

# STATE OF NEW YORK

1958

2019-2020 Regular Sessions

## IN SENATE

January 18, 2019

Introduced by Sen. THOMAS -- read twice and ordered printed, and when printed to be committed to the Committee on Banks

AN ACT to amend the banking law, in relation to requiring the licensure of student loan servicers

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

1 Section 1. The banking law is amended by adding a new article 14-A to  
2 read as follows:

### ARTICLE XIV-A

#### STUDENT LOAN SERVICERS

##### Section 710. Definitions.

6 711. Licensing.

7 712. Application for a student loan servicer license; fees.

8 713. Application process to receive license to engage in the  
9 business of student loan servicing.

10 714. Changes in officers and directors.

11 715. Changes in control.

12 716. Grounds for suspension or revocation of license.

13 717. Books and records; reports and electronic filing.

14 718. Rules and regulations.

15 719. Prohibited practices.

16 720. Servicing student loans without a license.

17 721. Responsibilities.

18 722. Examinations.

19 723. Penalties for violation of this article.

20 724. Severability of provisions.

21 725. Compliance with other laws.

22 § 710. Definitions. 1. "Applicant" shall mean any person applying for  
23 a license to be a student loan servicer.

24 2. "Borrower" shall mean any resident of this state who has received a  
25 student loan or agreed in writing to pay a student loan or any person

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

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1 who shares a legal obligation with such resident for repaying a student  
2 loan.

3 3. "Borrower benefit" shall mean an incentive offered to a borrower in  
4 connection with the origination of a student loan, including but not  
5 limited to an interest rate reduction, principal rebate, fee waiver or  
6 rebate, loan cancellation, or cosigner release.

7 4. "Exempt organization" shall mean any banking organization, foreign  
8 banking corporation, national bank, federal savings association, federal  
9 credit union, or any bank, trust company, savings bank, savings and loan  
10 association, or credit union organized under the laws of any other  
11 state.

12 5. "Person" shall mean any individual, association, corporation,  
13 limited liability company, partnership, trust, unincorporated organiza-  
14 tion, or any other entity.

15 6. "Servicer" or "student loan servicer" shall mean a person licensed  
16 pursuant to section seven hundred eleven of this article to engage in  
17 the business of servicing any student loan of a borrower.

18 7. "Servicing" shall mean:

19 (a) receiving any payment from a borrower pursuant to the terms of any  
20 student loan;

21 (b) applying any payment to a borrower's account pursuant to the terms  
22 of a student loan or the contract governing the servicing of any such  
23 loan;

24 (c) providing any notification of amounts owed on a student loan by or  
25 on account of any borrower;

26 (d) during a period when a borrower is not required to make a payment  
27 on a student loan, maintaining account records for the student loan and  
28 communicating with the borrower regarding the student loan on behalf of  
29 the owner of the student loan promissory note;

30 (e) interacting with a borrower with respect to or regarding any  
31 attempt to avoid default on the borrower's student loan, or facilitating  
32 the activities described in paragraph (a) or (b) of this subdivision; or

33 (f) performing other administrative services with respect to a borrow-  
34 er's student loan.

35 8. "Student loan" shall mean any loan to a borrower to finance postse-  
36 condary education or expenses related to postsecondary education.

37 § 711. Licensing. 1. No person shall engage in the business of servic-  
38 ing student loans owed by one or more borrowers residing in this state  
39 without first being licensed by the superintendent as a student loan  
40 servicer in accordance with this article and such regulations as may be  
41 prescribed by the superintendent.

42 2. The licensing provisions of this subdivision shall not apply to any  
43 exempt organization.

44 § 712. Application for a student loan servicer license; fees. 1. The  
45 application for a license to be a student loan servicer shall be in  
46 writing, under oath, and in the form prescribed by the superintendent.  
47 Notwithstanding article three of the state technology law or any other  
48 law to the contrary, the superintendent may require that an application  
49 for a license or any other submission or application for approval as may  
50 be required by this article be made or executed by electronic means if  
51 he or she deems it necessary to ensure the efficient and effective  
52 administration of this article. The application shall include a  
53 description of the activities of the applicant, in such detail and for  
54 such periods as the superintendent may require, including:

1 (a) an affirmation of financial solvency noting such capitalization  
2 requirements as may be required by the superintendent, and access to  
3 such credit as may be required by the superintendent;

4 (b) a financial statement prepared by a certified public accountant,  
5 the accuracy of which is sworn to under oath before a notary public by  
6 an officer or other representative of the applicant who is authorized to  
7 execute such documents;

8 (c) an affirmation that the applicant, or its members, officers, part-  
9 ners, directors and principals as may be appropriate, are at least twen-  
10 ty-one years of age;

11 (d) information as to the character, fitness, financial and business  
12 responsibility, background and experiences of the applicant, or its  
13 members, officers, partners, directors and principals as may be appro-  
14 priate; and

15 (e) any additional detail or information required by the superinten-  
16 dent.

17 2. An application to become a student loan servicer or any application  
18 with respect to a student loan servicer shall be accompanied by a fee as  
19 prescribed pursuant to section eighteen-a of this chapter.

20 § 713. Application process to receive license to engage in the busi-  
21 ness of student loan servicing. 1. Upon the filing of an application for  
22 a license, if the superintendent shall find that the financial responsi-  
23 bility, experience, character, and general fitness of the applicant and,  
24 if applicable, the members, officers, partners, directors and principals  
25 of the applicant are such as to command the confidence of the community  
26 and to warrant belief that the business will be operated honestly, fair-  
27 ly, and efficiently within the purpose of this article, the superinten-  
28 dent shall thereupon issue a license in duplicate to engage in the busi-  
29 ness of servicing student loans described in section seven hundred ten  
30 of this article in accordance with the provisions of this article. If  
31 the superintendent shall not so find, the superintendent shall not issue  
32 a license, and the superintendent shall so notify the applicant. The  
33 superintendent shall transmit one copy of a license to the applicant and  
34 file another copy in the office of the department of financial services.  
35 Upon receipt of such license, a student loan servicer shall be author-  
36 ized to engage in the business of servicing student loans in accordance  
37 with the provisions of this article. Such license shall remain in full  
38 force and effect until it is surrendered by the servicer or revoked or  
39 suspended as hereinafter provided.

40 2. The superintendent may refuse to issue a license pursuant to this  
41 article if he or she shall find that the applicant, or any person who is  
42 a director, officer, partner, agent, employee, member or substantial  
43 stockholder of the applicant:

44 (a) lacks the good moral character and general fitness such as to  
45 warrant belief that the licensed entity would be operated honestly,  
46 fairly and efficiently within the purposes of this article;

47 (b) has had a license or registration revoked by the superintendent or  
48 any other regulator or jurisdiction;

49 (c) has been an officer, director, partner, member or substantial  
50 stockholder of an entity which has had a license or registration revoked  
51 by the superintendent or any other regulator or jurisdiction; or

52 (d) has been an agent, employee, officer, director, partner or member  
53 of an entity which has had a license or registration revoked by the  
54 superintendent where such person shall have been found by the super-  
55 intendent to bear responsibility in connection with the revocation.

1 3. The term "substantial stockholder", as used in this section, shall  
2 be deemed to refer to a person owning or controlling directly or indi-  
3 rectly ten per centum or more of the total outstanding stock of a corpo-  
4 ration.

5 § 714. Changes in officers and directors. Upon any change of any of  
6 the executive officers, directors, partners or members of any student  
7 loan servicer, the student loan servicer shall submit to the superinten-  
8 dent the name, address, and occupation of each new officer, director,  
9 partner or member, and provide such other information as the superinten-  
10 dent may require.

11 § 715. Changes in control. 1. It shall be unlawful, except with the  
12 prior approval of the superintendent, for any action to be taken which  
13 results in a change of control of the business of a student loan servi-  
14 cer. Prior to any change of control, the person desirous of acquiring  
15 control of the business of a student loan servicer shall make written  
16 application to the superintendent and pay an investigation fee as  
17 prescribed pursuant to section eighteen-a of this chapter to the super-  
18 intendent. The application shall contain such information as the super-  
19 intendent, by rule or regulation, may prescribe as necessary or appro-  
20 priate for the purpose of making the determination required by  
21 subdivision two of this section. Such information shall include, but not  
22 be limited to, the information and other material required for a student  
23 loan servicer by subdivision one of section seven hundred twelve of this  
24 article.

25 2. The superintendent shall approve or disapprove the proposed change  
26 of control of a student loan servicer in accordance with the provisions  
27 of section seven hundred thirteen of this article.

28 3. For a period of six months from the date of qualification thereof  
29 and for such additional period of time as the superintendent may  
30 prescribe, in writing, the provisions of subdivisions one and two of  
31 this section shall not apply to a transfer of control by operation of  
32 law to the legal representative, as hereinafter defined, of one who has  
33 control of a student loan servicer. Thereafter, such legal represen-  
34 tative shall comply with the provisions of subdivisions one and two of  
35 this section. The provisions of subdivisions one and two of this section  
36 shall be applicable to an application made under this section by a legal  
37 representative. The term "legal representative", for the purposes of  
38 this subdivision, shall mean a person duly appointed by a court of  
39 competent jurisdiction to act as executor, administrator, trustee,  
40 committee, conservator or receiver, including a person who succeeds a  
41 legal representative and a person acting in an ancillary capacity there-  
42 to in accordance with the provisions of such court appointment.

43 4. As used in this section the term "control" means the possession,  
44 directly or indirectly, of the power to direct or cause the direction of  
45 the management and policies of a student loan servicer, whether through  
46 the ownership of voting stock of such student loan servicer, the owner-  
47 ship of voting stock of any person which possesses such power or other-  
48 wise. Control shall be presumed to exist if any person, directly or  
49 indirectly, owns, controls or holds with power to vote ten per centum or  
50 more of the voting stock of any student loan servicer or of any person  
51 which owns, controls or holds with power to vote ten per centum or more  
52 of the voting stock of any student loan servicer, but no person shall be  
53 deemed to control a student loan servicer solely by reason of being an  
54 officer or director of such student loan servicer. The superintendent  
55 may in his discretion, upon the application of a student loan servicer  
56 or any person who, directly or indirectly, owns, controls or holds with

1 power to vote or seeks to own, control or hold with power to vote any  
2 voting stock of such student loan servicer, determine whether or not the  
3 ownership, control or holding of such voting stock constitutes or would  
4 constitute control of such student loan servicer for purposes of this  
5 section.

6 § 716. Grounds for suspension or revocation of license. 1. The super-  
7 intendent may revoke any license to engage in the business of a student  
8 loan servicer issued pursuant to this article if a determination has  
9 been made, after notice and a hearing, that:

10 (a) a servicer has violated any provision of this article, any rule or  
11 regulation promulgated by the superintendent under and within the  
12 authority of this article, or any other applicable law;

13 (b) a servicer engages in fraud, intentional misrepresentation, or  
14 gross negligence in servicing a student loan;

15 (c) the competence, experience, character, or general fitness of the  
16 servicer, an individual controlling, directly or indirectly, ten percent  
17 or more of the outstanding interests, or any person responsible for  
18 servicing a student loan for the servicer indicates that it is not in  
19 the public interest to permit the servicer to continue servicing student  
20 loans;

21 (d) the servicer is insolvent, suspends payment of its obligations, or  
22 makes a general assignment for the benefit of its creditors; or

23 (e) the servicer has violated the laws of this state, any other state  
24 law or any federal law involving fraudulent or dishonest dealing, or a  
25 final judgment has been entered against a student loan servicer in a  
26 civil action upon grounds of fraud, misrepresentation or deceit.

27 2. The superintendent may, on good cause shown, or where there is a  
28 substantial risk of public harm, suspend any license for a period not  
29 exceeding thirty days, pending investigation. "Good cause", as used in  
30 this subdivision, shall exist when a student loan servicer has defaulted  
31 in performing its financial engagements or engages in dishonest or ineq-  
32 uitable practices which may cause substantial harm to the persons  
33 afforded the protection of this article.

34 3. No license shall be revoked or suspended except after notice and a  
35 hearing thereon. Any order of suspension issued after notice and a  
36 hearing may include as a condition of reinstatement that the student  
37 loan servicer make restitution to consumers of fees or other charges  
38 which have been improperly charged or collected, including but not  
39 limited to by allocating payments contrary to a borrower's direction or  
40 in a manner that fails to help a borrower avoid default, as determined  
41 by the superintendent. Any hearing held pursuant to the provisions of  
42 this section shall be noticed, conducted and administered in compliance  
43 with the state administrative procedure act.

44 4. Any student loan servicer may surrender any license by delivering  
45 to the superintendent written notice that the student loan servicer  
46 thereby surrenders such license, but such surrender shall not affect the  
47 servicer's civil or criminal liability for acts committed prior to the  
48 surrender. If such surrender is made after the issuance by the super-  
49 intendent of a statement of charges and notice of hearing, the super-  
50 intendent may proceed against the servicer as if the surrender had not  
51 taken place.

52 5. No revocation, suspension, or surrender of any license shall impair  
53 or affect the obligation of any pre-existing lawful contract between the  
54 student loan servicer and any person, including the department of finan-  
55 cial services.

1 6. Every license issued pursuant to this article shall remain in full  
2 force and effect until the same shall have been surrendered, revoked or  
3 suspended in accordance with any other provisions of this article.

4 7. Whenever the superintendent shall revoke or suspend a license  
5 issued pursuant to this article, he or she shall forthwith execute in  
6 duplicate a written order to that effect. The superintendent shall file  
7 one copy of the order in the office of the department of financial  
8 services and shall forthwith serve the other copy upon the student loan  
9 servicer. Any such order may be reviewed in the manner provided by arti-  
10 cle seventy-eight of the civil practice law and rules.

11 § 717. Books and records; reports and electronic filing. 1. Each  
12 student loan servicer shall keep and use in its business such books,  
13 accounts and records as will enable the superintendent to determine  
14 whether the servicer is complying with the provisions of this article  
15 and with the rules and regulations lawfully made by the superintendent.  
16 Every servicer shall preserve such books, accounts, and records, for at  
17 least three years.

18 2. (a) Each student loan servicer shall annually, on or before a date  
19 to be determined by the superintendent, file a report with the super-  
20 intendent giving such information as the superintendent may require  
21 concerning the business and operations during the preceding calendar  
22 year of such servicer under authority of this article. Such report shall  
23 be subscribed and affirmed as true by the servicer under the penalties  
24 of perjury and shall be in the form prescribed by the superintendent.

25 (b) In addition to annual reports, the superintendent may require such  
26 additional regular or special reports as he or she may deem necessary to  
27 the proper supervision of student loan servicers under this article.  
28 Such additional reports shall be subscribed and affirmed as true by the  
29 servicer under the penalties of perjury and shall be in the form  
30 prescribed by the superintendent.

31 3. Notwithstanding article three of the state technology law or any  
32 other law to the contrary, the superintendent may require that any  
33 submission or approval as may be required by the superintendent be made  
34 or executed by electronic means if he or she deems it necessary to  
35 ensure the efficient administration of this article.

36 § 718. Rules and regulations. 1. In addition to such powers as may  
37 otherwise be prescribed by this chapter, the superintendent is hereby  
38 authorized and empowered to promulgate such rules and regulations as may  
39 in the judgment of the superintendent be consistent with the purposes of  
40 this article, or appropriate for the effective administration of this  
41 article, including, but not limited to:

42 (a) such rules and regulations in connection with the activities of  
43 student loan servicers as may be necessary and appropriate for the  
44 protection of borrowers in this state;

45 (b) such rules and regulations as may be necessary and appropriate to  
46 define unfair, deceptive or abusive acts or practices in connection with  
47 the activities of student loan servicers in servicing student loans;

48 (c) such rules and regulations as may define the terms used in this  
49 article and as may be necessary and appropriate to interpret and imple-  
50 ment the provisions of this article; and

51 (d) such rules and regulations as may be necessary for the enforcement  
52 of this article.

53 2. The superintendent is hereby authorized and empowered to make such  
54 specific rulings, demands and findings as the superintendent may deem  
55 necessary for the proper conduct of the student loan servicing industry.

56 § 719. Prohibited practices. No student loan servicer shall:

1 1. Directly employ any scheme, device or artifice to defraud or  
2 mislead a borrower.

3 2. Intentionally engage in any unfair, deceptive or predatory act or  
4 practice toward any person or misrepresent or omit any material informa-  
5 tion in connection with the servicing of a student loan, including, but  
6 not limited to, misrepresenting the amount, nature or terms of any fee  
7 or payment due or claimed to be due on a student loan, the terms and  
8 conditions of the loan agreement or the borrower's obligations under the  
9 loan.

10 3. Intentionally misapply payments to the outstanding balance of any  
11 student loan or to any related interest or fees.

12 4. Intentionally provide misleading information to a consumer report-  
13 ing agency.

14 5. Refuse to communicate with an authorized representative of the  
15 borrower who provides a written authorization signed by the borrower,  
16 provided that the servicer may adopt procedures reasonably related to  
17 verifying that the representative is in fact authorized to act on behalf  
18 of the borrower.

19 6. Knowingly make any false statement or make any omission of a mate-  
20 rial fact in connection with any information or reports filed with a  
21 governmental agency or in connection with any investigation conducted by  
22 the superintendent or another governmental agency.

23 § 720. Servicing student loans without a license. Whenever, in the  
24 opinion of the superintendent, a person is engaged in the business of  
25 servicing student loans, either actually or through subterfuge, without  
26 a license from the superintendent, the superintendent may order that  
27 person to desist and refrain from engaging in the business of servicing  
28 student loans in the state. If, within thirty days after an order is  
29 served, a request for a hearing is filed in writing and the hearing is  
30 not held within sixty days of the filing, the order shall be rescinded.

31 § 721. Responsibilities. 1. If a student loan servicer regularly  
32 reports information to a consumer reporting agency, the servicer shall  
33 accurately report a borrower's payment performance to at least one  
34 consumer reporting agency that compiles and maintains files on consumers  
35 on a nationwide basis as defined in Section 603(p) of the federal Fair  
36 Credit Reporting Act (15 U.S.C. Sec. 1681a(p)), upon acceptance as a  
37 data furnisher by that consumer reporting agency.

38 2. (a) Except as provided in federal law or required by a student loan  
39 agreement, a student loan servicer shall inquire of a borrower how to  
40 apply a borrower's nonconforming payment. A borrower's direction on how  
41 to apply a nonconforming payment shall remain in effect for any future  
42 nonconforming payment during the term of a student loan until the  
43 borrower provides different directions.

44 (b) For purposes of this subdivision, "nonconforming payment" shall  
45 mean a payment that is either more or less than the borrower's required  
46 student loan payment.

47 3. (a) If the sale, assignment, or other transfer of the servicing of  
48 a student loan results in a change in the identity of the person to whom  
49 the borrower is required to send subsequent payments or direct any  
50 communications concerning the student loan, a student loan servicer  
51 shall transfer all information regarding a borrower, a borrower's  
52 account, and a borrower's student loan, including but not limited to the  
53 borrower's repayment status and any borrower benefits associated with  
54 the borrower's student loan, to the new student loan servicer servicing  
55 the borrower's student loan within forty-five days.

1 (b) A student loan servicer shall adopt policies and procedures to  
2 verify that it has received all information regarding a borrower, a  
3 borrower's account, and a borrower's student loan, including but not  
4 limited to the borrower's repayment status and any borrower benefits  
5 associated with the borrower's student loan, when the servicer obtains  
6 the right to service a student loan.

7 4. If a student loan servicer sells, assigns, or otherwise transfers  
8 the servicing of a student loan to a new servicer, the sale, assignment  
9 or other transfer shall be completed at least seven days before the  
10 borrower's next payment is due.

11 5. (a) A student loan servicer that sells, assigns, or otherwise  
12 transfers the servicing of a student loan shall require as a condition  
13 of such sale, assignment or other transfer that the new student loan  
14 servicer shall honor all borrower benefits originally represented as  
15 being available to a borrower during the repayment of the student loan  
16 and the possibility of such benefits, including any benefits that were  
17 represented as being available but for which the borrower had not yet  
18 qualified.

19 (b) A student loan servicer that obtains the right to service a  
20 student loan shall honor all borrower benefits originally represented as  
21 being available to a borrower during the repayment of the student loan  
22 and the possibility of such benefits, including any benefits that were  
23 represented as being available but for which the borrower had not yet  
24 qualified.

25 6. A student loan servicer shall respond within thirty days after  
26 receipt to a written inquiry from a borrower or a borrower's authorized  
27 representative.

28 7. A student loan servicer shall preserve records of each student loan  
29 and all communications with borrowers for not less than two years  
30 following the final payment on a student loan or the sale, assignment or  
31 other transfer of the servicing of a student loan, whichever occurs  
32 first, or such longer period as may be required by any other provision  
33 of law.

34 § 722. Examinations. 1. The superintendent may at any time, and as  
35 often as he or she may determine, either personally or by a person duly  
36 designated by the superintendent, investigate the business and examine  
37 the books, accounts, records, and files used therein of every student  
38 loan servicer. For that purpose the superintendent and his or her duly  
39 designated representative shall have free access to the offices and  
40 places of business, books, accounts, papers, records, files, safes and  
41 vaults of all student loan servicers. The superintendent and any person  
42 duly designated by him or her shall have the authority to require the  
43 attendance of and to examine under oath all persons whose testimony he  
44 or she may require relative to such business.

45 2. No person subject to investigation or examination under this  
46 section may knowingly withhold, abstract, remove, mutilate, destroy or  
47 secrete any books, records, computer records or other information.

48 3. The expenses incurred in making any examination pursuant to this  
49 section shall be assessed against and paid by the student loan servicer  
50 so examined, except that traveling and subsistence expenses so incurred  
51 shall be charged against and paid by servicers in such proportions as  
52 the superintendent shall deem just and reasonable, and such propor-  
53 tionate charges shall be added to the assessment of the other expenses  
54 incurred upon each examination. Upon written notice by the superinten-  
55 dent of the total amount of such assessment, the servicer shall become  
56 liable for and shall pay such assessment to the superintendent.



1 4. In any hearing in which a department employee acting under authori-  
2 ty of this chapter is available for cross-examination, any official  
3 written report, worksheet, other related papers, or duly certified copy  
4 thereof, compiled, prepared, drafted, or otherwise made by such depart-  
5 ment employee, after being duly authenticated by the employee, may be  
6 admitted as competent evidence upon the oath of the employee that such  
7 worksheet, investigative report, or other related documents were  
8 prepared as a result of an examination of the books and records of a  
9 servicer or other person, conducted pursuant to the authority of this  
10 chapter.

11 5. Unless otherwise exempt pursuant to subdivision two of section  
12 seven hundred eleven of this article, affiliates of a student loan  
13 servicer shall be subject to examination by the superintendent on the  
14 same terms as the servicer, but only when reports from, or examination  
15 of, a servicer provides evidence of unlawful activity between a servicer  
16 and affiliate benefitting, affecting, or arising from the activities  
17 regulated by this article.

18 § 723. Penalties for violation of this article. 1. In addition to such  
19 penalties as may otherwise be applicable by law, the superintendent may,  
20 after notice and hearing, require any person found violating the  
21 provisions of this article or the rules or regulations promulgated here-  
22 under to pay to the people of this state a penalty for each violation of  
23 this article or any regulation or policy promulgated hereunder a sum not  
24 to exceed an amount as determined pursuant to section forty-four of this  
25 chapter for each such violation.

26 2. Nothing in this article shall limit any statutory or common-law  
27 right of any person to bring any action in any court for any act, or the  
28 right of the state to punish any person for any violation of any law.

29 § 724. Severability of provisions. If any provision of this article,  
30 or the application of such provision to any person or circumstance,  
31 shall be held invalid, illegal or unenforceable, the remainder of the  
32 article, and the application of such provision to persons or circum-  
33 stances other than those as to which it is held invalid, illegal or  
34 unenforceable, shall not be affected thereby.

35 § 725. Compliance with other laws. 1. Student loan servicers shall  
36 engage in the business of servicing student loans in conformity with the  
37 provisions of this chapter, such rules and regulations as may be promul-  
38 gated by the superintendent thereunder and all applicable federal laws  
39 and the rules and regulations promulgated thereunder.

40 2. Nothing in this section shall be construed to limit any otherwise  
41 applicable state or federal law or regulations.

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

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

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

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

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

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

1 or she may, in his or her discretion, issue an order directing the  
2 discontinuance of such unauthorized or unsafe and unsound practices, and  
3 fixing a time and place at which such banking organization, bank holding  
4 company, registered mortgage broker, licensed mortgage banker, licensed  
5 student loan servicer, registered mortgage loan servicer, licensed mort-  
6 gage loan originator, licensed lender, licensed cashier of checks,  
7 licensed sales finance company, licensed insurance premium finance agen-  
8 cy, licensed transmitter of money, licensed budget planner, out-of-state  
9 state bank that maintains a branch or branches or representative or  
10 other offices in this state, or foreign banking corporation may volun-  
11 tarily appear before him or her to present any explanation in defense of  
12 the practices directed in said order to be discontinued.

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

35 5. To keep books and accounts as prescribed. Whenever it shall appear  
36 to the superintendent that any banking organization, bank holding compa-  
37 ny, registered mortgage broker, licensed mortgage banker, licensed  
38 student loan servicer, registered mortgage loan servicer, licensed mort-  
39 gage loan originator, licensed lender, licensed cashier of checks,  
40 licensed sales finance company, licensed insurance premium finance agen-  
41 cy, licensed transmitter of money, licensed budget planner, agency or  
42 branch of a foreign banking corporation licensed by the superintendent  
43 to do business in this state, does not keep its books and accounts in  
44 such manner as to enable him or her to readily ascertain its true condi-  
45 tion, he or she may, in his or her discretion, issue an order requiring  
46 such banking organization, bank holding company, registered mortgage  
47 broker, licensed mortgage banker, licensed student loan servicer, regis-  
48 tered mortgage loan servicer, licensed mortgage loan originator,  
49 licensed lender, licensed cashier of checks, licensed sales finance  
50 company, licensed insurance premium finance agency, licensed transmitter  
51 of money, licensed budget planner, or foreign banking corporation, or  
52 the officers or agents thereof, or any of them, to open and keep such  
53 books or accounts as he or she may, in his or her discretion, determine  
54 and prescribe for the purpose of keeping accurate and convenient records  
55 of its transactions and accounts.

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

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

18 § 5. This act shall take effect on the one hundred eightieth day after  
19 it shall have become a law.