

STATE OF NEW YORK

3525

2021-2022 Regular Sessions

IN ASSEMBLY

January 27, 2021

Introduced by M. of A. DINOWITZ, BENEDETTO -- read once and referred to the Committee on Consumer Affairs and Protection

AN ACT to amend the general business law and the banking law, in relation to providing for budget planning and debt settlement services

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

1 Section 1. Section 455 of the general business law, as amended by
2 chapter 629 of the laws of 2002, subdivision 1 as amended by chapter 456
3 of the laws of 2006, and subdivision 4 as amended by chapter 549 of the
4 laws of 2013, is amended to read as follows:

5 § 455. Definitions. 1. Budget planning, as used in this article, means
6 the making of a contract between a person or entity engaged in the busi-
7 ness of budget planning with a particular debtor whereby:

8 (i) the debtor agrees to pay a sum or sums of money in any manner or
9 form and the person or entity engaged in the business of budget planning
10 distributes, or supervises, coordinates or controls the distribution of,
11 or has a contractual relationship with another person or entity that
12 distributes, or supervises, coordinates or controls such distribution
13 of, the same among certain specified creditors in accordance with a
14 periodic payment plan agreed upon; and

15 (ii) the debtor agrees to pay to such person or entity, or such other
16 person or entity that distributes, or supervises, coordinates or
17 controls such distribution of, a sum or sums of money, any valuable
18 consideration for such services or for any other services rendered in
19 connection therewith; provided, however, that "budget planning" does not
20 include "debt settlement services" as defined in section five hundred
21 eighty-eight-a of the banking law. For the purposes of this article, a
22 person or entity shall be considered as engaged in the business of budg-
23 et planning in New York, and subject to this article and the licensing
24 and other requirements of article twelve-C of the banking law, if such
25 person or entity solicits budget planning business within this state

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

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1 and, in connection with such solicitation, enters into a contract for
2 budget planning with an individual then resident in this state.

3 2. Person, as used in this article, shall not include a person admit-
4 ted to practice law in this state.

5 3. Entity, as used in this article, shall not include a firm, partner-
6 ship, professional corporation, or other organization, all of the
7 members or principals of which are admitted to practice law in this
8 state.

9 4. [~~Person or entity as used in this article shall not include a char-
10 itable corporation as defined in paragraph (a) of section one hundred
11 two (Definitions) of the not for profit corporation law of this state,
12 or an entity incorporated in another state and having a similar not for
13 profit status, licensed by the superintendent, to engage in the business
14 of budget planning as defined in this section.~~

15 5.] Any attorney licensed to practice law in this state who is engaged
16 in budget planning shall:

17 (a) negotiate directly with creditors on behalf of the client;

18 (b) ensure that all moneys received from the client are deposited in
19 the attorney's account maintained for client funds;

20 (c) pay creditors from such account; and

21 (d) offer budget planning services through the same legal entity that
22 the attorney uses to practice law.

23 § 2. Section 457 of the general business law, as amended by chapter
24 629 of the laws of 2002, is amended to read as follows:

25 § 457. [~~Penalty~~] Penalties for violation of this article; criminal and
26 civil. (a) Whoever either individually or as officer, director or
27 employee of any person, firm, association or corporation, violates any
28 of the provisions of the preceding section shall be guilty of a class A
29 misdemeanor [~~for each such violation~~] punishable as provided in articles
30 seventy and eighty of the penal law.

31 (b) Whenever there shall be a violation of this article, application
32 may be made by the attorney general in the name of the people of the
33 state of New York to a court or justice having jurisdiction by a special
34 proceeding to issue an injunction, and upon notice to the defendant of
35 not less than five days, to enjoin and restrain the continuance of such
36 violations; and if it shall appear to the satisfaction of the court or
37 justice that the defendant has, in fact, violated this article, an
38 injunction may be issued by such court or justice, enjoining and
39 restraining any further violation, without requiring proof that any
40 person has, in fact, been injured or damaged thereby. In connection with
41 any such proposed application, the attorney general is authorized to
42 take proof and make a determination of the relevant facts and to issue
43 subpoenas in accordance with the civil practice law and rules. Whenever
44 the court shall determine that a violation of section four hundred
45 fifty-six of this article has occurred, the court may impose a civil
46 penalty of not more than five hundred dollars per contract made in
47 violation of such section, not to exceed one hundred thousand dollars.

48 § 3. Section 579 of the banking law, as amended by chapter 549 of the
49 laws of 2013, is amended to read as follows:

50 § 579. Doing business without license prohibited. [~~Only a charitable~~
51 ~~corporation as defined in paragraph (a) of section one hundred two~~
52 ~~(Definitions) of the not for profit corporation law of this state, or an~~
53 ~~entity incorporated in another state and having a similar not for profit~~
54 ~~status,] No person or entity shall engage in the business of budget
55 planning as defined in subdivision one of section four hundred fifty-
56 five of the general business law [~~of this state~~] except as authorized by~~

1 this article and without first obtaining a license from the superinten-
2 dent.

3 § 4. Subdivision 2 of section 584-a of the banking law, as added by
4 chapter 629 of the laws of 2002, is amended to read as follows:

5 2. the total fees agreed to for such services, including any adjust-
6 ments for estimated available rebates from creditors, provided that
7 nothing in this subdivision shall require a licensee to share rebates
8 with its clients and provided that any fees or charges imposed must be
9 fair, reasonable and easily understood;

10 § 5. Section 584-b of the banking law is amended by adding a new
11 subdivision 4-a to read as follows:

12 4-a. No licensee shall impose any fee or charge whatsoever that is
13 not fair, reasonable and able to be easily understood.

14 § 6. Section 585 of the banking law, as amended by chapter 629 of the
15 laws of 2002, is amended to read as follows:

16 § 585. Superintendent authorized to examine. For the purpose of
17 discovering violations of this article or securing information lawfully
18 required by him or her hereunder, the superintendent may at any time,
19 and as often as he or she may determine, either personally or by a
20 person duly designated by him or her, investigate the business and exam-
21 ine the books, accounts, records, and files used therein of every licen-
22 see hereunder. For that purpose the superintendent and his or her duly
23 designated representative shall have free access to the offices and
24 place of business, books, accounts, papers, records, files, safes and
25 vaults of all such licensees. The superintendent and any person duly
26 designated by him or her shall have authority to require the attendance
27 of and to examine under oath all persons whose testimony he or she may
28 require relative to such business. The expenses incurred in making any
29 examination pursuant to this section shall be assessed against and paid
30 by the licensee so examined, except that traveling and subsistence
31 expenses so incurred shall be charged against and paid by licensees in
32 such proportions as the superintendent shall deem just and reasonable,
33 and such proportionate charges shall be added to the assessment of the
34 other expenses incurred upon each examination. Upon written notice by
35 the superintendent of the total amount of such assessment, the licensee
36 shall become liable for and shall pay such assessment to the superinten-
37 dent. If, upon review, the superintendent shall determine that the fees
38 or service charges set by the licensee are unfair, unreasonable or
39 unclear, he or she shall direct the licensee to make adjustments in said
40 fees and service charges in accordance with his or her findings, which
41 shall set forth a detailed factual basis and reasoning supporting such
42 finding.

43 § 7. Subdivision 10 of section 36 of the banking law, as amended by
44 section 2 of part L of chapter 58 of the laws of 2019, is amended to
45 read as follows:

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

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

23 § 8. Subdivisions 1, 2, 3 and 5 of section 39 of the banking law, as
24 amended by section 3 of part L of chapter 58 of the laws of 2019, are
25 amended to read as follows:

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

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

1 this state, or foreign banking corporation licensed by the superinten-
2 dent to do business in this state is conducting business in an unauthor-
3 ized or unsafe and unsound manner, he or she may, in his or her
4 discretion, issue an order directing the discontinuance of such unau-
5 thorized or unsafe and unsound practices, and fixing a time and place at
6 which such banking organization, bank holding company, registered mort-
7 gage broker, licensed mortgage banker, licensed student loan servicer,
8 registered mortgage loan servicer, licensed mortgage loan originator,
9 licensed lender, licensed casher of checks, licensed sales finance
10 company, licensed insurance premium finance agency, licensed transmitter
11 of money, licensed budget planner, licensed debt settlement company,
12 out-of-state state bank that maintains a branch or branches or represen-
13 tative or other offices in this state, or foreign banking corporation
14 may voluntarily appear before him or her to present any explanation in
15 defense of the practices directed in said order to be discontinued.

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

39 5. To keep books and accounts as prescribed. Whenever it shall appear
40 to the superintendent that any banking organization, bank holding compa-
41 ny, registered mortgage broker, licensed mortgage banker, licensed
42 student loan servicer, registered mortgage loan servicer, licensed mort-
43 gage loan originator, licensed lender, licensed casher of checks,
44 licensed sales finance company, licensed insurance premium finance agen-
45 cy, licensed transmitter of money, licensed budget planner, licensed
46 debt settlement company, agency or branch of a foreign banking corpo-
47 ration licensed by the superintendent to do business in this state, does
48 not keep its books and accounts in such manner as to enable him or her
49 to readily ascertain its true condition, he or she may, in his or her
50 discretion, issue an order requiring such banking organization, bank
51 holding company, registered mortgage broker, licensed mortgage banker,
52 licensed student loan servicer, registered mortgage loan servicer,
53 licensed mortgage loan originator, licensed lender, licensed casher of
54 checks, licensed sales finance company, licensed insurance premium
55 finance agency, licensed transmitter of money, licensed budget planner,
56 licensed debt settlement company, or foreign banking corporation, or the

1 officers or agents thereof, or any of them, to open and keep such books
2 or accounts as he or she may, in his or her discretion, determine and
3 prescribe for the purpose of keeping accurate and convenient records of
4 its transactions and accounts.

5 § 9. Paragraph (a) of subdivision 1 of section 44 of the banking law,
6 as amended by section 4 of part L of chapter 58 of the laws of 2019, is
7 amended to read as follows:

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

22 § 10. The banking law is amended by adding a new article 12-CC to read
23 as follows:

24 ARTICLE XII-CC

25 DEBT SETTLEMENT COMPANIES

26 Section 588-a. Definitions.

27 588-b. Doing business without license prohibited.

28 588-c. Application for license.

29 588-d. Conditions for issuance of a license; procedure where
30 application denied.

31 588-e. License provisions.

32 588-f. Changes in officers or directors of licensee.

33 588-g. Changes in control.

34 588-h. Grounds for suspension, revocation, or termination of
35 license; procedure.

36 588-i. Advertising and marketing practices.

37 588-j. Individualized financial analysis; statement.

38 588-k. Required pre-agreement disclosures and warnings.

39 588-l. Debt settlement services agreements.

40 588-m. Fees.

41 588-n. Debtor settlement accounts; monthly accounting.

42 588-o. Cancellation of debt settlement services agreement; right
43 to refunds.

44 588-p. Obligation of good faith.

45 588-q. Prohibited activities.

46 588-r. Superintendent authorized to examine.

47 588-s. Licensee's books and records; reports.

48 588-t. Penalties; noncompliance.

49 588-u. Authority of superintendent.

50 588-v. Severability.

51 § 588-a. Definitions. As used in this article: 1. "Affiliate" means
52 any person that directly or indirectly controls, is controlled by, or is
53 under common control with another person.

54 2. "Clearly and conspicuously" means that a statement, representation,
55 term, or disclosure is so presented as to be readily apparent and under-
56 stood by the person to whom it is being addressed. Factors to be consid-

1 ered for this purpose include but are not limited to size, placement,
2 color contrast, length, crawl time, and audibility.

3 3. "Debtor" means any individual who has incurred indebtedness or owes
4 a debt.

5 4. "Debtor settlement account" means any account or other means or
6 device in which payments, deposits, or other transfers from a debtor are
7 arranged, held, or transferred by or to a debt settlement company for
8 the accumulation of the debtor's funds in anticipation of proffering an
9 adjustment or settlement of a debt or obligation of the debtor.

10 5. "Debt settlement company" means any person:

11 (a) engaging in, or holding himself, herself, or itself out as engag-
12 ing in, the business of providing debt settlement services in exchange
13 for or in expectation of any compensation or gain; or

14 (b) soliciting for or acting on behalf of any person engaging in, or
15 holding himself, herself, or itself out as engaging in, the business of
16 providing debt settlement services in exchange for or in expectation of
17 any compensation or gain; provided, however, that "debt settlement
18 company" shall not include:

19 (i) the following exempt persons:

20 (A) any attorney licensed to practice law in this state when acting in
21 the ordinary practice of law and through the entity used by the attorney
22 in the ordinary practice of law, and not holding himself or herself out
23 as a debt settlement company, and not providing debt settlement
24 services, except as incidental to legal representation;

25 (B) any public officer while acting in an official capacity and any
26 person acting under court order; or

27 (C) any person while performing services incidental to the dissol-
28 ution, winding up, or liquidation of a partnership, corporation, or
29 other business enterprise; or

30 (D) any bank, trust company, savings bank, savings and loan associ-
31 ation, or credit union, whether incorporated, chartered, or organized
32 under the laws of this state or any other state or the United States, or
33 any operating subsidiary of any such bank, trust company, savings bank,
34 savings and loan association, or credit union.

35 (ii) such other persons as may be specifically exempted by the super-
36 intendent in his or her sole discretion and consistent with the purposes
37 of this article and the rules and regulations promulgated hereunder.

38 6. "Debt settlement services" means:

39 (a) offering to provide or providing advice or services, or offering
40 to act or acting as an intermediary between or on behalf of a debtor and
41 one or more of the debtor's creditors, where the primary purpose of the
42 advice, service, or action is to obtain a settlement, adjustment, or
43 satisfaction of the debtor's unsecured debt to a creditor in an amount
44 less than the principal amount of the debt or in an amount less than the
45 current outstanding balance of the debt; or

46 (b) offering to provide services related to or providing services
47 advising, encouraging, assisting, or counseling a debtor to accumulate
48 funds for the primary purpose of proposing, obtaining, or seeking to
49 obtain a settlement, adjustment, or satisfaction of the debtor's unse-
50 secured debt to a creditor in an amount less than the principal amount of
51 the debt or in an amount less than the current outstanding balance of
52 the debt; provided, however, that debt settlement services shall not
53 include:

54 (i) "budget planning" as defined in section four hundred fifty-five of
55 the general business law; or

1 (ii) the services of an attorney in providing information, advice, or
2 legal representation with respect to filing a case or proceeding under
3 Title 11 of the United States Code.

4 7. "Debt settlement services agreement" means a contract or other
5 agreement with a debtor related to the provision of debt settlement
6 services.

7 8. "Enrollment fee" means any fee, obligation, or compensation paid or
8 to be paid by the debtor to a debt settlement company in consideration
9 of or in connection with establishing a debt settlement services agree-
10 ment.

11 9. "Maintenance fee" means any fee, obligation, or compensation paid
12 or to be paid by a debtor to a debt settlement company in consideration
13 of or in connection with maintaining the relationship and services
14 provided by a debt settlement company in accordance with a debt settle-
15 ment services agreement.

16 10. "Person" means an individual, partnership, limited liability
17 company, corporation, association, or any other legal entity.

18 11. "Principal amount of the debt" means the total amount owed by a
19 debtor to one or more creditors for a debt that is included in a debt
20 settlement services agreement at the time when the debtor enters into
21 such agreement.

22 12. "Settlement fee" means any fee, obligation, or compensation paid
23 or to be paid by a debtor to a debt settlement company in consideration
24 of or in connection with an agreement or other arrangement on the part
25 of a creditor to accept less than the principal amount of the debt as
26 satisfaction of the creditor's claim against the debtor.

27 § 588-b. Doing business without license prohibited. 1. Except as
28 provided in subdivision three of this section, no person shall engage in
29 the business of a debt settlement company in this state without first
30 obtaining a license from the superintendent in accordance with the
31 licensing procedure provided in this article and such rules and regu-
32 lations as may be promulgated hereunder.

33 2. The business of a debt settlement company is conducted in this
34 state if the debt settlement company, its employees, or its agents are
35 located in this state or if the debt settlement company advertises,
36 solicits, offers, or contracts to provide debt settlement services to
37 debtors then resident in this state.

38 3. If a debt settlement company is licensed under this article, subdivi-
39 vision one of this section does not apply to any employee of such licen-
40 see.

41 § 588-c. Application for license. 1. Application for a license
42 required under this article shall be in writing, under oath, and in the
43 form prescribed by the superintendent, and shall contain the following:

44 (a) the exact name and complete street address of the applicant and,
45 if applicable, its date of incorporation or organization;

46 (b) the name and complete business and residential address and occupa-
47 tion of each officer and director of the applicant and each person that
48 owns at least ten percent of the shares or other ownership interests of
49 the applicant;

50 (c) the complete street address of the principal office from which the
51 business is to be conducted;

52 (d) if the applicant has one or more branches, subsidiaries, or affil-
53 iates located in this state, soliciting business in this state, or doing
54 business with residents of this state, the complete address of each such
55 place of business; and

1 (e) such other pertinent information as the superintendent may
2 require, including but not limited to evidence indicating that the
3 applicant, or an officer, director, or manager of such applicant has at
4 least one year of experience in financial services or related fields
5 applicable to debt settlement services.

6 2. An applicant shall file a master application for its principal
7 office and supplemental applications for each branch office that will
8 conduct the business of a debt settlement company in this state.

9 3. Upon original application for a license or licenses, the applicant
10 shall pay an investigation fee in an aggregate amount as prescribed
11 pursuant to section eighteen-a of this chapter. No additional investi-
12 gation fee shall be required for any subsequent application for a
13 license unless such application is subsequent to a denial of a license
14 or to a revocation, suspension, surrender, or termination of a license;
15 provided, however, that an application to establish a branch office of
16 the licensee shall be accompanied by the fee prescribed in section eigh-
17 teen-a of this chapter.

18 4. As a condition for the issuance and retention of a license, and
19 subject to such regulations as the superintendent shall prescribe,
20 applicants for a license shall file with the superintendent a surety
21 bond in favor of the superintendent, issued by a bonding company or
22 insurance company authorized to do business in this state, and in a form
23 satisfactory to the superintendent.

24 (a) In lieu of the surety bond required by this subdivision, an appli-
25 cant may pledge to the superintendent and maintain in a pledge account
26 with such banks, savings banks, savings and loan associations, trust
27 companies, national banks, federal savings banks, or federal savings and
28 loan associations in the state as such licensee may designate and the
29 superintendent may approve:

30 (i) interest-bearing bills, notes, bonds, debentures, or other obli-
31 gations issued or guaranteed by the United States or any state or other
32 local governmental entity or any instrumentality thereof, bearing a
33 rating of one of the three highest grades by a nationally recognized
34 statistical rating organization that has been engaged in rating state
35 and municipal issues for a period of not less than five years;

36 (ii) dollar deposits; or

37 (iii) such other assets or letters of credit as the superintendent
38 shall by rule or regulation permit.

39 (b) Except as provided hereunder, the principal amount of such surety
40 bond or deposit shall be two hundred fifty thousand dollars. The super-
41 intendent may:

42 (i) require a larger bond or deposit if he or she determines, in his
43 or her sole discretion, that a licensee has engaged in a pattern of
44 conduct resulting in bona fide debtor complaints of misconduct and that
45 such increased bond or deposit is necessary for the protection of
46 debtors; or

47 (ii) increase or decrease the amount of such bond or deposit based
48 upon the applicant's or licensee's financial condition, business plan,
49 business experience, or any other factor the superintendent considers
50 appropriate.

51 (c) The proceeds of such surety bond or deposit shall constitute a
52 trust fund to be used exclusively:

53 (i) to reimburse fees that have been improperly charged to or
54 collected from debtors with respect to the business of a debt settlement
55 company in this state, as such business is described in section five
56 hundred eighty-eight-b of this article;

1 (ii) to reimburse amounts that have not been properly distributed to
2 creditors or properly returned to debtors with respect to the business
3 of a debt settlement company in this state, as such business is
4 described in section five hundred eighty-eight-b of this article; and

5 (iii) to pay outstanding banking department examination costs and
6 assessments.

7 § 588-d. Conditions for issuance of a license; procedure where appli-
8 cation denied. Upon the filing of an application for a license, if the
9 superintendent shall find that the financial responsibility, experience,
10 character, and general fitness of the applicant, and of the control
11 persons, officers, and directors thereof are such as to command the
12 confidence of the community and to warrant belief that the business will
13 be operated honestly, fairly, and efficiently within the purposes of
14 this article, he or she shall thereupon issue a license in duplicate to
15 engage in debt settlement services in accordance with the provisions of
16 this article. The superintendent shall transmit one copy of such
17 license to the applicant and file the other in the office of the depart-
18 ment. Such license shall remain in full force and effect until it is
19 surrendered by the licensee or revoked, suspended, or terminated as
20 hereinafter provided. If the superintendent shall not so find, he or
21 she shall not issue such license and he or she shall notify the appli-
22 cant of the denial.

23 § 588-e. License provisions. Each license issued under this article
24 shall state the principal office address and, if applicable, the address
25 of the branch office for which it was issued. Such license shall state
26 fully the name of the licensee and, if applicable, the date and place of
27 its incorporation or organization. A copy of such license shall be prom-
28 inently posted in the principal office and, if applicable, such branch
29 office. Such license shall not be transferable or assignable. In the
30 event the location at which the business is to be conducted shall be
31 changed, the licensee shall forthwith notify the superintendent who
32 shall thereupon without charge attach to the license a rider setting
33 forth such changed location.

34 § 588-f. Changes in officers or directors of licensee. In the event
35 that there shall be any change among the officers or directors of any
36 licensee, the licensee shall promptly notify the superintendent of the
37 name, address, and occupation of each new officer or director and
38 provide such other information as the superintendent may require.

39 § 588-g. Changes in control. 1. It shall be unlawful except with the
40 prior approval of the superintendent for any action to be taken which
41 results in a change of control of the business of a licensee. Prior to
42 any change of control, the person desirous of acquiring control of the
43 business of a licensee shall make written application to the superinten-
44 dent and pay an investigation fee as prescribed pursuant to section
45 eighteen-a of this chapter to the superintendent. The application shall
46 contain such information as the superintendent may prescribe as neces-
47 sary or appropriate for the purpose of making the determination required
48 by subdivision two of this section.

49 2. The superintendent shall approve or disapprove the proposed change
50 of control of a licensee in accordance with the provisions of section
51 five hundred eighty-eight-d of this article.

52 3. As used in this section, the term "control" means the possession,
53 directly or indirectly, of the power to direct or cause the direction of
54 the management and policies of a licensee, whether through the ownership
55 of voting stock of such licensee, the ownership of voting stock of any
56 person which possesses such power or otherwise. Control shall be

1 presumed to exist if any person, directly or indirectly, owns, controls
2 or holds with power to vote ten percent or more of the voting stock of
3 any licensee or of any person which owns, controls or holds with power
4 to vote ten percent or more of the voting stock of any licensee, but no
5 person shall be deemed to control a licensee solely by reason of being
6 an officer or director of such licensee or person. The superintendent
7 may in his or her discretion, upon the application of a licensee or any
8 person who, directly or indirectly, owns, controls or holds with power
9 to vote or seeks to own, control or hold with power to vote any voting
10 stock of such licensee, determine whether or not the ownership, control
11 or holding of such voting stock constitutes or would constitute control
12 of such licensee for purposes of this section.

13 § 588-h. Grounds for suspension, revocation, or termination of
14 license; procedure. 1. In addition to the authority set forth in subdivi-
15 vision two of this section, the superintendent may suspend or revoke any
16 license issued under this article if, after notice and a hearing, he or
17 she shall find that:

18 (a) the licensee has violated any provisions of this article, or of
19 any rule or regulation made by the superintendent under and within the
20 authority of this article;

21 (b) any fact or condition exists which, if it had existed at the time
22 of the original application for such license, would have warranted the
23 superintendent in refusing originally to issue such license; or

24 (c) the licensee or an officer, director, or control person of the
25 licensee has been convicted of a crime against the laws of this state or
26 any other state or of the United States involving moral turpitude or
27 fraudulent or dishonest actions, or a final judgment in a court of
28 competent jurisdiction has been entered against the licensee or an offi-
29 cer, director, or control person of the licensee in a civil action aris-
30 ing from fraud, misrepresentation, or deceit.

31 2. (a) The superintendent may, for good cause, without notice or a
32 hearing, issue an order suspending any license issued pursuant to this
33 article for a period not exceeding ninety days, pending investigation.
34 "Good cause", as used in this subdivision, shall exist only when the
35 licensee has defaulted or is likely to default in performing its finan-
36 cial engagements or engages or has engaged in dishonest or inequitable
37 practices which may cause substantial harm to the persons afforded the
38 protection of this article.

39 (b) The superintendent may, in his or her sole discretion, without
40 notice or a hearing, issue an order suspending any license issued pursu-
41 ant to the authority of this article upon the failure of such licensee
42 to make any payments as required by this chapter.

43 (c) The superintendent may, in his or her sole discretion, without
44 notice or a hearing, issue an order suspending any license issued pursu-
45 ant to the authority of this article:

46 (i) thirty days after the date the licensee fails to file any report
47 required under this article to be filed by it with the superintendent;

48 (ii) immediately upon the licensee filing a petition in bankruptcy;

49 (iii) at least thirty days after the licensee has had filed against it
50 a petition in bankruptcy; or

51 (iv) immediately upon the receipt by the superintendent of notice that
52 the surety bond required pursuant to section five hundred eighty-eight-c
53 of this article is no longer in effect or that the value of assets in
54 the pledge account is less than the required amount.

55 3. If the superintendent has issued an order suspending a license
56 issued pursuant to the authority of this article pursuant to paragraph

1 (a) of subdivision two of this section, such license may be reinstated
2 if the superintendent determines, in his or her sole discretion after
3 investigation, that good cause therefor did not exist or no longer
4 exists. If the superintendent has issued an order suspending a license
5 issued pursuant to paragraph (b) or (c) of subdivision two of this
6 section, such license may be reinstated, if the superintendent deter-
7 mines, in his or her sole discretion, that the licensee has cured all
8 deficiencies set forth in such order by the close of business ninety
9 days after the date of such suspension order, including, without limita-
10 tion, making any overdue payment, having any such bankruptcy petition
11 dismissed, or having such bond reinstated or depositing all required
12 additional assets. Otherwise, in the case of a suspension pursuant to
13 paragraph (b) or (c) of subdivision two of this section, unless the
14 superintendent has, in his or her sole discretion, extended such suspen-
15 sion, all licenses of such licensee shall be deemed to be automatically
16 terminated by operation of law at the close of business on such nineti-
17 eth day.

18 4. Except as provided for in subdivision two of this section, no
19 license shall be revoked or suspended except after notice and a hearing
20 thereon.

21 5. With the prior consent of the superintendent, any licensee may
22 surrender any license by delivering to the superintendent written notice
23 that it thereby surrenders such license, but such surrender shall not
24 affect such licensee's civil or criminal liability for acts committed
25 prior to such surrender or its obligations to the superintendent for
26 assessments, fees, or administrative actions with respect to the periods
27 before such surrender.

28 6. No revocation, suspension, termination, or surrender of any license
29 shall impair or affect the obligation of any pre-existing lawful
30 contract between the licensee and any person.

31 7. Every license issued hereunder shall remain in force and effect
32 until the same shall have been surrendered, revoked, suspended, or
33 terminated in accordance with the provisions of this article, but the
34 superintendent shall have authority to reinstate a suspended license or
35 to issue a new license to a licensee whose license shall have been
36 revoked if no fact or condition then exists which would have warranted
37 the superintendent in refusing originally to issue such license under
38 this article.

39 8. Whenever the superintendent shall revoke or suspend a license
40 issued pursuant to this article, he or she shall forthwith execute in
41 duplicate a written order to that effect. The superintendent shall file
42 one copy of such order in the office of the department and shall forth-
43 with serve the other copy upon the licensee. Any such order may be
44 reviewed in the manner provided by article seventy-eight of the civil
45 practice law and rules. Such application for review as authorized by
46 this section must be made within thirty days from the date of such order
47 of suspension or revocation.

48 9. Whenever a license shall have terminated in accordance with this
49 article, the superintendent shall notify the licensee that the license
50 has terminated and that the licensee may not engage in the business of a
51 debt settlement company in this state.

52 § 588-i. Advertising and marketing practices. 1. A debt settlement
53 company shall not, expressly or by implication, make any unfair or
54 deceptive representations, or any omissions of material facts, in any of
55 its advertising or marketing communications concerning debt settlement
56 services.

1 2. All advertising and marketing communications concerning debt
2 settlement services shall disclose the following information clearly and
3 conspicuously: "Debt settlement services are not appropriate for every-
4 one. Failure to pay your monthly bills in a timely manner will result in
5 increased balances and will harm your credit rating. Not all creditors
6 will agree to reduce the amount you owe, and they may pursue collection,
7 including lawsuits."

8 3. All advertising and marketing communications of a licensed debt
9 settlement company concerning debt settlement services shall indicate
10 that the debt settlement company is licensed by the department and shall
11 contain the name and office address of such debt settlement company,
12 which shall conform to a name and address on record with the department.

13 § 588-j. Individualized financial analysis; statement. 1. Prior to
14 entering into a debt settlement services agreement, a debt settlement
15 company shall prepare and provide to the debtor in writing and retain a
16 copy of:

17 (a) an individualized financial analysis, including a listing of the
18 debtor's income, expenses, and debts; and

19 (b) a statement containing:

20 (i) a description of the services to be provided under the proposed
21 debt settlement services agreement;

22 (ii) a good faith estimate of the time it will take to complete all
23 steps necessary for a settlement of each debt included under the
24 proposed debt settlement services agreement;

25 (iii) the total amount of debt owed to each creditor included under
26 the proposed debt settlement services agreement;

27 (iv) the total amount of money estimated to be necessary to complete
28 all steps necessary for a settlement of each debt included under the
29 proposed debt settlement services agreement; and

30 (v) the monthly targeted amount of money necessary to complete all
31 steps necessary for a settlement of each debt included under the
32 proposed debt settlement services agreement.

33 2. A debt settlement company shall not enter into a debt settlement
34 services agreement unless it makes written determinations, supported by
35 the financial analysis, that:

36 (a) the debtor can reasonably meet the requirements of such proposed
37 debt settlement services agreement, including the fees and the savings
38 goals; and

39 (b) such proposed debt settlement services agreement will be suitable
40 for the debtor at the time it is to be signed.

41 § 588-k. Required pre-agreement disclosures and warnings. 1. Before
42 the debtor signs a debt settlement services agreement, the debt settle-
43 ment company shall provide an oral and written notice to the debtor that
44 clearly and conspicuously discloses all of the following:

45 (a) debt settlement services may not be suitable for all debtors;

46 (b) using debt settlement services likely will harm the debtor's cred-
47 it history, credit rating, and credit score;

48 (c) using debt settlement services does not stop creditor collection
49 activity, including creditor lawsuits and garnishments;

50 (d) not all creditors will accept a reduction in the balance, interest
51 rate, or fees a debtor owes;

52 (e) the debtor should inquire about other means of dealing with debt,
53 including but not limited to budget planning and bankruptcy;

54 (f) the debtor remains obligated to make periodic or scheduled
55 payments to creditors while participating in a debt settlement program;

1 (g) the failure to make periodic or scheduled payments to a creditor
2 is likely to:

3 (i) harm the debtor's credit history, credit rating, and/or credit
4 score;

5 (ii) lead the creditor to increase lawful collection activity, includ-
6 ing litigation, garnishment of the debtor's wages, and judgment liens on
7 the debtor's property; and

8 (iii) lead to the imposition by the creditor of interest charges, late
9 fees, and other penalty fees, increasing the amount owed by the debtor;
10 and

11 (h) the debtor may be required to pay taxes on any amount of debt that
12 is forgiven.

13 2. The written notice required by subdivision one of this section
14 shall be entitled "Debtor Notice and Rights Form".

15 3. Prior to signing a debt settlement services agreement, the debtor
16 shall sign and date an acknowledgment form at the end of the Debtor
17 Notice and Rights Form. The acknowledgment form shall state: "I, the
18 debtor, have received from the debt settlement company a copy of the
19 form entitled Debtor Notice and Rights Form." The debt settlement compa-
20 ny or its representative shall also sign and date the acknowledgment
21 form, which shall include the name and address of the debt settlement
22 company. The acknowledgment form shall be in duplicate and incorporated
23 into the Debtor Notice and Rights Form. The original acknowledgment form
24 shall be retained by the debt settlement company, and the duplicate copy
25 shall be given to the debtor.

26 4. The requirements of this section are satisfied if the debt settle-
27 ment company gives the debtor the following warning verbatim, both oral-
28 ly and in writing, with the caption "DEBTOR NOTICE AND RIGHTS FORM" in
29 at least twenty-eight-point font and the remaining portion in at least
30 fourteen-point font, before the debtor signs a debt settlement services
31 agreement:

32 "DEBTOR NOTICE AND RIGHTS FORM

33 CAUTION

34 Using debt settlement services will LIKELY HARM your credit history,
35 credit rating, and credit score.

36 We CANNOT GUARANTEE that you will successfully reduce or eliminate
37 your debt.

38 YOU REMAIN OBLIGATED TO MAKE PAYMENTS TO YOUR CREDITORS. If you stop
39 paying your creditors, there is a strong likelihood some or all of the
40 following may happen:

- 41 - CREDITORS MAY STILL CONTACT YOU AND TRY TO COLLECT.
- 42 - CREDITORS MAY STILL SUE YOU FOR THE MONEY YOU OWE.
- 43 - YOUR WAGES OR BANK ACCOUNT MAY STILL BE GARNISHED.
- 44 - LIENS MAY STILL BE PLACED ON YOUR PROPERTY.
- 45 - YOUR CREDIT HISTORY, CREDIT RATING, AND/OR CREDIT SCORE LIKELY WILL
46 BE HARMED.
- 47 - THE AMOUNT OF MONEY YOU OWE MAY INCREASE DUE TO CREDITOR IMPOSITION
48 OF INTEREST CHARGES, LATE FEES, AND OTHER PENALTY FEES.
- 49 - NOT ALL CREDITORS WILL AGREE TO ACCEPT A BALANCE REDUCTION.
- 50 IF WE DO SETTLE YOUR DEBT, YOU MAY BE REQUIRED TO PAY TAXES ON THE
51 AMOUNT FORGIVEN.

52 DEBT SETTLEMENT SERVICES ARE NOT RIGHT FOR EVERYONE. YOU SHOULD
53 CONSIDER ALL YOUR OPTIONS FOR ADDRESSING YOUR DEBT, SUCH AS BUDGET PLAN-
54 NING OR A BANKRUPTCY FILING.

55 YOUR RIGHT TO CANCEL

1 If you sign a debt settlement services agreement, you have the right
2 to cancel at any time and receive a full refund of all unearned fees you
3 have paid to the debt settlement company and all funds placed in your
4 debtor settlement account that have not been paid to any creditors. If
5 you cancel within ninety days of signing the debt settlement services
6 agreement you also have the right to receive a full refund of any
7 enrollment fees you have paid.

8 ACKNOWLEDGMENT BY DEBTOR

9 I, the debtor, have received from the debt settlement company a copy
10 of the form entitled Debtor Notice and Rights Form."

11 § 588-1. Debt settlement services agreements. 1. A debt settlement
12 company shall not provide debt settlement services to a debtor without a
13 written debt settlement services agreement signed and dated by both the
14 debtor and the debt settlement company.

15 2. Any debt settlement services agreement entered into in violation of
16 the provisions of this section is void.

17 3. Each debt settlement company shall submit to the banking department
18 any form of debt settlement services agreement it intends to use.

19 4. A debt settlement services agreement shall disclose all of the
20 following clearly and conspicuously:

21 (a) the name and address of the debtor;

22 (b) the date of execution of the debt settlement services agreement;

23 (c) the legal name of the debt settlement company, including any other
24 business names used in this state by the debt settlement company;

25 (d) the complete street address of the debt settlement company, which
26 shall conform to an address on record with the department;

27 (e) the license number of the principal office and, if applicable, of
28 the branch office under which the debt settlement company is licensed in
29 this state;

30 (f) a toll-free telephone number at which the debtor may speak with a
31 representative of the debt settlement company during normal business
32 hours;

33 (g) a complete list of the debtor's accounts, debts, and obligations
34 covered by the debt settlement services agreement, including the name of
35 each creditor and the principal amount of each debt;

36 (h) a description of the services to be provided by the debt settle-
37 ment company, including the expected time frame for settlement for each
38 account, debt, or obligation included in paragraph (g) of this subdivi-
39 sion;

40 (i) an itemized list of all fees, including any enrollment fee and
41 settlement fees to be paid by the debtor to the debt settlement company,
42 and the date, approximate date, or circumstances under which each fee
43 will become due;

44 (j) a good faith estimate of the total amount of all fees to be
45 collected by the debt settlement company from the debtor for the
46 provision of debt settlement services under the debt settlement services
47 agreement;

48 (k) a statement of the proposed savings goals for the debtor, stating:

49 (i) the amount to be saved per month;

50 (ii) the time period over which the savings goals extend;

51 (iii) the amount of money the debtor must save before a settlement
52 offer will be made to each of the debtor's creditors; and

53 (iv) the total amount of the savings expected to be paid by the debtor
54 pursuant to the terms of the debt settlement services agreement;

55 (l) the written individualized financial analysis required by section
56 five hundred eighty-eight-j of this article;

1 (m) a written notice to the debtor stating:

2 (i) that the debtor may cancel the debt settlement services agreement
3 at any time; and

4 (ii) that upon such cancellation:

5 (A) all powers of attorney granted to the debt settlement company by
6 the debtor shall be considered revoked and voided; and

7 (B) the debtor may be entitled to a refund. The terms of such refund
8 shall also be stated and shall be consistent with the requirements of
9 section five hundred eighty-eight-o of this article.

10 (n) a form the debtor may use to cancel the debt settlement services
11 agreement pursuant to the provisions of section five hundred eighty-
12 eight-o of this article. The form shall disclose clearly and conspicu-
13 ously how the debtor can cancel the debt settlement services agreement,
14 including applicable addresses, telephone numbers, facsimile numbers,
15 and electronic mail addresses the debtor can use to cancel the debt
16 settlement services agreement;

17 (o) a clear and conspicuous notice to the debtor that the debtor may
18 contact the department with any questions or complaints regarding the
19 debt settlement company along with the address, telephone number and
20 internet website of the department.

21 5. (a) A debt settlement services agreement may confer on a debt
22 settlement company a power of attorney to settle the debtor's debt for
23 no more than fifty percent of the principal amount of the debt. An
24 agreement may not confer a power of attorney to settle a debt for more
25 than fifty percent of that amount, but may confer a power of attorney to
26 negotiate with creditors of the debtor on behalf of the debtor. A debt
27 settlement services agreement must provide that the debt settlement
28 company will obtain the assent of the debtor after a creditor has
29 assented to a settlement for more than fifty percent of the principal
30 amount of the debt.

31 (b) A debt settlement services agreement may not provide for applica-
32 tion of the law of any jurisdiction other than the United States and
33 this state.

34 6. If a debt settlement company communicates with a debtor primarily
35 in a language other than English, then the debt settlement company shall
36 furnish to the debtor a written translation in that other language of
37 all the disclosures and documents required by this article.

38 § 588-m. Fees. 1. The types of fees that a debt settlement company may
39 charge a debtor are the following:

40 (a) enrollment fees; and

41 (b) settlement fees.

42 2. All fee types not included under subdivision one of this section
43 are prohibited, including maintenance fees.

44 3. The amount of an enrollment fee charged by a debt settlement compa-
45 ny shall not exceed fifty dollars or such other amount as set by the
46 superintendent.

47 4. The amount of the settlement fee charged by a debt settlement
48 company with respect to each debt covered by a debt settlement services
49 agreement shall not exceed the lesser of:

50 (a) the amount that is reasonable and commensurate to the debt settle-
51 ment services provided to the debtor; and

52 (b) the amount that is twenty percent of the difference between:

53 (i) the principal amount of the debt; and

54 (ii) the amount:

55 (A) paid by the debt settlement company to the creditor pursuant to
56 the settlement negotiated by the debt settlement company on behalf of

1 the debtor as full and complete satisfaction of the creditor's claim
2 with regard to that debt; or

3 (B) negotiated by the debt settlement company and paid by the debtor
4 to the creditor pursuant to a settlement negotiated by the debt settle-
5 ment company on behalf of the debtor as full and complete satisfaction
6 of the creditor's claim with regard to that debt.

7 5. A debt settlement company shall not collect any settlement fee from
8 a debtor until:

9 (a) the creditor enters into a legally enforceable agreement with the
10 debtor to accept funds in a specific dollar amount as full and complete
11 satisfaction of the creditor's claim with regard to that debt; and

12 (b) those funds are provided to the creditor:

13 (i) by the debt settlement company on behalf of the debtor; or

14 (ii) directly by the debtor pursuant to a settlement negotiated by the
15 debt settlement company.

16 6. It shall be unlawful to split or divide the provision of debt
17 settlement services to a debtor into separate debt settlement services
18 agreements for the purpose of collecting additional fees from such
19 debtor.

20 § 588-n. Debtor settlement accounts; monthly accounting. 1. A debt
21 settlement company that receives funds from a debtor shall hold all
22 funds received for a debtor settlement account in a properly designated
23 bank account in a federally insured depository institution.

24 (a) Such funds shall:

25 (i) constitute trust funds owned by the debtor from whom they were
26 received;

27 (ii) remain the property of such debtor until the debt settlement
28 company disburses the funds to a creditor on behalf of such debtor;

29 (iii) be kept separate and apart at all times from funds belonging to
30 the debt settlement company or any of its officers, employees, or
31 agents; and

32 (iv) be deposited in such bank account not later than the end of the
33 business day following receipt by the debt settlement company or its
34 agent.

35 (b) A debt settlement company or its agent that maintains one or more
36 debtor settlement accounts shall obtain and preserve a written agreement
37 from each bank in which any such account is maintained. Such written
38 agreement shall expressly provide that the funds in such debtor settle-
39 ment account shall be subject to no right, charge, security interest,
40 lien, or claim of any kind in favor of such bank or any person claiming
41 through such bank.

42 (c) Any interest earned on a debtor settlement account shall be cred-
43 ited to the debtor. If the funds of multiple debtors are kept in a
44 single interest earning bank account, then the interest earned shall be
45 deposited pro rata among the debtors whose funds are in the account.

46 (d) A debt settlement company may not hold funds received for a debtor
47 settlement account in an account administered by a person that gives or
48 accepts any money or other compensation in exchange for referrals of
49 business involving the debt settlement company.

50 2. A debt settlement company shall, no less than monthly, provide each
51 debtor with which it has a debt settlement services agreement a state-
52 ment of fees paid, settlements completed, remaining debts and, if funds
53 are held in a bank account pursuant to subdivision one of this section,
54 account balances.

55 3. Nothing in this article requires the establishment of a debtor
56 settlement account if no debtor funds other than enrollment fees or

1 earned settlement fees are held or controlled by a debt settlement
2 company.

3 § 588-o. Cancellation of debt settlement services agreement; right to
4 refunds. 1. A debtor may cancel a debt settlement services agreement at
5 any time until after the debt settlement company has fully performed
6 each service the debt settlement company contracted to perform or
7 represented that it would perform.

8 2. If a debtor cancels a debt settlement services agreement not later
9 than ninety days after the date of the execution of the debt settlement
10 services agreement or at any time upon a violation of a provision of
11 this article by the debt settlement company, the debt settlement company
12 shall refund to the debtor:

13 (a) all fees paid to the debt settlement company by the debtor, with
14 the exception of any earned settlement fee; and

15 (b) all funds provided by the debtor to the debt settlement company
16 that:

17 (i) have accumulated in a debtor settlement account; and

18 (ii) the debt settlement company has not disbursed to creditors.

19 3. If a debtor cancels a debt settlement services agreement later than
20 ninety days after the date of the execution of the debt settlement
21 services agreement and for any reason other than for a violation of a
22 provision of this article by the debt settlement company, the debt
23 settlement company shall refund to the debtor:

24 (a) all fees paid to the debt settlement company by the debtor, with
25 the exception of any earned settlement fee and any enrollment fee; and

26 (b) all funds provided by the debtor to the debt settlement company
27 that:

28 (i) have accumulated in a debtor settlement account; and

29 (ii) the debt settlement company has not disbursed to creditors.

30 4. A debt settlement company shall make any refund required under this
31 section within five business days after receipt of written notice of
32 cancellation, and shall include with such refund a full statement of
33 account showing:

34 (a) the fees received by the debt settlement company from the debtor;

35 (b) the fees refunded to the debtor by the debt settlement company;

36 (c) the payments made by the debt settlement company to creditors on
37 behalf of the debtor;

38 (d) the settlement fees earned, if any, by the debt settlement company
39 by settling debt on behalf of the debtor;

40 (e) the savings of the debtor held by the debt settlement company
41 immediately prior to such refund; and

42 (f) the savings of the debtor refunded to the debtor by the debt
43 settlement company.

44 5. Upon cancellation of a debt settlement services agreement by the
45 debtor:

46 (a) all powers of attorney and direct debit authorizations granted to
47 the debt settlement company by the debtor shall be considered revoked
48 and voided; and

49 (b) the debt settlement company shall immediately take any action
50 necessary to reflect cancellation of the debt settlement services agree-
51 ment, including but not limited to notifying the recipient of any direct
52 debit authorization.

53 6. Upon the cancellation of a debt settlement services agreement, the
54 debt settlement company shall provide timely written notice of the
55 cancellation of such agreement to each of the creditors with whom the

1 debt settlement company has had any prior communication on behalf of the
2 debtor in connection with the provision of any debt settlement services.

3 § 588-p. Obligation of good faith. A debt settlement company shall act
4 in good faith in all matters under this article.

5 § 588-q. Prohibited activities. 1. No person, except a licensee, may
6 make any representation, directly or indirectly, orally or in writing
7 that he, she, or it is licensed under this article.

8 2. No person, other than a licensee or a person exempt from the
9 licensing requirements of this article, shall use the title "debt
10 settlement company" or the terms "debt settlement" or "debt settlement
11 services" in any advertising, marketing communication, business card, or
12 letterhead.

13 3. A debt settlement company shall not do any of the following:

14 (a) charge or collect from a debtor any fee not permitted by, in an
15 amount in excess of the maximum amount permitted by, or at a time earli-
16 er than permitted by section five hundred eighty-eight-m of this arti-
17 cle;

18 (b) include in a debt settlement services agreement any secured debt;

19 (c) advise or represent, expressly or by implication, that debtors
20 should stop making payments to their creditors;

21 (d) advise or represent, expressly or by implication, that debtors
22 should stop communicating with their creditors;

23 (e) engage in any practice that prohibits or limits the debtor or any
24 creditor from communication directly with one another;

25 (f) change the mailing address on any of a debtor's statements from a
26 creditor;

27 (g) make loans or offer credit or solicit or accept any note, mort-
28 gage, or negotiable instrument other than a check signed by the debtor
29 and dated no later than the date of signature;

30 (h) take any confession of judgment or power of attorney to confess
31 judgment against the debtor or appear as the debtor or on behalf of the
32 debtor in any judicial, administrative, or other action or proceeding;

33 (i) take any release or waiver of any obligation to be performed on
34 the part of the debt settlement company or any right of the debtor;

35 (j) advertise, display, distribute, broadcast, or televise services or
36 permit services to be advertised, displayed, distributed, broadcasted,
37 or televised, in any manner whatsoever, that contains any false,
38 misleading, or deceptive statements or representations with regard to
39 any matter involving the business of debt settlement services, including
40 but not limited to the fees to be charged, the services to be performed,
41 the results or outcomes of those services, or the effect those services
42 will have on a debtor's credit rating or on creditor collection efforts;

43 (k) receive any cash, fee, gift, bonus, premium, reward, or other
44 compensation from any person other than the debtor explicitly for the
45 provision of debt settlement services to that debtor;

46 (l) offer or provide gifts or bonuses to debtors for signing a debt
47 settlement services agreement or for referring another potential custom-
48 er or customers;

49 (m) except with the prior consent of the debtor, disclose to anyone
50 the name or any personal information of a debtor for whom the debt
51 settlement company has provided or is providing debt settlement services
52 other than to a debtor's own creditors or the debt settlement company's
53 agents or affiliates for the purpose of providing debt settlement
54 services. "Personal information of a debtor" as used herein shall
55 include but not be limited to a debtor's name, photograph, address,
56 telephone number, social security number, date of birth, driver's iden-

1 tification number, credit card number, bank account number, mother's
2 maiden name, medical or disability information, if any, as well as any
3 other identification number which a licensee may possess;

4 (n) enter into a debt settlement services agreement with a debtor
5 without first providing the disclosures and financial analysis and
6 making the determinations required by this article;

7 (o) misrepresent any material fact, make a material omission, or make
8 a false promise directed to one or more debtors in connection with the
9 solicitation, offering, contracting, or provision of debt settlement
10 services;

11 (p) violate the provisions of applicable do-not-call statutes;

12 (q) purchase debts or engage in the practice or business of debt
13 collection;

14 (r) represent or imply to a person participating in or considering
15 debt settlement services that the purchase of any ancillary goods or
16 services is required;

17 (s) use a communication which simulates in any manner a legal or judi-
18 cial process, or which gives the false appearance of being authorized,
19 issued, or approved by a government, governmental agency, or attorney-
20 at-law; or

21 (t) make a representation that the debt settlement company will
22 furnish money to pay bills or prevent attachment.

23 § 588-r. Superintendent authorized to examine. For the purpose of
24 discovering violations of this article or securing information lawfully
25 required by him or her hereunder, the superintendent may at any time,
26 and as often as he or she may determine, either personally or by a
27 person duly designated by him or her, investigate the business and exam-
28 ine the books, accounts, records, and files used therein of every licen-
29 see hereunder. For that purpose the superintendent and his or her duly
30 designated representative shall have free access to the offices and
31 place of business, books, accounts, papers, records, files, safes and
32 vaults of all such licensees. The superintendent and any person duly
33 designated by him or her shall have authority to require the attendance
34 of and to examine under oath all persons whose testimony he or she may
35 require relative to such business. The expenses incurred in making any
36 examination pursuant to this section shall be assessed against and paid
37 by the licensee so examined, except that traveling and subsistence
38 expenses so incurred shall be charged against and paid by licensees in
39 such proportions as the superintendent shall deem just and reasonable,
40 and such proportionate charges shall be added to the assessment of the
41 other expenses incurred upon each examination. Upon written notice by
42 the superintendent of the total amount of such assessment, the licensee
43 shall become liable for and shall pay such assessment to the superinten-
44 dent.

45 § 588-s. Licensee's books and records; reports. 1. The licensee shall
46 create and use in its business such books, accounts, and records as will
47 enable the superintendent to determine whether such licensee is comply-
48 ing with the provisions of this article and with the rules and regu-
49 lations lawfully made by the superintendent hereunder. Every licensee
50 shall preserve such books, accounts, and records for at least six years
51 by any manner permitted by this chapter.

52 2. Each licensee shall annually, on or before the first day of Febru-
53 ary, file a report with the superintendent giving such information as
54 the superintendent may require concerning the business and operations
55 during the preceding calendar year of such licensee under authority of
56 this article. Such report shall be subscribed and affirmed as true by

1 the licensee under the penalties of perjury and shall be in the form
2 prescribed by the superintendent. In addition to annual reports, the
3 superintendent may require such additional regular or special reports as
4 he or she may deem necessary to the proper supervision of licensees
5 under this article. Such additional reports shall be in the form
6 prescribed by the superintendent and shall be subscribed and affirmed as
7 true under the penalties of perjury.

8 3. Each licensee, within one hundred twenty days of the close of the
9 licensee's fiscal year, shall submit an independently audited financial
10 statement to the superintendent.

11 § 588-t. Penalties; noncompliance. 1. Any person who violates any
12 provision of the licensing requirements of section five hundred eighty-
13 eight-b of this article shall be guilty of a class A misdemeanor,
14 punishable as provided in articles seventy and eighty of the penal law.

15 2. Any debt settlement services agreement that does not comply with
16 the provisions of this article is void.

17 3. Any waiver by a debtor of any protection provided by or any right
18 of the debtor under this article is void.

19 4. Any attempt by any person to obtain a waiver from any debtor of any
20 protection provided by or any right or protection of the debtor or any
21 obligation or requirement of the debt settlement company under this
22 article shall be a violation of this article.

23 5. Upon proper notice of a void debt settlement services agreement,
24 the debt settlement company shall make a refund to the debtor as if the
25 debt settlement services agreement had been cancelled as provided in
26 subdivision two of section five hundred eighty-eight-o of this article.

27 6. In addition to such penalties as may otherwise be applicable by
28 law, the superintendent may, after notice and hearing as provided else-
29 where in this article, require any person found violating the provisions
30 of this article or the rules or regulations promulgated hereunder to pay
31 to the people of this state an additional penalty for each violation of
32 the article or any regulation or policy promulgated hereunder a sum not
33 to exceed an amount as determined pursuant to section forty-four of this
34 chapter for each such violation.

35 7. Nothing in this article shall create a private right of action on
36 behalf of a debtor against a debt settlement company for violations of
37 this article.

38 8. Nothing in this article shall limit any statutory or common-law
39 right of any person to bring any action in any court for any act, or the
40 right of the state to punish any person for any violation of any law.

41 § 588-u. Authority of superintendent. The superintendent is hereby
42 authorized and empowered to make, in addition hereto and not inconsist-
43 ent herewith, such general rules and regulations, and such specific
44 rulings, demands, and findings as he or she may deem necessary for the
45 proper conduct of the business authorized and licensed hereunder and for
46 the enforcement of this article.

47 § 588-v. Severability. If any word, phrase, clause, sentence, para-
48 graph, subdivision, section, or part of this article shall be adjudged
49 by any court of competent jurisdiction to be invalid, such judgment
50 shall not affect, impair, or invalidate the remainder thereof which can
51 be given effect without the invalid provision, but shall be confined in
52 its operation to the word, phrase, clause, sentence, paragraph, subdivi-
53 sion, section, or part of this article directly involved in the contro-
54 versy in which the judgment shall have been rendered.

55 § 11. This act shall take effect on the one hundred eightieth day
56 after it shall have become a law and shall apply to all debt settlement

1 services agreements entered into or offered on or after such date;
2 provided, however, that effective immediately, the superintendent of
3 financial services shall add, amend, and/or repeal any rule or regu-
4 lation he or she deems necessary or desirable for implementation of this
5 act.