superintendent. In addition to annual reports, the
3 superintendent may require such additional regular or special reports as
4 he or she may deem necessary to the proper supervision of licensees
5 under this article. Such additional reports shall be in the form
6 prescribed by the superintendent and shall be subscribed and affirmed as
7 true under the penalties of perjury.

8 3. Each licensee, within one hundred twenty days of the close of the
9 licensee's fiscal year, shall submit an independently audited financial
10 statement to the superintendent.

11 § 588-t. Penalties; noncompliance. 1. Any person who violates any
12 provision of the licensing requirements of section five hundred eighty-
13 eight-b of this article shall be guilty of a class A misdemeanor,
14 punishable as provided in articles seventy and eighty of the penal law.

15 2. Any debt settlement services agreement that does not comply with
16 the provisions of this article is void.

17 3. Any waiver by a debtor of any protection provided by or any right
18 of the debtor under this article is void.

19 4. Any attempt by any person to obtain a waiver from any debtor of any
20 protection provided by or any right or protection of the debtor or any
21 obligation or requirement of the debt settlement company under this
22 article shall be a violation of this article.

23 5. Upon proper notice of a void debt settlement services agreement,
24 the debt settlement company shall make a refund to the debtor as if the
25 debt settlement services agreement had been cancelled as provided in
26 subdivision two of section five hundred eighty-eight-o of this article.

27 6. In addition to such penalties as may otherwise be applicable by
28 law, the superintendent may, after notice and hearing as provided else-
29 where in this article, require any person found violating the provisions
30 of this article or the rules or regulations promulgated hereunder to pay
31 to the people of this state an additional penalty for each violation of
32 the article or any regulation or policy promulgated hereunder a sum not
33 to exceed an amount as determined pursuant to section forty-four of this
34 chapter for each such violation.

35 7. Nothing in this article shall create a private right of action on
36 behalf of a debtor against a debt settlement company for violations of
37 this article.

38 8. Nothing in this article shall limit any statutory or common-law
39 right of any person to bring any action in any court for any act, or the
40 right of the state to punish any person for any violation of any law.

41 § 588-u. Authority of superintendent. The superintendent is hereby
42 authorized and empowered to make, in addition hereto and not inconsist-
43 ent herewith, such general rules and regulations, and such specific
44 rulings, demands, and findings as he or she may deem necessary for the
45 proper conduct of the business authorized and licensed hereunder and for
46 the enforcement of this article.

47 § 588-v. Severability. If any word, phrase, clause, sentence, para-
48 graph, subdivision, section, or part of this article shall be adjudged
49 by any court of competent jurisdiction to be invalid, such judgment
50 shall not affect, impair, or invalidate the remainder thereof which can
51 be given effect without the invalid provision, but shall be confined in
52 its operation to the word, phrase, clause, sentence, paragraph, subdivi-
53 sion, section, or part of this article directly involved in the contro-
54 versy in which the judgment shall have been rendered.

55 § 11. This act shall take effect on the one hundred eightieth day
56 after it shall have become a law and shall apply to all debt settlement

1 services agreements entered into or offered on or after such date;
2 provided, however, that effective immediately, the superintendent of
3 financial services shall add, amend, and/or repeal any rule or regu-
4 lation he or she deems necessary or desirable for implementation of this
5 act.