

# STATE OF NEW YORK

8112

2017-2018 Regular Sessions

## IN ASSEMBLY

May 30, 2017

Introduced by M. of A. KAVANAGH, DINOWITZ, GOTTFRIED, GALEF, JAFFEE, ROSENTHAL, CAHILL, COLTON, HOOPER -- Multi-Sponsored by -- M. of A. GLICK, MAGEE, PERRY -- read once and referred to the Committee on Consumer Affairs and Protection

AN ACT to amend the general business law and the civil practice law and rules, in relation to debt collection agencies

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

1 Section 1. Legislative intent. The legislature hereby finds the pres-  
2 ence of consumer-related problems with respect to the practices of debt  
3 collection agencies. Federal and state laws regulate how debt collectors  
4 may communicate with debtors and prohibit the use of certain threaten-  
5 ing, deceptive and unfair collection practices. Despite these legal  
6 protections, the number of consumer complaints regarding debt collection  
7 practices continue to rise. Consumer complaints received by the Federal  
8 Trade Commission regarding third-party debt collectors grew for the  
9 thirteenth consecutive year in 2010, and consumers filed with the  
10 Commission more complaints against third-party collectors than against  
11 any other specific industry. While the majority of those engaged in the  
12 business of debt collection are honest and ethical in their dealings,  
13 there is a minority of unscrupulous collection agencies in operation  
14 that practice abusive tactics. Due to the sensitive nature of the infor-  
15 mation used in the course of such agency's everyday business, and the  
16 vulnerable position consumers find themselves in when dealing with these  
17 agencies, it is incumbent upon this legislature to protect the inter-  
18 ests, reputations and fiscal well-being of the citizens of this state  
19 against those agencies who would abuse their privilege of operation.  
20 Therefore, it is herein declared that the state should license debt  
21 collection agencies.

22 § 2. The general business law is amended by adding a new article  
23 29-HHH to read as follows:

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

LBD00536-01-7

ARTICLE 29-HHH  
DEBT COLLECTION AGENCIES

Section 604-k. Definitions.

604-l. Debt collection agencies.

604-m. Surety bonding requirement.

604-n. Penalties.

604-o. Applicability.

§ 604-k. Definitions. As used in this article, the following terms shall have the following meanings:

1. (a) "Debt collection agency" shall mean a person, firm or corporation engaged in business, the principal purpose of which is to regularly collect or attempt to collect debts owed or due or asserted to be owed or due to another and shall also include a buyer of delinquent debt who seeks to collect such debt either directly or through the services of another by, including but not limited to, initiating or using legal processes or other means to collect or attempt to collect such debt.

(b) The term does not include: (i) any officer or employee of a creditor while, in the name of the creditor, collecting debts for such creditor;

(ii) any officer or employee of a debt collection agency;

(iii) any person while acting as a debt collection agency for another person, both of whom are related by common ownership or affiliated by corporate control, if the person acting as a debt collection agency does so only for persons to whom it is so related or affiliated and if the principal business of such person is not the collection of debts;

(iv) any person while serving or attempting to serve legal process on any other person in connection with the judicial enforcement of any debt;

(v) any attorney-at-law or law firm collecting a debt in such capacity on behalf of and in the name of a client solely through activities that may only be performed by a licensed attorney, but not any attorney-at-law or law firm or part thereof who regularly engages in activities traditionally performed by debt collectors, including, but not limited to, contacting a debtor through the mail or via telephone with the purpose of collecting a debt or other activities as determined by rule of the secretary;

(vi) any person employed by a utility regulated under the provisions of the public service law, acting for such utility;

(vii) any person collecting or attempting to collect any debt owed or due or asserted to be owed or due another to the extent such activity: (A) is incidental to a bona fide fiduciary obligation or a bona fide escrow agreement; (B) concerns a debt which was originated by such person; or (C) concerns a debt which was not in default at the time it was obtained by such person as a secured party in a commercial credit transaction involving the creditor;

(viii) any officer or employee of the United States, any state thereof or any political subdivision of any state to the extent that collecting or attempting to collect any debt owed is in the performance of his or her official duties;

(ix) any non-profit organization which, at the request of consumers, performs bona fide consumer credit counseling and assists customers in the liquidation of their debts by receiving payments from such customers and distributing such amounts to creditors; or

(x) any person, firm or corporation engaged in business, the principal purpose of which is to regularly collect or attempt to collect debts owed or due or asserted to be owed or due to another person where the

1 debt is enforced for child support, spousal support, maintenance or  
2 alimony, provided, however, that if such person, firm or corporation  
3 also regularly collects or attempts to collect debts other than those  
4 enforced for child support, spousal support, maintenance or alimony,  
5 such person must comply with the requirements of this article.

6 2. "Consumer" means any natural person obligated or allegedly obli-  
7 gated to pay any debt.

8 3. "Debt" means any obligation or alleged obligation of a consumer to  
9 pay money arising out of a transaction in which the money, property,  
10 insurance, or services which are the subject of the transaction are  
11 primarily for personal, family, or household purposes, whether or not  
12 such obligation has been reduced to judgment.

13 4. "Department" means the department of state.

14 5. "Division" means the division of criminal justice services.

15 6. "Secretary" means the secretary of state.

16 § 604-1. Debt collection agencies. 1. On or after October first, two  
17 thousand eighteen, no person shall act as a debt collection agency with-  
18 out first having obtained a license in accordance with the provisions of  
19 this article, and without first being in compliance with all other  
20 applicable laws, rules and regulations.

21 2. (a) All licenses issued pursuant to this article shall be valid for  
22 two years unless sooner suspended or revoked. The secretary shall estab-  
23 lish by regulation the expiration date of such licenses.

24 (b) The fee for a license or renewal thereof shall be five hundred  
25 dollars.

26 3. (a) Each person applying for a debt collection agency license or  
27 renewal thereof shall file an application in such form and detail as the  
28 secretary may prescribe and shall pay the fee required by this section.

29 (b) In addition to any other information required, the secretary shall  
30 require the following information, and shall, as appropriate, require  
31 such information not only of the applicant but also of any of its prin-  
32 cipals, partners, officers and directors, or any person or entity  
33 controlling an interest greater than ten percent:

34 (i) the name and residence address of the applicant;

35 (ii) the business name, if other than applicant;

36 (iii) the place, including the city, town or village, with the street  
37 and number, where the business is to be located;

38 (iv) the business telephone of the applicant;

39 (v) the length of time that the applicant has been a debt collection  
40 agency;

41 (vi) a statement indicating whether the applicant has:

42 (A) been convicted of any crime or is a debtor on any unpaid civil  
43 judgment relating to work as a debt collection agency; and

44 (B) at any time in the past been issued a license pursuant to this  
45 article, or has been issued a license for debt collection activities by  
46 any other state or local authority, and if so, whether such license was  
47 ever revoked or suspended;

48 (vii) a detailed description of the business practices or methods  
49 used, or intended to be used, by the applicant to confirm the validity  
50 of the debts it seeks to collect from consumers;

51 (viii) a summary of the applicant's record-keeping policy, including,  
52 but not limited to:

53 (A) the length of time the applicant maintains, or intends to main-  
54 tain, records pertaining to consumers; and

55 (B) the manner in which the applicant records and stores, or intends  
56 to record and store: consumer challenges to the validity of debt; bill-

1 ing errors; payments made by a consumer; settlement agreements; informa-  
2 tion regarding parties responsible for debt; any statements made by a  
3 consumer alleging that the debt arose from identity theft; and any  
4 statements made by a consumer stating that the consumer received statu-  
5 torily exempt income as defined in section fifty-two hundred twenty-two  
6 of the civil practice law and rules;

7 (ix) whether the applicant regularly sells, or intends to sell, debts.  
8 If the applicant sells, or intends to sell debts, such applicant shall  
9 be required to provide the secretary with a summary of the applicant's  
10 policy with respect to the information regarding a consumer's account  
11 that it transmits, or will transmit, to the purchaser of a debt; and

12 (x) a sworn statement by the applicant that the information set forth  
13 in the application is current and accurate.

14 (c) An applicant who is a non-resident of the state shall provide the  
15 name and address of a registered agent within the state or designate the  
16 secretary as his or her agent upon whom process or other notification  
17 may be served.

18 4. In determining whether to issue or renew a license, the secretary  
19 shall consider the character, competency and integrity of the applicant.  
20 The secretary may refuse to issue or renew a license to any person, firm  
21 or corporation whom he or she finds has: (a) been convicted of any crime  
22 defined in article one hundred fifty-five of the penal law or article  
23 twenty-two-A of this chapter or failed to pay any final civil judgment  
24 relating to work as a debt collection agency, if such refusal, in the  
25 judgment of the secretary, best promotes the interests of the people of  
26 this state; or

27 (b) violated article twenty-nine-H of this chapter or the federal Fair  
28 Debt Collection Practices Act (15 USC § 1692 et seq.).

29 All determinations by the secretary to issue or renew a license shall  
30 be made in accordance with subdivision sixteen of section two hundred  
31 ninety-six of the executive law and article twenty-three-A of the  
32 correction law.

33 5. Notice in writing in the manner and form prescribed by the depart-  
34 ment shall be given to the department at its offices in Albany within  
35 ten days of changes of name or address by licensed debt collection agen-  
36 cies. The fee for filing each change of name or address notice shall be  
37 ten dollars.

38 6. The fees established by this section shall not be refundable.

39 7. Each debt collection agency engaged in collecting debts shall  
40 communicate his or her license number upon the request of any interested  
41 party. Any advertisement, letterhead, receipt or other printed matter of  
42 a licensee must contain the license number assigned to the licensee by  
43 the department. Such license number shall be clearly and conspicuously  
44 displayed.

45 8. No person, firm or corporation shall: (a) present, or attempt to  
46 present, as his, her or its own, the license number of another;

47 (b) knowingly give false evidence of a material nature to the depart-  
48 ment for the purpose of procuring a license;

49 (c) falsely represent themselves to be a licensed debt collection  
50 agency;

51 (d) use or attempt to use a license which has expired;

52 (e) offer to perform or perform any collection of debts without having  
53 a current license as is required under this article; or

54 (f) represent in any manner that his, her or its license constitutes  
55 an endorsement of the quality of workmanship or competency of the debt  
56 collection agency.

1 9. Licenses issued to debt collection agencies shall not be transferable or assignable.

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3 10. The secretary shall issue each debt collection agency a unique license number.

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5 11. The department shall maintain and publish a registry of all licensed debt collection agencies, which shall list and identify, all licensed debt collection agencies doing business in this state. The department shall make the registry available on its website.

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8 12. (a) The secretary shall adopt such rules and regulations as he or she may determine are necessary for the administration and enforcement of this article, and shall provide written notification of the provisions of this article to all debt collection agencies licensed pursuant to this article.

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14 (b) In addition to any other powers of the secretary, not in limitation thereof, he or she shall have the power to enforce the provisions of this article, to investigate any violation thereof, to investigate the business, business practices and business methods of any debt collection agency, and to conduct routine examinations of the financial solvency of any debt collection agency, if in the opinion of the secretary, such investigation or examination is warranted. Each debt collection agency shall be obliged, on request of the secretary of state, to supply such information, books, papers or records as may be required concerning his, her or its business, business practices or business methods, or proposed business practices or methods. Failure to comply with a lawful request of the secretary shall be a ground for denying an application for a license, or for revoking, suspending, or failing to renew a license issued under this article.

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27 (c) The department shall have the power to revoke or suspend any license, or in lieu thereof to impose a fine not less than one hundred dollars nor more than two thousand dollars per violation or instance, payable to the department, or reprimand any licensee or deny an application for a license or renewal thereof upon proof:

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32 (i) that the applicant or licensee has violated any of the provisions of this article or the rules and regulations promulgated pursuant to this article;

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35 (ii) that the applicant or licensee has practiced fraud, deceit or misrepresentation;

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37 (iii) that the applicant or licensee has made a material misstatement in the application for or renewal of his or her license; or

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40 (iv) that the applicant or licensee has demonstrated incompetence or untrustworthiness in his or her actions.

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42 13. The department shall before denying an application for a license or before revoking or suspending any license, or imposing any fine or reprimand, and at least fifteen days prior to the date set for the hearing, and upon due notice to the complainant or objector, notify in writing the applicant, or the holder of such license, of any charge made and shall afford such applicant or licensee an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served personally to the applicant or licensee, or by certified mail to the last known business address of such applicant or licensee.

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51 14. The hearing on such charges shall be at such time and place as the department shall prescribe and shall be conducted by such officer or person in the department as the secretary may designate, who shall have the power to subpoena and bring before the officer, or person so designated, any person in this state and administer an oath to and take testimony of any person or cause his or her deposition to be taken. A

1 subpoena issued under this section shall be regulated by the civil prac-  
2 tice law and rules. Such officer or person in the department designated  
3 to take such testimony shall not be bound by common law or statutory  
4 rules of evidence or by technical or formal rules of procedure.

5 15. In the event that the department shall deny the application for,  
6 or revoke or suspend any such license, or impose any fine or reprimand,  
7 its determination shall be in writing and officially signed. The  
8 original of such determinations, when so signed, shall be filed in the  
9 office of the department and copies thereof shall be mailed to the  
10 applicant or licensee and to the complainant within two days after such  
11 filing.

12 16. The department, acting by the office or person designated to  
13 conduct the hearing pursuant to subdivision thirteen of this section or  
14 by such other officer or person in the department as the secretary of  
15 state may designate, shall have the power to suspend the license of any  
16 licensee who has been convicted in this state or any other state or  
17 territory of a felony or of any misdemeanor for a period not exceeding  
18 thirty days pending a hearing and a determination of charges made  
19 against him or her. If such hearing is adjourned at the request of the  
20 licensee, or by reason of any act or omission by him or her or on his or  
21 her behalf, such suspension may be continued for the additional period  
22 of such adjournment.

23 17. The action of the department in granting or refusing to grant or  
24 to renew a license under this article or in revoking or suspending or  
25 refusing to revoke or suspend such a license or imposing any fine or  
26 reprimand shall be subject to review by a proceeding instituted under  
27 article seventy-eight of the civil practice law and rules at the  
28 instance of the applicant for such license, the holder of a license so  
29 revoked, suspended, fined or reprimanded.

30 18. For the purpose of this article, licensees may be held responsible  
31 for statements, representations, promises or acts of their employees or  
32 their agents within the scope of their authority; provided, however,  
33 that licensees shall not be held responsible for statements, representa-  
34 tions, promises or acts which are contrary to instructions or which  
35 constitute gross negligence or intentional torts unless specifically  
36 authorized by the licensee.

37 19. (a) Any person, firm or corporation that operates as a debt  
38 collection agency without a license shall be required to pay a civil  
39 penalty to the department of not more than five hundred dollars per  
40 attempt to collect a debt in violation of this section.

41 (b) In addition to any other penalties, if a person is found to have  
42 committed repeated, multiple or persistent violations of any provision  
43 of this article, such person may be responsible for the cost of the  
44 department's investigation.

45 § 604-m. Surety bonding requirement. 1. As a condition of obtaining a  
46 license pursuant to this article, every debt collection agency applicant  
47 who is applying for a license and employs between one and four individ-  
48 uals engaged in the collection of debts shall obtain and continue in  
49 full force and effect a bond, contract of indemnity, or irrevocable  
50 letter of credit in the amount of ten thousand dollars to be filed with  
51 the secretary.

52 2. As a condition to obtaining a license pursuant to this article,  
53 every debt collection agency applicant who is applying for a license and  
54 employs between five and nine individuals engaged in the collection of  
55 debts shall obtain and continue in full force and effect a bond,

1 contract of indemnity, or irrevocable letter of credit in the amount of  
2 twenty-five thousand dollars to be filed with the secretary.

3 3. As a condition to obtaining a license pursuant to this article,  
4 every debt collection agency applicant who is applying for a license and  
5 employs between ten and twenty individuals engaged in the collection of  
6 debts shall obtain and continue in full force and effect a bond,  
7 contract of indemnity, or irrevocable letter of credit in the amount of  
8 fifty thousand dollars to be filed with the secretary.

9 4. As a condition to obtaining a license pursuant to this article,  
10 every debt collection agency applicant who is applying for a license and  
11 employs twenty or more individuals engaged in the collection of debts  
12 shall obtain and continue in full force and effect a bond, contract of  
13 indemnity, or irrevocable letter of credit, in the amount of seventy-  
14 five thousand dollars to be filed with the secretary.

15 5. Such surety bond, contract of indemnity, or irrevocable letter of  
16 credit shall be conditioned that the applicant will comply with this  
17 article, article twenty-nine-H, and article twenty-nine-HH of this chap-  
18 ter and pay all civil penalties, fines, or other obligations imposed by  
19 the secretary or a court of law, investigatory costs required to be  
20 paid, or any final judgment against the licensee pursuant to such arti-  
21 cles.

22 6. The total liability imposed on the surety bond under this section  
23 for all breaches of the bond condition is limited to the face amount of  
24 the bond. Such liability is limited to the amount of the penalty or  
25 investigatory costs. In no event will the surety on a bond be liable for  
26 total claims in excess of the bond amount, regardless of the number or  
27 nature of claims made against the bond or the number of years the bond  
28 remained in force.

29 7. Any surety issuing a bond pursuant to this section and any licensee  
30 shall be required to provide thirty days notice to the secretary prior  
31 to the effective date of cancellation of the bond. The failure to main-  
32 tain such a bond shall operate to revoke the license of the debt  
33 collection agency upon notice and hearing.

34 § 604-n. Penalties. 1. Wherever there shall be a violation of this  
35 article, an application may be made by the attorney general in the name  
36 of the people of the state of New York to a court or justice having  
37 jurisdiction by a special proceeding to issue an injunction, and upon  
38 notice to the defendant of not less than five days, to enjoin or  
39 restrain the continuance of such violation; and if it shall appear to  
40 the satisfaction of the court or justice that the defendant has, in  
41 fact, violated this section, an injunction may be issued by such court  
42 or justice, enjoining and restraining any further violation, without  
43 requiring proof that any person has, in fact, been injured or damaged  
44 thereby. In any such proceeding, the court may make allowances to the  
45 attorney general as provided in paragraph six of subdivision (a) of  
46 section eighty-three hundred three of the civil practice law and rules,  
47 and direct restitution. Whenever the court shall determine that a  
48 violation of this section has occurred, the court may impose a civil  
49 penalty of not less than one hundred dollars nor more than ten thousand  
50 dollars for each violation. In connection with any such proposed appli-  
51 cation, the attorney general is authorized to take proof and make a  
52 determination of the relevant facts and to issue subpoenas in accordance  
53 with the civil practice law and rules.

54 2. Any person who has been the subject of an attempt to collect a debt  
55 by a debt collection agency that is not licensed pursuant to this arti-  
56 cle may bring an action in his or her own name to enjoin such unlawful

1 act or practice, an action to recover his or her actual damages or three  
2 thousand five hundred dollars, whichever is greater, or both such  
3 actions. The court may, in its discretion, increase the award of damages  
4 to an amount not to exceed three times the actual damages up to ten  
5 thousand dollars, if the court finds the defendant willfully violated  
6 this article. In the case of any successful action to enforce the fore-  
7 going liability, the court may award the costs of the action together  
8 with reasonable attorney's fees.

9 § 604-o. Applicability. 1. Except as provided in subdivision two of  
10 this section, the provisions of this article shall exclusively govern  
11 the licensing of debt collection agencies notwithstanding the provisions  
12 of any other law to the contrary and further, no local law shall be  
13 enacted which shall require any fee or license for the licensure or  
14 registration of debt collection agencies.

15 2. The provisions of this article shall not be construed to limit in  
16 any way the authority of a political subdivision to enact, implement and  
17 continue to enforce local laws and regulations governing the licensure  
18 or registration of debt collection agencies that were in effect prior to  
19 the effective date of this article, or to enact, implement and enforce  
20 any amendments thereto.

21 § 3. Subdivision (e) of rule 3015 of the civil practice law and rules,  
22 as amended by chapter 21 of the laws of 2013, is amended to read as  
23 follows:

24 (e) License to do business. Where the plaintiff's cause of action  
25 against a consumer arises from the plaintiff's conduct of a business  
26 which is required by state or local law to be licensed by the department  
27 of consumer affairs of the city of New York, the Suffolk county depart-  
28 ment of consumer affairs, the Westchester county department of consumer  
29 affairs/weight-measures, the county of Rockland, the county of Putnam  
30 [~~e~~], the Nassau county department of consumer affairs or the department  
31 of state pursuant to article twenty-nine-HHH of the general business  
32 law, the complaint shall allege, as part of the cause of action, that  
33 plaintiff was duly licensed at the time of services rendered and shall  
34 contain the name and number, if any, of such license and the govern-  
35 mental agency which issued such license. The failure of the plaintiff to  
36 comply with this subdivision will permit the defendant to move for  
37 dismissal pursuant to paragraph seven of subdivision (a) of rule thir-  
38 ty-two hundred eleven of this chapter.

39 § 4. This act shall take effect on the one hundred eightieth day after  
40 it shall have become a law; provided, however, that effective immediate-  
41 ly, the addition, amendment and/or repeal of any rule or regulation  
42 necessary for the implementation of this act on its effective date is  
43 authorized and directed to be made and completed on or before such  
44 effective date.