

STATE OF NEW YORK

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2019-2020 Regular Sessions

IN SENATE

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Introduced by Sens. THOMAS, CARLUCCI, FELDER, KAPLAN, KRUEGER, MAY, PERSAUD, RAMOS, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Judiciary in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the civil practice law and rules and the judiciary law, in relation to consumer credit transactions

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

1 Section 1. Short title. This act shall be known and may be cited as
2 the "consumer credit fairness act".

3 § 2. Section 105 of the civil practice law and rules is amended by
4 adding two new subdivisions (h-1) and (q-1) to read as follows:

5 (h-1) Finance charge. The term "finance charge" means the cost of
6 consumer credit as a dollar amount, includes any charge payable directly
7 or indirectly by the consumer and imposed directly or indirectly by the
8 creditor as an incident to or a condition of the extension of credit,
9 and does not include any charge of a type payable in a comparable cash
10 transaction.

11 (q-1) Original creditor. The term "original creditor" means the entity
12 that owned a consumer credit account at the date of default giving rise
13 to a cause of action.

14 § 3. Subdivision 2 of section 213 of the civil practice law and rules,
15 as amended by chapter 709 of the laws of 1988, is amended to read as
16 follows:

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

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2. an action upon a contractual obligation or liability, express or implied, except as provided in section two hundred thirteen-a or two hundred fourteen-i of this article or article 2 of the uniform commercial code or article 36-B of the general business law;

§ 4. The civil practice law and rules is amended by adding a new section 214-i to read as follows:

§ 214-i. Certain actions arising out of consumer credit transactions to be commenced within three years. An action arising out of a consumer credit transaction where a purchaser, borrower or debtor is a defendant must be commenced within three years, except as provided in section two hundred thirteen-a of this article or article 2 of the uniform commercial code or article 36-B of the general business law. Notwithstanding any other provision of law, when the applicable limitations period expires, any subsequent payment toward, written or oral affirmation of or other activity on the debt does not revive or extend the limitations period.

§ 5. The civil practice law and rules is amended by adding a new section 306-d to read as follows:

§ 306-d. Additional mailing of notice in an action arising out of a consumer credit transaction. (a) At the time of filing with the clerk of the proof of service of the summons and complaint in an action arising out of a consumer credit transaction, the plaintiff shall submit to the clerk a stamped, unsealed envelope addressed to the defendant together with a written notice in clear type of no less than twelve-point in size, in both English and Spanish, and containing the following language:

ADDITIONAL NOTICE OF LAWSUIT

(NAME OF COURT)
(COUNTY)
(STREET ADDRESS, ROOM NUMBER)
(CITY, STATE, ZIP CODE)

(NAME OF DEFENDANT)
(ADDRESS OF DEFENDANT)

Plaintiff:
Defendant:
Name of original creditor, unless same:
Index number:

Attention: a lawsuit has been filed against you claiming that you owe money for an unpaid consumer debt.

You may wish to contact an attorney.

You should respond to the lawsuit as soon as possible by filing an "answer" which may be done at the court clerk's office listed above.

If you do not respond to the lawsuit, the court may enter a money judgment against you. Once entered, a judgment is good and can be used against you for twenty years, and your personal property and money, including a portion of your paycheck and/or bank account, may be taken from you. Also, a judgment may affect your credit score and can affect your ability to rent a home, find a job, or take out a loan.

You CANNOT be arrested or sent to jail for owing a debt.

Additional information can be found at the New York state court system website.

Sources of information and assistance:

1 The court encourages you to inform yourself about your options as a
2 defendant in this lawsuit. In addition to seeking assistance from a
3 private attorney or legal aid office, there are free legal assistance
4 computer programs that you can use online to help you represent yourself
5 in this lawsuit.

6 For further information, or to locate a legal aid program near you, you
7 may visit the LawHelpNY website or the New York state court system
8 website, which has information for representing yourself and links to
9 other resources at: _____.

10 (b) The face of the envelope shall be addressed to the defendant at
11 the address at which process was served, and shall contain the defend-
12 ant's name, address (including apartment number) and zip code. The face
13 of the envelope also shall state the appropriate clerk's office as its
14 return address.

15 (c) The clerk promptly shall mail to the defendant the envelope
16 containing the additional notice set forth in subdivision (a) of this
17 section. No default judgment based on the defendant's failure to answer
18 shall be entered unless there has been compliance with this section, and
19 at least twenty days have elapsed from the date of mailing by the clerk.
20 No default judgment based on the defendant's failure to answer shall be
21 entered if the additional notice is returned to the court as undelivera-
22 ble. Receipt of the additional notice by the defendant does not confer
23 jurisdiction on the court in the absence of proper service of process.

24 (d) The chief administrative judge shall issue a Spanish translation
25 of the notice in subdivision (a) of this section and shall maintain and
26 publish the URL address for the web page containing consumer resources
27 for unrepresented litigants.

28 § 6. Subdivision (a) of section 3012 of the civil practice law and
29 rules is amended to read as follows:

30 (a) Service of pleadings. The complaint may be served with the
31 summons, except that in an action arising out of a consumer credit tran-
32 saction, the complaint shall be served with the summons. A subsequent
33 pleading asserting new or additional claims for relief shall be served
34 upon a party who has not appeared in the manner provided for service of
35 a summons. In any other case, a pleading shall be served in the manner
36 provided for service of papers generally. Service of an answer or reply
37 shall be made within twenty days after service of the pleading to which
38 it responds.

39 § 7. Rule 3016 of the civil practice law and rules is amended by
40 adding a new subdivision (j) to read as follows:

41 (j) Consumer credit transactions. In an action arising out of a
42 consumer credit transaction where a purchaser, borrower or debtor is a
43 defendant, the contract or other written instrument on which the action
44 is based shall be attached to the complaint, however, for the purposes
45 of this section, if the account was a revolving credit account, the
46 charge-off statement may be attached to the complaint instead of the
47 contract or other written instrument, and the following information
48 shall be set forth in the complaint:

49 (1) The name of the original creditor;

50 (2) The last four digits of the account number printed on the most
51 recent monthly statement recording a purchase transaction, last payment
52 or balance transfer;

53 (3) The date and amount of the last payment or, if no payment was
54 made, a statement that the purchaser, borrower or debtor made no payment
55 on the account;

1 (4) If the complaint contains a cause of action based on an account
2 stated, the date on or about which the final statement of account was
3 provided to the defendant;

4 (5) (A) Except as provided in subparagraph (B) of this paragraph, an
5 itemization of the amount sought, by (i) principal; (ii) finance charge
6 or charges; (iii) fees imposed by the original creditor; (iv) collection
7 costs; (v) attorney's fees; (vi) interest; and (vii) any other fees and
8 charges.

9 (B) If the account was a revolving credit account, an itemization of
10 the amount sought, by: (i) the total amount of the debt due as of
11 charge-off; (ii) the total amount of interest accrued since charge-off;
12 (iii) the total amount of non-interest charges or fees accrued since
13 charge-off; and (iv) the total amount of payments and/or credits made on
14 the debt since charge-off;

15 (6) The account balance printed on the most recent monthly statement
16 recording a purchase transaction, last payment or balance transfer;

17 (7) (A) Whether the plaintiff is the original creditor.

18 (B) If the plaintiff is not the original creditor, the complaint shall
19 also state (i) the date on which the debt was sold or assigned to the
20 plaintiff; (ii) the name of each previous owner of the account from the
21 original creditor to the plaintiff and the date on which the debt was
22 assigned to that owner by the original creditor or subsequent owner; and
23 (iii) the amount due at the time of the sale or assignment of the debt
24 by the original creditor; and

25 (8) Any matters required to be stated with particularity pursuant to
26 rule 3015 of this article.

27 § 8. Subdivision (e) of rule 3211 of the civil practice law and rules,
28 as amended by chapter 616 of the laws of 2005, is amended to read as
29 follows:

30 (e) Number, time and waiver of objections; motion to plead over. At
31 any time before service of the responsive pleading is required, a party
32 may move on one or more of the grounds set forth in subdivision (a) of
33 this rule, and no more than one such motion shall be permitted. Any
34 objection or defense based upon a ground set forth in paragraphs one,
35 three, four, five and six of subdivision (a) of this rule is waived
36 unless raised either by such motion or in the responsive pleading. A
37 motion based upon a ground specified in paragraph two, seven or ten of
38 subdivision (a) of this rule may be made at any subsequent time or in a
39 later pleading, if one is permitted; an objection that the summons and
40 complaint, summons with notice, or notice of petition and petition was
41 not properly served is waived if, having raised such an objection in a
42 pleading, the objecting party does not move for judgment on that ground
43 within sixty days after serving the pleading, unless the court extends
44 the time upon the ground of undue hardship. The foregoing sentence shall
45 not apply in any proceeding to collect a debt arising out of a consumer
46 credit transaction where a consumer is a defendant or under subdivision
47 one or two of section seven hundred eleven of the real property actions
48 and proceedings law. The papers in opposition to a motion based on
49 improper service shall contain a copy of the proof of service, whether
50 or not previously filed. An objection based upon a ground specified in
51 paragraph eight or nine of subdivision (a) of this rule is waived if a
52 party moves on any of the grounds set forth in subdivision (a) of this
53 rule without raising such objection or if, having made no objection
54 under subdivision (a) of this rule, he or she does not raise such
55 objection in the responsive pleading which, in any action to collect a

1 debt arising out of a consumer credit transaction where a consumer is a
2 defendant, includes any amended responsive pleading.

3 § 9. Rule 3212 of the civil practice law and rules is amended by
4 adding a new subdivision (j) to read as follows:

5 (j) Additional notice in any action to collect a debt arising out of
6 a consumer credit transaction where a consumer is a defendant.

7 1. At the time of service of a notice of motion any part of which
8 requests summary judgment in whole or in part, where the moving party
9 is a plaintiff and the respondent is a consumer defendant in an action
10 to collect a debt arising out of a consumer credit transaction, and
11 where the consumer defendant against whom summary judgment is sought is
12 not represented by an attorney, the plaintiff shall submit to the clerk
13 a stamped, unsealed envelope addressed to the defendant together with
14 the following additional notice in English and Spanish to be printed in
15 clear type no less than twelve-point in size:

16 IMPORTANT NOTICE

17 The Plaintiff has asked the Court to enter judgment against you by
18 making a Motion for Summary Judgment. Keep this Notice and the envelope
19 it came in. The Motion for Summary Judgment was separately served on
20 you. To avoid entry of judgment:

21 (1) You must appear in court as directed below:

22 WHERE: Name of Court, Street Address, Room Number

23 WHEN: Date and time

24 (2) You should oppose the motion IN WRITING.

25 HOW TO OPPOSE THE MOTION:

26 (1) State the legal reasons why the court should not enter judgment
27 against you, including your defenses.

28 (2) State the facts that support your defenses.

29 (3) Attach affidavits and/or exhibits to support the facts you assert.

30 (a) Affidavits are sworn statements of witnesses (including you) who
31 state facts they know to be true. The affidavit should state the facts
32 and how the witness knows them. Also, the affidavit should explain any
33 exhibits. An affidavit of service is an affidavit that states how and
34 when papers were served. An affidavit must be signed in front of a
35 notary. Free forms are available on the New York State Court system
36 website at: _____.

37 (b) Exhibits are copies of documents. Exhibits are usually attached to
38 affidavits.

39 (4) Have someone (not you or another defendant in the lawsuit) mail a
40 copy of your opposition to the plaintiff's attorney before your court
41 date and have them prepare an affidavit of service by mail.

42 (5) Bring a copy of your opposition and the affidavit of service to
43 your court date.

44 (6) Attend your court date.

45 IF YOU NEED MORE TIME:

46 If you need more time to prepare your written response, you should
47 appear at your court date and ask the judge for more time. You can also
48 ask the judge to refer you for legal help.

49 IF YOU NEED LEGAL HELP:

50 You may seek legal help from a private attorney or a legal aid office.
51 Some courts have free legal assistance programs for people without
52 lawyers. You can find resources on the New York State court system
53 website at: _____.

54 2. The clerk promptly shall mail to the defendant the envelope
55 containing the additional notice set forth in paragraph one of this
56 subdivision and note the date of mailing in the case record. Summary

1 judgment shall not be entered based on defendant's failure to oppose the
2 motion unless there has been compliance with this section and at least
3 fourteen days have elapsed from the date of mailing by the clerk or
4 nineteen days if the plaintiff's notice of motion demands additional
5 time under subdivision (b) of rule 2214 of this chapter.

6 3. The chief administrative judge shall issue a Spanish translation of
7 the notice in paragraph one of this subdivision and shall maintain and
8 publish the URL address for the web page containing consumer credit
9 resources for unrepresented litigants.

10 § 10. Section 3213 of the civil practice law and rules, as amended by
11 chapter 210 of the laws of 1969, is amended to read as follows:

12 § 3213. Motion for summary judgment in lieu of complaint. When an
13 action is based upon an instrument for the payment of money only or upon
14 any judgment, the plaintiff may serve with the summons a notice of
15 motion for summary judgment and the supporting papers in lieu of a
16 complaint. The summons served with such motion papers shall require the
17 defendant to submit answering papers on the motion within the time
18 provided in the notice of motion. The minimum time such motion shall be
19 noticed to be heard shall be as provided by subdivision (a) of rule 320
20 for making an appearance, depending upon the method of service. If the
21 plaintiff sets the hearing date of the motion later than the minimum
22 time therefor, he may require the defendant to serve a copy of his
23 answering papers upon him within such extended period of time, not
24 exceeding ten days, prior to such hearing date. No default judgment may
25 be entered pursuant to subdivision (a) of section 3215 prior to the
26 hearing date of the motion. If the motion is denied, the moving and
27 answering papers shall be deemed the complaint and answer, respectively,
28 unless the court orders otherwise. The additional notice required by
29 subdivision (j) of rule 3212 shall be applicable to a motion made pursu-
30 ant to this section in any action to collect a debt arising out of a
31 consumer credit transaction where a consumer is a defendant.

32 § 11. Subdivision (f) of section 3215 of the civil practice law and
33 rules, as amended by chapter 453 of the laws of 2006, is amended and a
34 new subdivision (j) is added to read as follows:

35 (f) Proof. On any application for judgment by default, the applicant
36 shall file proof of service of the summons and the complaint, or a
37 summons and notice served pursuant to subdivision (b) of rule 305 or
38 subdivision (a) of rule 316 of this chapter, and proof of the facts
39 constituting the claim, the default and the amount due by affidavit made
40 by the party, or where the state of New York is the plaintiff, by affi-
41 davit made by an attorney from the office of the attorney general who
42 has or obtains knowledge of such facts through review of state records
43 or otherwise. Where a verified complaint has been served, it may be used
44 as the affidavit of the facts constituting the claim and the amount due;
45 in such case, an affidavit as to the default shall be made by the party
46 or the party's attorney. In an action arising out of a consumer credit
47 transaction, if the plaintiff is not the original creditor, the appli-
48 cant shall include: (1) an affidavit by the original creditor of the
49 facts constituting the debt, the default in payment, the sale or assign-
50 ment of the debt, and the amount due at the time of sale or assignment;
51 (2) for each subsequent assignment or sale of the debt to another enti-
52 ty, an affidavit of sale of the debt by the debt seller, completed by
53 the seller or assignor; and (3) an affidavit of a witness of the plain-
54 tiff, which includes a chain of title of the debt, completed by the
55 plaintiff or plaintiff's witness. The chief administrative judge shall
56 issue form affidavits to satisfy the requirements of this subdivision

1 for consumer credit transactions. When jurisdiction is based on an
2 attachment of property, the affidavit must state that an order of
3 attachment granted in the action has been levied on the property of the
4 defendant, describe the property and state its value. Proof of mailing
5 the notice required by subdivision (g) of this section, where applica-
6 ble, shall also be filed.

7 (j) Affidavit. A request for a default judgment entered by the clerk,
8 must be accompanied by an affidavit by the plaintiff or plaintiff's
9 attorney stating that after reasonable inquiry, he or she has reason to
10 believe that the statute of limitations has not expired. The chief
11 administrative judge shall issue form affidavits to satisfy the require-
12 ments of this subdivision for consumer credit transactions.

13 § 12. The civil practice law and rules is amended by adding a new
14 section 7516 to read as follows:

15 § 7516. Confirmation of an award based on a consumer credit trans-
16 action. In any proceeding under section 7510 of this article to confirm
17 an award based on a consumer credit transaction, the party seeking to
18 confirm the award shall plead the actual terms and conditions of the
19 agreement to arbitrate. The party shall attach to its petition (a) the
20 agreement to arbitrate; (b) the demand for arbitration or notice of
21 intention to arbitrate, with proof of service; and (c) the arbitration
22 award, with proof of service. If the award does not contain a statement
23 of the claims submitted for arbitration, of the claims ruled upon by the
24 arbitrator, and of the calculation of figures used by the arbitrator in
25 arriving at the award, then the petition shall contain such a statement.
26 The court shall not grant confirmation of an award based on a consumer
27 credit transaction unless the party seeking to confirm the award has
28 complied with this section.

29 § 13. Subdivision 2 of section 212 of the judiciary law is amended by
30 adding a new paragraph (aa) to read as follows:

31 (aa) Not later than January first, two thousand twenty-one, make
32 available Spanish translations of the additional notices in consumer
33 credit transaction actions and proceedings required by section 306-d and
34 subdivision (j) of rule 3212 of the civil practice law and rules, and
35 make available form affidavits required for a motion for default judg-
36 ment in a consumer credit transaction action or proceeding required by
37 subdivision (f) of section 3215 of the civil practice law and rules.

38 § 14. This act shall take effect immediately; provided, however, that
39 sections two, three, five, six, seven, eight, nine, ten, eleven and
40 twelve shall take effect on the one hundred eightieth day after it shall
41 have become a law and shall apply to actions and proceedings commenced
42 on or after such date; and provided, further, that section four of this
43 act shall take effect on the one hundred fiftieth day after this act
44 shall have become a law.