

# STATE OF NEW YORK

898

2021-2022 Regular Sessions

## IN SENATE

(Prefiled)

January 6, 2021

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

AN ACT to amend the financial services law, in relation to exempting certain commercial financing transactions from certain disclosure requirements; and to amend a chapter of the laws of 2020 amending the financial services law relating to requiring certain providers that extend specific terms of commercial financing to a recipient to disclose certain information about the offer to the recipient, as proposed in legislative bills numbers S.5470-B and A.10118-A, in relation to the effectiveness thereof

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

1 Section 1. Sections 802, 803, 804, 805, 806, 807 and 812 of the finan-  
2 cial services law, as added by a chapter of the laws of 2020 amending  
3 the financial services law relating to requiring certain providers that  
4 extend specific terms of commercial financing to a recipient to disclose  
5 certain information about the offer to the recipient, as proposed in  
6 legislative bills numbers S.5470-B and A.10118-A, are amended to read as  
7 follows:

8 § 802. Exemptions. This article shall not apply to, and shall not  
9 place any additional requirements or obligations upon, any of the  
10 following:

11 (a) a financial institution;

12 (b) a person acting in its capacity as a technology services provider,  
13 such as licensing software and providing support services, to an entity  
14 exempt under this section for use as part of the exempt entity's commer-  
15 cial financing program, provided such person has no interest, or  
16 arrangement or agreement to purchase any interest in the commercial  
17 financing extended by the exempt entity in connection with such program;

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

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1 (c) a lender regulated under the federal Farm Credit Act (12 U.S.C.  
2 Sec. 2001 et seq.);

3 (d) a commercial financing transaction secured by real property;

4 (e) a lease as defined in section 2-A-103 of the uniform commercial  
5 code;

6 (f) any person or provider who makes no more than five commercial  
7 financing transactions in this state in a twelve-month period; ~~[or]~~

8 (g) an individual commercial financing transaction in an amount over  
9 two million five hundred thousand dollars~~[-]~~; or

10 (h) a commercial financing transaction in which the recipient is a  
11 dealer as defined in section four hundred fifteen of the vehicle and  
12 traffic law, or an affiliate of such a dealer, or a rental vehicle  
13 company as defined in section three hundred ninety-six-z of the general  
14 business law, or an affiliate of such a company pursuant to a commercial  
15 financing agreement or commercial open-end credit plan of at least fifty  
16 thousand dollars, including any commercial loan made pursuant to such a  
17 commercial financing transaction.

18 § 803. Sales-based financing disclosure requirements. A provider  
19 subject to this article shall provide the following disclosures to a  
20 recipient at the time of extending a specific offer of sales-based  
21 financing according to formatting prescribed by the superintendent:

22 (a) The total amount of the commercial financing, and the disbursement  
23 amount, if different from the financing amount, after any fees deducted  
24 or withheld at disbursement.

25 (b) The finance charge.

26 (c) The estimated annual percentage rate, using the words annual  
27 percentage rate or the abbreviation "APR", expressed as a yearly rate,  
28 inclusive of any fees and finance charges, and calculated in accordance  
29 with the federal Truth in Lending Act, Regulation Z, 12 C.F.R. §  
30 1026.22, based on the estimated term of repayment and the projected  
31 periodic payment amounts, regardless of whether such act or such regu-  
32 lation would require such a calculation. The estimated term of repayment  
33 and the projected periodic payment amounts shall be calculated based on  
34 the projection of the recipient's sales, called the projected sales  
35 volume. The projected sales volume may be calculated using the histor-  
36 ical method or the opt-in method. The provider shall provide notice to  
37 the superintendent on which method they intend to use across all  
38 instances of sales-based financing offered in calculating estimated  
39 annual percentage rate pursuant to this section.

40 (i) The provider using the historical method shall use an average  
41 historical volume of sales or revenue by which the financing's payment  
42 amounts are based and the estimated annual percentage rate is calcu-  
43 lated. The provider shall fix the historical time period used to calcu-  
44 late the average historical volume and use such period for all disclo-  
45 sure purposes for all sales-based financing products offered. The fixed  
46 historical time period shall either be the preceding time period from  
47 the specific offer or, alternatively, the provider may use average sales  
48 for the same number of months with the highest sales volume within the  
49 past twelve months. The fixed historical time period shall be no less  
50 than one month and not exceed twelve months.

51 (ii) The provider using the opt-in method shall determine the esti-  
52 mated annual percentage rate, the estimated term, and the projected  
53 payments, using a projected sales volume that the provider elects for  
54 each disclosure, provided, that they participate in a review process  
55 prescribed by the superintendent. A provider shall, on an annual basis,  
56 report data to the superintendent of estimated annual percentage rates

1 disclosed to the recipient and actual retrospective annual percentage  
2 rates of completed transactions. The report shall contain such informa-  
3 tion as the superintendent, by rule or regulation, may prescribe as  
4 necessary or appropriate for the purpose of making a determination of  
5 whether the deviation between the estimated annual percentage rate and  
6 actual retrospective annual percentage rates of completed transactions  
7 was reasonable. The superintendent shall establish the method of report-  
8 ing and may, upon a finding that the use of projected sales volume by  
9 the provider has resulted in an unacceptable deviation between estimated  
10 and actual annual percentage rate, require the provider to use the  
11 historical method. The superintendent may consider unusual and extraor-  
12 dinary circumstances impacting the provider's deviation between esti-  
13 mated and actual annual percentage rate in the determination of such  
14 finding.

15 (d) The total repayment amount, which is the disbursement amount plus  
16 the finance charge.

17 (e) The estimated term is the period of time required for the periodic  
18 payments, based on the projected sales volume, to equal the total amount  
19 required to be repaid.

20 (f) The payment amounts, based on the projected sales volume:

21 (i) for payment amounts that are fixed, the payment amounts and  
22 frequency (e.g., daily, weekly, monthly), and, if the payment frequency  
23 is other than monthly, the amount of the average projected payments per  
24 month; or

25 (ii) for payment amounts that are variable, a payment schedule or a  
26 description of the method used to calculate the amounts and frequency of  
27 payments, and the amount of the average projected payments per month.

28 (g) A description of all other potential fees and charges not included  
29 in the finance charge, including, but not limited to, draw fees, late  
30 payment fees, and returned payment fees.

31 (h) Were the recipient to elect to pay off or refinance the commercial  
32 financing prior to full repayment, the provider must disclose:

33 (i) whether the recipient would be required to pay any finance charges  
34 other than interest accrued since their last payment. If so, disclosure  
35 of the percentage of any unpaid portion of the finance charge and maxi-  
36 mum dollar amount the recipient could be required to pay; and

37 (ii) whether the recipient would be required to pay any additional  
38 fees not already included in the finance charge.

39 (i) A description of collateral requirements or security interests, if  
40 any.

41 § 804. Closed-end commercial financing disclosure requirements. A  
42 provider, subject to this article, shall provide the following disclo-  
43 sures to a recipient at the time of extending a specific offer for  
44 closed-end financing according to formatting prescribed by the super-  
45 intendent:

46 (a) The total amount of the commercial financing, and the disbursement  
47 amount, if different from the financing amount, after any fees deducted  
48 or withheld at disbursement.

49 (b) The finance charge.

50 (c) The annual percentage rate, using only the words annual percentage  
51 rate or the abbreviation "APR", expressed as a yearly rate, inclusive of  
52 any fees and finance charges that cannot be avoided by a recipient, and  
53 calculated in accordance with the federal Truth in Lending Act, Regu-  
54 lation Z, 12 C.F.R. § 1026.22, regardless of whether such act or such  
55 regulation would require such a calculation.

1 (d) The total repayment amount, which is the disbursement amount plus  
2 the finance charge.

3 (e) The term of the financing.

4 (f) The payment amounts:

5 (i) for payment amounts that are fixed, the payment amounts and  
6 frequency (e.g., daily, weekly, monthly), and, if the term is longer  
7 than one month, the average monthly payment amount; or

8 (ii) for payment amounts that are variable, a full payment schedule or  
9 a description of the method used to calculate the amounts and frequency  
10 of payments, and, if the term is longer than one month, the estimated  
11 average monthly payment amount.

12 (g) A description of all other potential fees and charges that can be  
13 avoided by the recipient, including, but not limited to, late payment  
14 fees and returned payment fees.

15 (h) Were the recipient to elect to pay off or refinance the commercial  
16 financing prior to full repayment, the provider must disclose:

17 (i) whether the recipient would be required to pay any finance charges  
18 other than interest accrued since their last payment. If so, disclosure  
19 of the percentage of any unpaid portion of the finance charge and maxi-  
20 mum dollar amount the recipient could be required to pay; and

21 (ii) whether the recipient would be required to pay any additional  
22 fees not already included in the finance charge.

23 (i) A description of collateral requirements or security interests, if  
24 any.

25 § 805. Open-end commercial financing disclosure requirements. A  
26 provider, subject to this article, shall provide the following disclo-  
27 sures to a recipient at the time of extending a specific offer for open-  
28 end financing according to formatting prescribed by the superintendent:

29 (a) The maximum amount of credit available to the recipient (e.g., the  
30 credit line amount), and the amount scheduled to be drawn by the recipi-  
31 ent at the time the offer is extended, if any, less any fees deducted or  
32 withheld at disbursement.

33 (b) The finance charge.

34 (c) The annual percentage rate, using only the words annual percentage  
35 rate or the abbreviation "APR", expressed as a nominal yearly rate,  
36 inclusive of any fees and finance charges that cannot be avoided by a  
37 recipient, and calculated in accordance with the federal Truth in Lend-  
38 ing Act, Regulation Z, 12 C.F.R. § 1026.22 and based on the maximum  
39 amount of credit available to the recipient and the term resulting from  
40 making the minimum required payments term as disclosed, regardless of  
41 whether such act or such regulation would require such a calculation.

42 (d) The total repayment amount, which is the draw amount, less any  
43 fees deducted or withheld at disbursement, plus the finance charge. The  
44 total repayment amount shall assume a draw amount equal to the maximum  
45 amount of credit available to the recipient if drawn and held for the  
46 duration of the term or draw period.

47 (e) The term of the plan, if applicable, or the period over which a  
48 draw is amortized.

49 (f) The payment frequency and amounts, based on the assumptions used  
50 in the calculation of the annual percentage rate, including a  
51 description of payment amount requirements such as a minimum payment  
52 amount, and if the payment frequency is other than monthly, the amount  
53 of the average projected payments per month. For payment amounts that  
54 are variable, the provider should include a payment schedule, or a  
55 description of the method used to calculate the amounts and frequency of  
56 payments, and the estimated average monthly payment amount.

1 (g) A description of all other potential fees and charges that can be  
2 avoided by the recipient, including, but not limited to, draw fees, late  
3 payment fees, and returned payment fees.

4 (h) Were the recipient to elect to pay off or refinance the commercial  
5 financing prior to full repayment, the provider must disclose:

6 (i) whether the recipient would be required to pay any finance charges  
7 other than interest accrued since their last payment. If so, disclosure  
8 of the percentage of any unpaid portion of the finance charge and maxi-  
9 mum dollar amount the recipient could be required to pay; and

10 (ii) whether the recipient would be required to pay any additional  
11 fees not already included in the finance charge.

12 (i) A description of collateral requirements or security interests, if  
13 any.

14 § 806. Factoring transaction disclosure requirements. A provider,  
15 subject to this article, shall provide the following disclosures to a  
16 recipient at the time of extending a specific offer for a factoring  
17 transaction according to formatting prescribed by the superintendent:

18 (a) The amount of the receivables purchase price paid to the recipient  
19 and, if different from the purchase price, the amount disbursed to the  
20 recipient after any fees deducted or withheld at disbursement.

21 (b) The finance charge.

22 (c) The estimated annual percentage rate, using that term, calculated  
23 according to the federal Truth in Lending Act, Regulation Z, 12 C.F.R. §  
24 1026 Appendix J, as a "single advance, single payment transaction",  
25 regardless of whether such act or such regulation would require such a  
26 calculation. To calculate the estimated annual percentage rate, the  
27 purchase amount is considered the financing amount, the purchase amount  
28 minus the finance charge is considered the payment amount, and the term  
29 is established by the payment due date of the receivables. As an alter-  
30 nate method of establishing the term, the provider may estimate the term  
31 for a factoring transaction as the average payment period, its histor-  
32 ical data over a period not to exceed the previous twelve months,  
33 concerning payment invoices paid by the party owing the accounts receiv-  
34 able in question.

35 (d) The total payment amount, which is the purchase amount plus the  
36 finance charge.

37 (e) A description of all other potential fees and charges that can be  
38 avoided by the recipient.

39 (f) A description of the receivables purchased and any additional  
40 collateral requirements or security interests.

41 § 807. Other forms of financing disclosure requirements. The super-  
42 intendent may require disclosure by a provider extending a specific  
43 offer of commercial financing which is not open-end financing, closed-  
44 end financing, sales-based financing, or factoring transaction but  
45 otherwise meets the definition of commercial financing as provided in  
46 this article. Subject to such rules and regulations by the superinten-  
47 dent, a provider subject to this article shall provide the following  
48 disclosures to a recipient at the time of extending a specific offer of  
49 other forms of financing according to formatting prescribed by the  
50 superintendent:

51 (a) The total amount of the commercial financing, and the disbursement  
52 amount, if different from the financing amount, after any fees deducted  
53 or withheld at disbursement.

54 (b) The finance charge.

55 (c) The annual percentage rate, using only the words annual percentage  
56 rate or the abbreviation "APR", expressed as a yearly rate, inclusive of

1 any fees and finance charges, and calculated in accordance with the  
2 relevant sections of the federal Truth in Lending Act, Regulation Z or  
3 this article, regardless of whether such act or such regulation would  
4 require such a calculation.

5 (d) The total repayment amount which is the disbursement amount plus  
6 the finance charge.

7 (e) The term of the financing.

8 (f) The payment amounts:

9 (i) for payment amounts that are fixed, the payment amounts and  
10 frequency (e.g., daily, weekly, monthly), and the average monthly  
11 payment amount; or

12 (ii) for payment amounts that are variable, a payment schedule or a  
13 description of the method used to calculate the amounts and frequency of  
14 payments, and the estimated average monthly payment amount.

15 (g) A description of all other potential fees and charges that can be  
16 avoided by the recipient, including, but not limited to, late payment  
17 fees and returned payment fees.

18 (h) Were the recipient to elect to pay off or refinance the commercial  
19 financing prior to full repayment, the provider must disclose:

20 (i) whether the recipient would be required to pay any finance charges  
21 other than interest accrued since their last payment. If so, disclosure  
22 of the percentage of any unpaid portion of the finance charge and maxi-  
23 mum dollar amount the recipient could be required to pay; and

24 (ii) whether the recipient would be required to pay any additional  
25 fees not already included in the finance charge.

26 (i) A description of collateral requirements or security interests, if  
27 any.

28 § 812. Penalties. (a) Upon a finding by the superintendent that a  
29 provider has violated the provisions of this article or the rules or  
30 regulations promulgated hereunder, the provider shall be ordered to pay  
31 to the people of this state a civil penalty for each violation of this  
32 article or any regulation or policy promulgated hereunder a sum not to  
33 exceed two thousand dollars for each violation or where such violation  
34 is willful ten thousand dollars for each violation.

35 (b) In addition to any penalty imposed pursuant to subdivision (a) of  
36 this section, upon a finding by the superintendent that a provider has  
37 knowingly violated this article, the superintendent may order additional  
38 relief, including, but not limited to, restitution or a permanent or  
39 preliminary injunction on behalf of any recipient affected by the  
40 violation.

41 § 2. Section 2 of a chapter of the laws of 2020, amending the finan-  
42 cial services law relating to requiring certain providers that extend  
43 specific terms of commercial financing to a recipient to disclose  
44 certain information about the offer to the recipient, as proposed in  
45 legislative bills numbers S.5470-B and A.10118-A, is amended to read as  
46 follows:

47 § 2. Nothing in this act shall authorize transactions in this state  
48 which are otherwise illegal or allow an entity or individual to operate  
49 in this state without a license where a license would otherwise be  
50 required.

51 ~~§ 3. This act shall take effect [on the one hundred eightieth day~~  
52 ~~after it shall have become a law] January 1, 2022. Effective immediate-~~  
53 ~~ly, the addition, amendment and/or repeal of any rule or regulation,~~  
54 ~~necessary for the implementation of this act on its effective date are~~  
55 ~~authorized to be made and completed by the superintendent of financial~~  
56 ~~services on or before such effective date.~~

1     § 3. This act shall take effect immediately; provided, however, that  
2 the amendments to sections 802, 803, 804, 805, 806, 807 and 812 of the  
3 financial services law made by section 1 of this act shall take effect  
4 on the same date and in the same manner as a chapter of the laws of 2020  
5 amending the financial services law relating to requiring certain  
6 providers that extend specific terms of commercial financing to a recip-  
7 ient to disclose certain information about the offer to the recipient,  
8 as proposed in legislative bills numbers S.5470-B and A.10118-A.