

STATE OF NEW YORK

5286--A

2023-2024 Regular Sessions

IN ASSEMBLY

March 7, 2023

Introduced by M. of A. EPSTEIN, BURDICK -- read once and referred to the Committee on Banks -- reported and referred to the Committee on Codes -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the financial services law, in relation to creating a private education debt registry

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

Section 1. The financial services law is amended by adding a new article 9 to read as follows:

ARTICLE 9

PRIVATE EDUCATION DEBT REGISTRY

Section 901. Definitions.

902. Private education debt registry.

903. Rules and regulations.

904. Violations.

905. Severability.

§ 901. Definitions. As used in this article:

1. "Fiscal year" means the twelve-month period that the private education creditor uses for financial reporting and budgeting.

2. "Higher education" means higher education, including career education, as those terms are defined in section two of the education law, via correspondence, online, or in person, regardless of whether the higher education institution is accredited within New York state.

3. "Higher education expense" means any expense arising from higher education.

4. "Private education creditor" means any person engaged in the business of securing, making, or extending a private education debt, or any holder of a private education debt, including providers of higher education to which a student education debt is owed. "Private education cred-

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

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itor" shall not include the following persons, only to the extent that state regulation is preempted by federal law:

(a) any federally chartered bank, savings bank, savings and loan association, or credit union;

(b) any bank, savings bank, savings and loan association, or credit union organized under the laws of this or any other state;

(c) any wholly owned subsidiary of a federally chartered bank or credit union; and

(d) any operating subsidiary where each owner of the operating subsidiary is wholly owned by the same federally chartered bank or credit union.

5. "Private education debt" means an extension of credit or debt or obligation owed or incurred by a consumer, contractual or otherwise, contingent or absolute, that meets all of the following criteria:

(a) is not made, insured, or guaranteed under Title IV of the Higher Education Act of 1965 (20 U.S.C. s.1070 et seq.);

(b) is extended to a consumer expressly, in whole or in part, for, or accrues from nonpayment of, higher education expenses, regardless of whether the credit or debt or obligation is owed to the provider of higher education that the student attends; and

(c) shall not include any loan that is secured by real property or a dwelling.

"Private education debt" shall include extensions of credit or debt or obligations owed or incurred to refinance a private education debt.

6. "Provider of higher education" or "school" means a person engaged in the business of higher education. For the purposes of this definition, a person need not have obtained authorization from the department of education to operate in this state and need not be an accredited institution.

§ 902. Private education debt registry. 1. Beginning on or after the one hundred eightieth day after the effective date of this article, no person shall engage in business as a private education creditor in this state without first satisfying the following requirements set forth in subdivisions two and three of this section.

2. (a) A private education creditor operating in this state shall register with the superintendent pursuant to any registration procedures set forth by the superintendent by rule or regulation, which may include registration through the Nationwide Multistate Licensing System and Registry, and shall pay a fee set by the superintendent. The superintendent may prescribe an alternative registration process and fee structure for a provider of higher education. Registration shall include, at a minimum, the name and address of the private education creditor and any officer, director, partner, or owner of a controlling interest of the private education creditor. A private education creditor shall annually renew its registration and pay a renewal fee pursuant to a procedure and on or before a date to be determined by the superintendent.

(b) This subdivision shall not apply to regulated persons, as such term is defined in section one hundred four of this chapter, engaged in business as a private education creditor in this state, to the extent such regulation relates to its business as a private education creditor and such persons are required to furnish data or reports annually to the superintendent.

3. A private education creditor operating in this state shall annually, on or before a date to be determined by the superintendent and not to exceed six months following the effective date of this article, provide the superintendent with the following documents and information

1 about such creditor's private education debt portfolio related to
2 consumers that reside in this state pursuant to any procedure set forth
3 by the superintendent, which may include reporting through the Nation-
4 wide Multistate Licensing System and Registry, and which may further
5 include different procedures for regulated persons, as that term is
6 defined in section one hundred four of this chapter, and non-regulated
7 persons:

8 (a) For private education creditors that secure, make, or extend
9 private education debts, other than those private education debts
10 reported pursuant to paragraph (c) of this subdivision, relating to such
11 debts owed by a consumer residing in this state as of the end of the
12 prior fiscal year:

13 (i) a list of all schools for which such private education debts were
14 used to finance higher education, including, in the case of a refinanc-
15 ing loan, the school that the consumer attended using the private educa-
16 tion debt that was refinanced;

17 (ii) the total outstanding dollar amount and number of such private
18 education debts and the number of consumers who owe such private educa-
19 tion debts;

20 (iii) the total dollar amount and number of such private education
21 debts associated with each school identified under subparagraph (i) of
22 this paragraph;

23 (iv) the total dollar amount and number of private education debts
24 secured, made, or extended in the prior fiscal year;

25 (v) the total dollar amount and number of private education debts
26 secured, made, or extended in the prior fiscal year associated with each
27 school identified under subparagraph (i) of this paragraph;

28 (vi) the range of starting interest rates for private education debts
29 secured, made, or extended to consumers in the prior fiscal year and
30 percentage of consumers who receive those rates;

31 (vii) the overall default rate, as well as the overall default for
32 such debts associated with each school listed under subparagraph (i)
33 of this paragraph;

34 (viii) the total dollar amount and number of private education debts
35 that defaulted for reasons other than non-payment in the prior fiscal
36 year, as applicable;

37 (ix) the total dollar amount and number of private education debts
38 with a cosigner, as applicable;

39 (x) the total dollar amount and number of private education debts
40 secured, made, or extended with a cosigner in the prior fiscal year, as
41 applicable;

42 (xi) the total dollar amount and number of private education debts
43 secured, made, or extended to refinance other private education debts or
44 federal student loans, respectively, as applicable;

45 (xii) the total dollar amount and number of private education debts
46 secured, made, or extended to refinance other private education debts or
47 federal student loans, respectively, in the prior fiscal year, as appli-
48 cable;

49 (xiii) the total dollar amount and number of private education debts
50 for which the private education creditor has sued to collect in the
51 prior fiscal year, as applicable;

52 (xiv) additional information as may in the judgment of the superinten-
53 dent be necessary and appropriate in order to assess the total size and
54 status of the private education debt market and to assess borrower well-
55 being; and

1 (xv) A copy of any model promissory note, agreement, contract or other
2 instrument used by a private education creditor during the previous
3 fiscal year to substantiate that a new private education debt has been
4 extended to the consumer or that a consumer owes a debt or obligation to
5 the private education creditor.

6 (b) For private education creditors that acquire or assume private
7 education debts owed by a consumer residing in this state, relating to
8 such debts as of the end of the prior fiscal year:

9 (i) a list of all schools for which such private education debts were
10 used to finance higher education, including, in the case of a refinanc-
11 ing loan, the school that the consumer attended using the private educa-
12 tion debt that was refinanced;

13 (ii) the total outstanding dollar amount and number of such private
14 education debts and number of consumers who owe such private education
15 debts;

16 (iii) the total dollar amount and number of private education debts
17 associated with each school identified under subparagraph (i) of this
18 paragraph;

19 (iv) the total dollar amount and number of private education debts
20 acquired or assumed in the prior fiscal year;

21 (v) the total dollar amount and number of private education debts
22 acquired or assumed in the prior fiscal year associated with each school
23 identified under subparagraph (i) of this paragraph;

24 (vi) the overall default rate, as well as the overall default for such
25 debts associated with each school listed under subparagraph (i) of this
26 paragraph;

27 (vii) the total dollar amount and number of private education debts
28 that defaulted for reasons other than nonpayment in the prior fiscal
29 year, as applicable;

30 (viii) the total dollar amount and number of private education debts
31 with a cosigner, as applicable;

32 (ix) the total dollar amount and number of private education debts
33 that were used to refinance other private education debts, as applica-
34 ble;

35 (x) the total dollar amount and number of private education debts for
36 which the private education creditor has sued to collect in the prior
37 fiscal year, as applicable; and

38 (xi) additional information as may in the judgment of the superinten-
39 dent be necessary and appropriate in order to assess the total size and
40 status of the private education debt market and to assess borrower well-
41 being.

42 (c) For private education creditors that are providers of higher
43 education and whose private education debts result from unpaid debts or
44 obligations that were not extensions of credit and that result from
45 higher education provided in this state, relating to such debts as of
46 the end of the prior fiscal year, reported by race and gender:

47 (i) the total outstanding dollar amount and number of private educa-
48 tion debts and number of consumers who owe those debts;

49 (ii) the total dollar amount and number of private education debts
50 accrued and number of consumers who owe those debts in the prior fiscal
51 year;

52 (iii) the total number and balance of student accounts with an academ-
53 ic or administrative hold resulting from a private education debt;

54 (iv) the total number and balance of student accounts with an academic
55 or administrative hold resulting from a private education debt for which
56 a payment was made in the prior fiscal year and average payment made;

1 (v) the total number of student accounts for which federal financial
2 aid was returned to the federal government upon the student's withdrawal
3 from the provider of higher education in the prior fiscal year, and the
4 total dollar amount of any private education debt accrued as a result;

5 (vi) the number of consumers who owe a private education debt who
6 received a federal pell grant and the average debt owed;

7 (vii) the number of consumers who owe a private education debt who are
8 considered in-state and out-of-state students, and the total debt owed
9 by each group;

10 (viii) the total dollar amount, number of private education debts, and
11 number of consumers for which the private education creditor has in the
12 prior fiscal year (A) charged off the debt, (B) sent the debt to a third
13 party collection agency, (C) initiated a collection lawsuit, (D)
14 reported the debt to a consumer credit reporting agency, and (E) sold
15 the debt;

16 (ix) the total dollar amount, number of private education debts, and
17 number of consumers for which the private education creditor has, in the
18 prior fiscal year, collected on a private education debt in the follow-
19 ing instances: (A) payment arrangements wherein the payment was not
20 considered past due, such as tuition installment agreements; (B)
21 payments made on past due debts during the same academic term or billing
22 cycle in which the debt accrued and before such debts were sent to a
23 collection agency; (C) payments made on past due debts before they were
24 sent to a collection agency, excluding those payments made during the
25 same academic term or billing cycle in which the debt accrued; (D) a
26 third party collection agency, prior to initiating a lawsuit; and (E) a
27 collection lawsuit, including payments made by settlement or pursuant to
28 a judgment;

29 (x) additional information as may in the judgment of the superinten-
30 dent be necessary and appropriate in order to assess the total size and
31 status of the private education debt market and to assess borrower well-
32 being; and

33 (xi) a copy of any model written instrument used by a provider of
34 higher education in the prior fiscal year to substantiate a private
35 education debt, including but not limited to a promissory note, enroll-
36 ment agreement, or contract.

37 4. Not later than one year following the effective date of this
38 section, the superintendent shall create a publicly accessible website
39 that includes at least the following information about private education
40 creditors registered in this state:

41 (a) The name, address, telephone number and website for all private
42 education creditors;

43 (b) A summary of the information required by subdivision three of this
44 section; and

45 (c) Copies of all documents provided under subparagraph (xv) of para-
46 graph (a) of subdivision three of this section and subparagraph (xi) of
47 paragraph (c) of subdivision three of this section.

48 § 903. Rules and regulations. In addition to such powers as may other-
49 wise be prescribed by this chapter, the superintendent is hereby author-
50 ized and empowered to promulgate such rules and regulations as may in
51 the judgment of the superintendent be consistent with the purposes of
52 this article, or appropriate for the effective administration of this
53 article.

54 § 904. Violations. 1. If the superintendent finds, after notice and
55 hearing, that a private education creditor has knowingly violated this
56 article by failing to comply with any registration or reporting require-

1 ment or by furnishing inaccurate information to the superintendent, the
2 superintendent may impose a civil penalty of not more than ten thousand
3 dollars for each violation.

4 2. The superintendent may order that any person who has been found to
5 have knowingly violated any provision of this article, or of the rules
6 and regulations issued pursuant thereto, and has thereby caused finan-
7 cial harm to consumers, be barred for a term not exceeding ten years
8 from acting as a private education creditor, or a stockholder, or an
9 officer, director, partner or other owner, or an employee of a private
10 education creditor.

11 § 905. Severability. If any provision of this article or the applica-
12 tion thereof to any person or circumstance is adjudged invalid by a
13 court of competent jurisdiction, that judgment shall not affect or
14 impair the validity of the other provisions of this article or the
15 application thereof to other persons and circumstances.

16 § 2. This act shall take effect immediately.