

# STATE OF NEW YORK

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7191--B

2019-2020 Regular Sessions

## IN ASSEMBLY

April 11, 2019

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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 -- 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 banking law and the civil practice law and rules, in relation to licensed consumer debt collectors

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  
2 presence of consumer-related problems with respect to the practices of  
3 debt collection agencies. Federal and state laws regulate how debt  
4 collectors may communicate with debtors and prohibit the use of certain  
5 threatening, deceptive and unfair collection practices. Despite  
6 these legal protections, there continue to be frequent consumer  
7 complaints regarding debt collection practices. Due to the sensitive  
8 nature of the information used in the course of debt collection agen-  
9 cies' work, and the vulnerable position consumers may find themselves in  
10 when dealing with these agencies, it is incumbent upon this legislature  
11 to ensure that agencies that engage in unscrupulous or abusive practices  
12 shall not continue to operate in this state. To protect the interests,  
13 reputations, and financial wellbeing of residents of this state from  
14 unwarranted harm, the legislature hereby declares that the state should  
15 not permit debt collection agencies to operate without a license from  
16 the state.  
17 § 2. The banking law is amended by adding a new article 7 to read as  
18 follows:

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

LBD02284-17-0

ARTICLE 7LICENSED CONSUMER DEBT COLLECTORSSection 295. Definitions.296. Debt collection agencies.297. Surety bonding requirement.298. Penalties.299. Examinations.300. Applicability.

§ 295. 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 superintendent;

(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

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

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

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

14 § 296. Debt collection agencies. 1. On or after May first, two thou-  
15 sand twenty-one, no person shall act as a debt collection agency without  
16 first having obtained a license in accordance with the provisions of  
17 this article, and without first being in compliance with all other  
18 applicable laws, rules and regulations.

19 2. (a) All licenses issued pursuant to this article shall be valid for  
20 one year unless sooner suspended or revoked. The superintendent shall  
21 establish by regulation the expiration date of such licenses.

22 (b) The fee for a license or renewal thereof shall be as prescribed  
23 pursuant to section eighteen-a of this chapter.

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

28 (b) In addition to any other information required, the superintendent  
29 shall require, but not be limited to, the following information, and  
30 shall, as appropriate, require such information not only of the appli-  
31 cant but also of any of its principals, partners, officers and direc-  
32 tors, or any person or entity controlling an interest greater than ten  
33 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-

ing errors; payments made by a consumer; settlement agreements; information regarding parties responsible for debt; any statements made by a consumer alleging that the debt arose from identity theft; and any statements made by a consumer stating that the consumer received statutorily exempt income as defined in section fifty-two hundred twenty-two of the civil practice law and rules;

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

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

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

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

(b) violated article twenty-nine-H of the general business law, the federal Fair Debt Collection Practices Act (15 USC § 1692 et seq.), or any provision of this article.

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

5. Notice in writing in the manner and form prescribed by the department shall be given to the department at its offices in Albany within ten days of changes of name or address by licensed debt collection agencies. The fee for filing each change of name or address notice shall be determined pursuant to section eighteen-a of this chapter.

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

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

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

(b) knowingly give false evidence of a material nature to the department for the purpose of procuring a license;

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

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

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

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

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

6 10. The superintendent shall issue each debt collection agency a  
7 unique license number.

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

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

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

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

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

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

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

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

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

54 14. The hearing on such charges shall be at such time and place as the  
55 department shall prescribe and shall be conducted by such officer or  
56 person in the department as the superintendent may designate, who shall



1 have the power to subpoena and bring before the officer, or person so  
2 designated, any person in this state and administer an oath to and take  
3 testimony of any person or cause his or her deposition to be taken. A  
4 subpoena issued under this section shall be regulated by the civil prac-  
5 tice law and rules. Such officer or person in the department designated  
6 to take such testimony shall not be bound by common law or statutory  
7 rules of evidence or by technical or formal rules of procedure.

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

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

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

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

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

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

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

55 2. As a condition to obtaining a license pursuant to this article,  
56 every debt collection agency applicant who is applying for a license and

1 employs between five and nine individuals engaged in the collection of  
2 debts shall obtain and continue in full force and effect a bond,  
3 contract of indemnity, or irrevocable letter of credit in the amount of  
4 twenty-seven thousand five hundred dollars to be filed with the super-  
5 intendent.

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

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

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

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

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

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

1 determination of the relevant facts and to issue subpoenas in accordance  
2 with the civil practice law and rules.

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

14 § 299. Examinations. 1. Each licensed debt collection agency shall  
15 keep and use in its business such books, accounts, and records as will  
16 enable the superintendent to determine whether such licensee is comply-  
17 ing with the provisions of this article and with the rules and regu-  
18 lations promulgated hereunder. Every licensed debt collection agency  
19 shall preserve such books, accounts, and records, for at least five  
20 years after making the final entry regarding a consumer debt. Preserva-  
21 tion of photographic reproduction thereof or records in photographic  
22 form, including an optical disk storage system and the use of electronic  
23 data processing equipment that provides comparable records to those  
24 otherwise required and which are available for examination upon request  
25 shall constitute compliance with the requirements of this section.

26 2. Each licensed debt collection agency shall annually, on or before  
27 April first, file a report with the superintendent giving such informa-  
28 tion as the superintendent may require concerning the business and oper-  
29 ations during the preceding calendar year of each licensed place of  
30 business conducted by such licensed debt collection agency within the  
31 state under authority of this article. Such report shall be subscribed  
32 and affirmed as true by the licensed debt collection agency under the  
33 penalties of perjury and shall be in the form prescribed by the super-  
34 intendent.

35 3. In addition to annual reports, the superintendent may require such  
36 additional regular or special reports as may be deemed necessary to the  
37 proper supervision of a licensed debt collection agency under this arti-  
38 cle. Such additional reports shall be in the form prescribed by the  
39 superintendent and shall be subscribed and affirmed as true under the  
40 penalties of perjury.

41 4. The expenses of every examination of the affairs of a licensed debt  
42 collection agency subject to this section shall be borne and paid by the  
43 licensed debt collection agency.

44 § 300. Applicability. 1. Except as provided in subdivision two of this  
45 section, the provisions of this article shall exclusively govern the  
46 licensing of debt collection agencies notwithstanding the provisions of  
47 any other law to the contrary and further, no local law shall be enacted  
48 which shall require any fee or license for the licensure or registration  
49 of debt collection agencies.

50 2. The provisions of this article shall not be construed to limit in  
51 any way the authority of a political subdivision to enact, implement and  
52 continue to enforce local laws and regulations governing the licensure  
53 or registration of debt collection agencies that were in effect prior to  
54 the effective date of this article, or to enact, implement and enforce  
55 any amendments thereto.



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

4     (e) License to do business. Where the plaintiff's cause of action  
5 against a consumer arises from the plaintiff's conduct of a business  
6 which is required by state or local law to be licensed by the department  
7 of consumer affairs of the city of New York, the Suffolk county depart-  
8 ment of consumer affairs, the county of Rockland, the county of Putnam,  
9 the county of Westchester, ~~[or]~~ the Nassau county department of consumer  
10 affairs or the department of financial services pursuant to article  
11 seven of the banking law, the complaint shall allege, as part of the  
12 cause of action, that plaintiff was duly licensed at the time of  
13 services rendered and shall contain the name and number, if any, of such  
14 license and the governmental agency which issued such license. The fail-  
15 ure of the plaintiff to comply with this subdivision will permit the  
16 defendant to move for dismissal pursuant to paragraph seven of subdivi-  
17 sion (a) of rule thirty-two hundred eleven of this chapter.

18     § 4. This act shall take effect on the one hundred eightieth day after  
19 it shall have become a law; provided, however, that effective immediate-  
20 ly, the addition, amendment and/or repeal of any rule or regulation  
21 necessary for the implementation of this act on its effective date are  
22 authorized and directed to be made and completed on or before such  
23 effective date.