

STATE OF NEW YORK

3406

2021-2022 Regular Sessions

IN SENATE

January 29, 2021

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

AN ACT to amend the executive law, in relation to establishing the state of emergency small business and not-for-profit organization loan program

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

1 Section 1. The executive law is amended by adding a new section 29-1
2 to read as follows:

3 § 29-1. State of emergency small business and not-for-profit organiza-
4 tion loan program. 1. Definitions. As used in this section, the follow-
5 ing terms shall have the following meanings:

6 (a) "Affected business or organization" means and includes both a
7 small business and a small not-for-profit organization located within
8 this state during a state of emergency;

9 (b) "Bank" means a bank as such term is defined in subdivision one of
10 section two of the banking law;

11 (c) "Credit union" means a credit union as such term is defined in
12 subdivision nine of section two of the banking law;

13 (d) "Department" means the department of financial services;

14 (e) "Eligible financial institution" means a bank or credit union that
15 has a physical presence in this state and is in good standing;

16 (f) "Grace period" means the ninety-day period after a state of emer-
17 gency is over;

18 (g) "Small business" means a business with not more than fifty employ-
19 ees;

20 (h) "Small not-for-profit organization" means a not-for-profit organ-
21 ization with not more than fifty employees; and

22 (i) "State of emergency" means the period beginning with a declaration
23 by the governor that a state of emergency exists.

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

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1 2. State of emergency small business and not-for-profit organization
2 loan program. (a) The department shall administer a state of emergency
3 small business and not-for-profit loan program to guarantee the repay-
4 ment of loans made by an eligible financial institution to an eligible
5 affected business or organization pursuant to this section. Subject to
6 the cessation of new claim approvals under paragraph (d) of subdivision
7 five of this section, the department shall submit all approved claims to
8 the comptroller, who shall pay from the general fund any and all claims
9 submitted by the department. Claims by affected businesses that were
10 mandatorily closed through phase three, four and five pursuant to execu-
11 tive order 202 of two thousand twenty shall be given priority.

12 (b) Any bank or credit union may apply to the department to partic-
13 ipate in the loan guarantee program. Not later than one business day
14 after receiving the application, the department shall determine whether
15 the financial institution is an eligible financial institution and imme-
16 diately notify the bank or credit union of such determination. Any
17 eligible financial institution may make loans to affected businesses and
18 organizations in accordance with this section.

19 (c) Each eligible financial institution that makes a loan pursuant to
20 this section, shall notify the department in writing not later than one
21 business day after making the loan, specifying such information about
22 the borrower as the department may request.

23 3. Loan eligibility. An eligible financial institution may make a loan
24 to an affected business or organization, provided:

25 (a) The affected business or organization has provided to the eligible
26 financial institution proof satisfactory to such institution that such
27 affected business or organization is an affected business or organiza-
28 tion located within the state of New York.

29 (b) The amount of the loan shall not exceed five thousand dollars.

30 (c) The loan is made in accordance with the eligible financial insti-
31 tution's underwriting policy and standards, provided further that the
32 affected business or organization's creditworthiness shall not be a
33 factor used for the purposes of determining eligibility.

34 (d) The loan agreement shall not (i) require repayment during the
35 grace period, or (ii) charge interest on the principal amount before or
36 during the grace period or for one hundred eighty days after the grace
37 period, provided after such one hundred eighty-day period, the eligible
38 financial institution may charge interest or fees in accordance with
39 such financial institution's lending policy and the terms of the under-
40 lying loan agreement.

41 (e) The loan agreement shall require that the affected business or
42 organization repay the loan in full not later than one hundred eighty
43 days after the end of the grace period by making at least three, and no
44 more than six, equal installment payments. The loan agreement shall not
45 contain a fee or penalty for the prepayment or early payment of the
46 loan.

47 (f) The eligible financial institution shall offer credit counseling
48 services or refer such affected business or organization to nonprofit
49 credit counselors.

50 4. Additional loans. An affected business or organization who has
51 received a loan pursuant to this section may apply to the same eligible
52 financial institution for an additional loan for each thirty-day period
53 such small business or not-for-profit organization remains an affected
54 business or organization, provided no affected business or organization
55 may receive more than three loans under the program. Each additional
56 loan shall be made in accordance with subdivision three of this section.

1 5. Collection of loans. (a) On and after one hundred eighty days from
2 the end of the grace period, an eligible financial institution that has
3 made a good-faith effort to collect the outstanding principal from a
4 loan issued pursuant to this section may make a claim to the department
5 for recovery of an amount equal to the outstanding principal for such
6 loan. Prior to the department's approving and submitting a claim to the
7 comptroller, such eligible financial institution shall demonstrate to
8 the satisfaction of the department that the eligible financial institu-
9 tion has made a good-faith effort to collect the outstanding principal
10 from the eligible small business or not-for-profit organization employee
11 in accordance with such financial institution's loan servicing and
12 collection policies. Upon payment of a claim, the loan shall be assigned
13 to the state, and the department shall have the right to continue
14 collection efforts on the loan.

15 (b) The department shall maintain records in the regular course of
16 administration of the loan guarantee program, including a record of
17 loans issued and of payments made to honor loan guarantees issued under
18 this section. The department shall regularly review such records to
19 determine total loans issued and identify duplicative applications.

20 (c) The department may terminate any loan guarantee if the eligible
21 financial institution misrepresents any information pertaining to the
22 guarantee or fails to comply with any requirements of this section in
23 connection with the guarantee of the underlying loan.

24 (d) If the amounts expended to honor loan guarantees under the program
25 exceed ten percent of total loans issued, the department shall imme-
26 diately cease to approve claims and shall notify the comptroller and
27 each eligible financial institution of the total amount of payments made
28 and that the department has ceased honoring loan guarantees.

29 (e) Any interest deferred or not charged related to a loan issued
30 pursuant to this section shall be exempt from all state taxes that may
31 be applicable to such interest amounts as they relate to an affected
32 business or organization. Eligible financial institutions shall
33 disclose to affected business or organization borrowers in the signed
34 affidavit or loan documents that there may be federal tax consequences
35 to the program loans.

36 (f) No new loan applications shall be submitted under the program
37 after the state of emergency ends. The program shall expire upon the
38 repayment of all loans made under the program and, for all loans in
39 default, the repayment of claims made under the program, or the cessa-
40 tion of new claim approvals under paragraph (d) of this subdivision.

41 § 2. This act shall take effect immediately.