

STATE OF NEW YORK

7191--A

2019-2020 Regular Sessions

IN ASSEMBLY

April 11, 2019

Introduced by M. of A. GUNTHER, SEAWRIGHT -- read once and referred to the Committee on Consumer Affairs and Protection -- recommitted to the Committee on Consumer Affairs and Protection in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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.

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

LBD02284-10-0

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

3 ARTICLE 29-HHH
4 DEBT COLLECTION AGENCIES

5 Section 604-k. Definitions.

6 604-l. Debt collection agencies.

7 604-m. Surety bonding requirement.

8 604-n. Penalties.

9 604-o. Applicability.

10 § 604-k. Definitions. As used in this article, the following terms
11 shall have the following meanings:

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

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

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

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

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

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

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

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

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

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

1 (x) any person, firm or corporation engaged in business, the principal
2 purpose of which is to regularly collect or attempt to collect debts
3 owed or due or asserted to be owed or due to another person where the
4 debt is enforced for child support, spousal support, maintenance or
5 alimony, provided, however, that if such person, firm or corporation
6 also regularly collects or attempts to collect debts other than those
7 enforced for child support, spousal support, maintenance or alimony,
8 such person must comply with the requirements of this article.

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

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

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

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

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

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

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

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

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

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

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

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

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

41 (iv) the business telephone of the applicant;

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

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

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

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

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

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

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

3 (B) the manner in which the applicant records and stores, or intends
4 to record and store: consumer challenges to the validity of debt; bill-
5 ing errors; payments made by a consumer; settlement agreements; informa-
6 tion regarding parties responsible for debt; any statements made by a
7 consumer alleging that the debt arose from identity theft; and any
8 statements made by a consumer stating that the consumer received statu-
9 torily exempt income as defined in section fifty-two hundred twenty-two
10 of the civil practice law and rules;

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

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

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

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

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

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

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

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

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

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

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

53 (c) falsely represent themselves to be a licensed debt collection
54 agency;

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

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

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

6 9. Licenses issued to debt collection agencies shall not be transfera-
7 ble or assignable.

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

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

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

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

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

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

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

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

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

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

1 14. The hearing on such charges shall be at such time and place as the
2 department shall prescribe and shall be conducted by such officer or
3 person in the department as the secretary may designate, who shall have
4 the power to subpoena and bring before the officer, or person so desig-
5 nated, any person in this state and administer an oath to and take
6 testimony of any person or cause his or her deposition to be taken. A
7 subpoena issued under this section shall be regulated by the civil prac-
8 tice law and rules. Such officer or person in the department designated
9 to take such testimony shall not be bound by common law or statutory
10 rules of evidence or by technical or formal rules of procedure.

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

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

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

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

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

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

51 § 604-m. Surety bonding requirement. 1. As a condition of obtaining a
52 license pursuant to this article, every debt collection agency applicant
53 who is applying for a license and employs between one and four individ-
54 uals engaged in the collection of debts shall obtain and continue in
55 full force and effect a bond, contract of indemnity, or irrevocable

1 letter of credit in the amount of ten thousand dollars to be filed with
2 the secretary.

3 2. 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 five and nine 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 twenty-five thousand dollars to be filed with the secretary.

9 3. 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 between ten and twenty individuals engaged in the collection of
12 debts shall obtain and continue in full force and effect a bond,
13 contract of indemnity, or irrevocable letter of credit in the amount of
14 fifty thousand dollars to be filed with the secretary.

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

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

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

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

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

1 cation, the attorney general is authorized to take proof and make a
2 determination of the relevant facts and to issue subpoenas in accordance
3 with the civil practice law and rules.

4 2. Any person who has been the subject of an attempt to collect a debt
5 by a debt collection agency that is not licensed pursuant to this arti-
6 cle may bring an action in his or her own name to enjoin such unlawful
7 act or practice, an action to recover his or her actual damages or three
8 thousand five hundred dollars, whichever is greater, or both such
9 actions. The court may, in its discretion, increase the award of damages
10 to an amount not to exceed three times the actual damages up to ten
11 thousand dollars, if the court finds the defendant willfully violated
12 this article. In the case of any successful action to enforce the fore-
13 going liability, the court may award the costs of the action together
14 with reasonable attorney's fees.

15 § 604-o. Applicability. 1. Except as provided in subdivision two of
16 this section, the provisions of this article shall exclusively govern
17 the licensing of debt collection agencies notwithstanding the provisions
18 of any other law to the contrary and further, no local law shall be
19 enacted which shall require any fee or license for the licensure or
20 registration of debt collection agencies.

21 2. The provisions of this article shall not be construed to limit in
22 any way the authority of a political subdivision to enact, implement and
23 continue to enforce local laws and regulations governing the licensure
24 or registration of debt collection agencies that were in effect prior to
25 the effective date of this article, or to enact, implement and enforce
26 any amendments thereto.

27 § 3. Subdivision (e) of rule 3015 of the civil practice law and rules,
28 as amended by chapter 693 of the laws of 2019, is amended to read as
29 follows:

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

44 § 4. This act shall take effect on the one hundred eightieth day after
45 it shall have become a law. Effective immediately, the addition, amend-
46 ment and/or repeal of any rule or regulation necessary for the implemen-
47 tation of this act on its effective date are authorized to be made and
48 completed on or before such effective date.