

# STATE OF NEW YORK

3408--A

Cal. No. 189

2019-2020 Regular Sessions

## IN ASSEMBLY

January 29, 2019

Introduced by M. of A. ZEBROWSKI, KIM, RODRIGUEZ, WEPRIN, NIOU, PERRY -- read once and referred to the Committee on Banks -- reported from committee, advanced to a third reading, amended and ordered reprinted, retaining its place on the order of third reading

AN ACT to amend the financial services law, in relation to student debt consultants

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

1 Section 1. The financial services law is amended by adding a new arti-  
2 cle 7 to read as follows:

### ARTICLE 7

#### STUDENT DEBT CONSULTANTS

3  
4  
5 Section 701. Definitions.

6 702. Prohibitions.

7 703. Disclosure requirements.

8 704. Student debt consulting contracts.

9 705. Penalties and other provisions.

10 706. Rules and regulations.

11 § 701. Definitions. (a) The term "advertisement" shall include, but  
12 is not limited to, all forms of marketing, solicitation, or dissem-  
13 ination of information related, directly or indirectly, to securing or  
14 obtaining a student debt consulting contract or services. Further, it  
15 shall include all commonly recognized forms of media marketing via tele-  
16 vision, radio, print media, all forms of electronic communication via  
17 the internet, and all prepared sales presentations given in person or  
18 over the internet to the general public.

19 (b) "Borrower" means any resident of this state who has received a  
20 student loan or agreed in writing to pay a student loan or any person  
21 who shares a legal obligation with such resident for repaying a student  
22 loan.

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

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1 (c) "FSA ID" means a username and password allocated to an individual  
2 by the federal government to enable the individual to log in to certain  
3 United States department of education websites, and may be used to sign  
4 certain documents electronically.

5 (d) "Student loan" means any loan to a borrower to finance post-second-  
6 ary education or expenses related to post-secondary education.

7 (e) "Student debt consulting contract" or "contract" means an agree-  
8 ment between a borrower and a consultant under which the consultant  
9 agrees to provide student debt consulting services.

10 (f) "Student debt consultant" or "consultant" means an individual or a  
11 corporation, partnership, limited liability company or other business  
12 entity that, directly or indirectly, solicits or undertakes employment  
13 to provide student debt consulting services. A consultant does not  
14 include the following:

15 (1) a person or entity who holds or is owed an obligation on the  
16 student loan while the person or entity performs services in connection  
17 with the student loan;

18 (2) a bank, trust company, private banker, bank holding company,  
19 savings bank, savings and loan association, thrift holding company,  
20 credit union or insurance company organized under the laws of this  
21 state, another state or the United States, or a subsidiary or affiliate  
22 of such entity or a foreign banking corporation licensed by the super-  
23 intendent of financial services or the comptroller of the currency;

24 (3) a bona fide not-for-profit organization that offers counseling or  
25 advice to borrowers;

26 (4) a public post-secondary educational institution or private nonpro-  
27 fit post-secondary educational institution; or

28 (5) such other persons as the superintendent prescribes by rule.

29 (g) "Student debt consulting services" means services that a student  
30 debt consultant provides to a borrower that the consultant represents  
31 will help to achieve any of the following:

32 (1) stop, enjoin, delay, void, set aside, annul, stay or postpone a  
33 default, bankruptcy, tax offset, or garnishment proceeding;

34 (2) obtain a forbearance, deferment, or other relief that temporarily  
35 halts repayment of a student loan;

36 (3) assist the borrower with preparing or filing documents related to  
37 student loan repayment;

38 (4) advise the borrower which student loan repayment plan or forgive-  
39 ness program to consider;

40 (5) enroll the borrower in any student loan repayment, forgiveness,  
41 discharge, or consolidation program;

42 (6) assist the borrower in re-establishing eligibility for federal  
43 student financial assistance;

44 (7) assist the borrower in removing a student loan from default; or

45 (8) educate the borrower about student loan repayment.

46 § 702. Prohibitions. A student debt consultant is prohibited from  
47 doing the following:

48 (a) performing student debt consulting services without a legal writ-  
49 ten, fully-executed contract with a borrower that comports with the  
50 provisions of this article;

51 (b) charging for or accepting any payment for student debt consulting  
52 services before the full completion of all such services, including a  
53 payment to be placed in escrow or any other account pending the  
54 completion of such services;

55 (c) taking a power of attorney from a borrower;

1 (d) retaining any original loan document or other original document  
2 related to a borrower's student loan;

3 (e) requesting that a borrower provide his or her FSA ID to the  
4 consultant, or accepting a borrower's FSA ID;

5 (f) stating or implying that a borrower will not be able to obtain  
6 relief on their own;

7 (g) misrepresenting, expressly or by implication, that:

8 (1) the consultant is a part of, affiliated with, or endorsed or spon-  
9 sored by the government, government loan programs, the United States  
10 department of education, or borrowers' student loan servicers; or

11 (2) some or all of a borrower's payments to the consultant will be  
12 applied towards the borrower's student loans.

13 (h) inducing or attempting to induce a student debtor to enter a  
14 contract that does not fully comply with the provisions of this article;  
15 or

16 (i) engaging in any unfair, deceptive, or abusive act or practice.

17 § 703. Disclosure requirements. (a) A student debt consultant shall  
18 clearly and conspicuously disclose in all advertisements:

19 (1) the actual services the consultant provides to borrowers;

20 (2) that borrowers may apply for consolidation loans from the United  
21 States department of education at no cost, including providing a direct  
22 link in all online advertising and contact information in all print  
23 advertising to the application materials for a Direct Consolidation Loan  
24 from the United States department of education;

25 (3) that consolidation or other services offered by the consultant may  
26 not be the best or only option for borrowers;

27 (4) that alternative federal student loan repayment plans, including  
28 income-based programs, that do not require consolidating existing feder-  
29 al student loans may be available; and

30 (5) that borrowers should consider consulting their student loan  
31 servicer before signing any legal document concerning a student loan.

32 (b) The disclosures required by subsection (a) of this section, if  
33 disseminated through print media or the internet, shall be clearly and  
34 legibly printed or displayed in not less than twelve-point bold type,  
35 or, if the advertisement is printed to be displayed in print that is  
36 smaller than twelve point, in bold type print that is no smaller than  
37 the print in which the text of the advertisement is printed or  
38 displayed.

39 (c) The provisions of this section shall apply to all consultants who  
40 disseminate advertisements in the state of New York or who intend to  
41 directly or indirectly contact a borrower who has a student loan and is  
42 in New York state. Consultants shall establish and at all times maintain  
43 control over the content, form and method of dissemination of all adver-  
44 tisements of their services. Further, all advertisements shall be  
45 sufficiently complete and clear to avoid the possibility to mislead or  
46 deceive.

47 § 704. Student debt consulting contracts. (a) A student debt consult-  
48 ing contract shall:

49 (1) contain the entire agreement of the parties;

50 (2) be provided in writing to the borrower for review before signing;

51 (3) be printed in at least twelve-point type and written in the same  
52 language that is used by the borrower and was used in discussions  
53 between the consultant and the borrower to describe the borrower's  
54 services or to negotiate the contract;

55 (4) fully disclose the exact nature of the services to be provided by  
56 the consultant or anyone working in association with the consultant;

1 (5) fully disclose the total amount and terms of compensation for such  
2 services;

3 (6) contain the name, business address and telephone number of the  
4 consultant and the street address, if different, and facsimile number or  
5 email address of the consultant where communications from the debtor may  
6 be delivered;

7 (7) be dated and personally signed by the borrower and the consultant  
8 and be witnessed and acknowledged by a New York notary public; and

9 (8) contain the following notice, which shall be printed in at least  
10 fourteen-point boldface type, completed with the name of the Provider,  
11 and located in immediate proximity to the space reserved for the  
12 debtor's signature:

13 "NOTICE REQUIRED BY NEW YORK LAW

14 You may cancel this contract, without any penalty or obligation, at any  
15 time before midnight of

16 ..... (fifth business day after execution).

17 ..... (Name of consultant) (the "Consultant") or anyone working for  
18 the Consultant may not take any money from you or ask you for money  
19 until the consultant has completely finished doing everything this  
20 Contract says the Consultant will do.

21 You should consider contacting your student loan servicer before signing  
22 any legal document concerning your student loan. In addition, you may  
23 want to visit the New York State Department of Financial Services'  
24 student lending resource center at [www.dfs.ny.gov/studentprotection](http://www.dfs.ny.gov/studentprotection). The  
25 law requires that this contract contain the entire agreement between you  
26 and the Provider. You should not rely upon any other written or oral  
27 agreement or promise."

28 The Provider shall accurately enter the date on which the right to  
29 cancel ends.

30 (b) (1) The borrower has the right to cancel, without any penalty or  
31 obligation, any contract with a consultant until midnight of the fifth  
32 business day following the day on which the consultant and the borrower  
33 sign a consulting contract. Cancellation occurs when the borrower, or a  
34 representative of the borrower, either delivers written notice of  
35 cancellation in person to the address specified in the consulting  
36 contract or sends a written communication by facsimile, by United States  
37 mail or by an established commercial letter delivery service. A dated  
38 proof of facsimile delivery or proof of mailing creates a presumption  
39 that the notice of cancellation has been delivered on the date the  
40 facsimile is sent or the notice is deposited in the mail or with the  
41 delivery service. Cancellation of the contract shall release the borrow-  
42 er from all obligations to pay fees or any other compensation to the  
43 consultant.

44 (2) The contract shall be accompanied by two copies of a form,  
45 captioned "notice of cancellation" in at least twelve-point bold type.  
46 This form shall be attached to the contract, shall be easily detachable,  
47 and shall contain the following statement written in the same language  
48 as used in the contract, and the contractor shall insert accurate infor-  
49 mation as to the date on which the right to cancel ends and the contrac-  
50 tor's contact information:

51 "NOTICE OF CANCELLATION

52 Note: You may cancel this contract, without any penalty or obligation,  
53 at any time before midnight of (Enter date)

54 To cancel this contract, sign and date both copies of this cancellation  
55 notice and personally deliver one copy or send it by facsimile, United

1 States mail, or an established commercial letter delivery service, indi-  
2 cating cancellation to the Consultant at one of the following:

3 Name of Consultant

4 Street Address

5 City, State, Zip

6 Facsimile:

7 I hereby cancel this transaction.

8 Name of Borrower:

9 Signature of Borrower:

10 Date: \_\_\_\_\_ "

11 (3) Within ten days following receipt of a notice of cancellation  
12 given in accordance with this subsection, the consultant shall return  
13 any original contract and any other documents signed by or provided by  
14 the borrower. Cancellation shall release the borrower of all obligations  
15 to pay any fees or compensation to the consultant.

16 § 705. Penalties and other provisions. (a) If the superintendent  
17 finds, after notice and hearing, that a consultant has intentionally  
18 violated any provision of this article, the superintendent may: (1) make  
19 null and void any agreement between the borrower and the consultant; and  
20 (2) impose a civil penalty of not more than ten thousand dollars for  
21 each violation.

22 (b) If the consultant violates any provision of this article and the  
23 borrower suffers damage because of the violation, the borrower may  
24 recover actual and consequential damages and costs from the consultant  
25 in an action based on this article. If the consultant recklessly  
26 violates any provision of this article, the court may award attorneys'  
27 fees and costs. If the consultant intentionally violates any provision  
28 of this article, the court may award treble damages, attorneys' fees and  
29 costs.

30 (c) Any provision of a student debt consulting contract that attempts  
31 or purports to limit the liability of the consultant under this article  
32 shall be null and void. Inclusion of such provision shall at the option  
33 of the borrower render the contract void. Any provision in a contract  
34 which attempts or purports to require arbitration of any dispute arising  
35 under this article shall be void at the option of the borrower. Any  
36 waiver of the provisions of this article shall be void and unenforceable  
37 as contrary to public policy.

38 (d) The provisions of this article are not exclusive and are in addi-  
39 tion to any other requirements, rights, remedies, and penalties provided  
40 by law.

41 § 706. Rules and regulations. In addition to such powers as may  
42 otherwise be prescribed by this chapter, the superintendent is hereby  
43 authorized and empowered to promulgate such rules and regulations as may  
44 in the judgment of the superintendent be consistent with the purposes of  
45 this article, or appropriate for the effective administration of this  
46 article.

47 § 2. This act shall take effect on the one hundred eightieth day after  
48 it shall have become a law.