

STATE OF NEW YORK

10133

IN ASSEMBLY

February 3, 2026

Introduced by M. of A. VANEL -- read once and referred to the Committee on Banks

AN ACT to amend the banking law, in relation to prohibiting predatory loan evasion practices

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

1 Section 1. The banking law is amended by adding a new section 9-zz to
2 read as follows:

3 § 9-zz. Prohibition on predatory loan evasion practices. 1. As used in
4 this section the following terms shall have the following meanings:

5 (a) "Loan" shall mean any extension of credit, whether open-end or
6 closed-end, to a resident of this state or to a resident of another
7 state by an entity incorporated in or with its principal place of busi-
8 ness within this state, regardless of whether such loans are used for
9 commercial or household purposes.

10 (b) "Person" or "entity" shall mean an individual, corporation, part-
11 nership, limited liability company, joint venture, association, joint
12 stock company, trust, sole proprietorship, or other unincorporated
13 organization, or other similar entity that, in the ordinary course of
14 business, extends loans.

15 (c) "Exempt person" shall mean any person or entity not described in
16 subdivision three of this section.

17 (d) "True lender" means the person who, as a matter of fact and not
18 solely by form, is the actual lender of a loan. Such person shall be the
19 actual lender of a loan where one of the following apply:

20 (i) The person holds the predominant economic interest in the loan,
21 which may include, but shall not be limited to receiving the majority of
22 revenues, interest, or fees from the loan;

23 (ii) The person markets, arranges, brokers, or facilitates the loan
24 and has the right to purchase or receive assignment of the loan, or the
25 receivables, after origination; or

26 (iii) The person, by contract or practice, exercises substantial
27 control over key terms of the loan, including interest rates, repayment
28 schedules, or collection practices.

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

LBD13842-02-5

1 (e) "Control" shall mean the possession, directly or indirectly, of
2 the power to direct or cause the direction of the management and poli-
3 cies of a person, whether through the ownership of voting stock, the
4 ownership of voting stock of any person which possess such power or
5 otherwise. Control shall be presumed to exist if any person, directly
6 or indirectly, owns, controls, or holds the power to vote ten per centum
7 or more of the voting stock of any person or of any person which owns,
8 controls or holds with power to vote ten per centum or more of the
9 voting stock of any licensee, but no person shall be deemed to control a
10 licensee solely by reason of being an officer or director of such licen-
11 see or person.

12 2. Where a person is the true lender of a loan made to a resident of
13 this state and the interest rate of such loan exceeds the rates permit-
14 ted in section 5-501 of the general obligations law or sections 190.40
15 and 190.42 of the penal law, it shall be unlawful for such person to
16 originate such loan through an entity other than their own entity or
17 through an entity they directly or substantially control.

18 3. It shall be unlawful for any non-exempt person to designate another
19 party as the lender in name or form for the purpose of evading the
20 requirements of this section or the interest-rate, licensing, or consum-
21 er-protection laws of this state.

22 4. The provisions of this section shall not apply to a national bank,
23 out-of-state bank, bank holding company, federally chartered credit
24 union, out-of-state credit union, a tribal entity or any subsidiary or
25 affiliate of those financial institutions.

26 5. A person who violates this section shall be subject to a civil
27 penalty of three times the total interest and fees collected on all
28 loans made in violation. Each unlawful loan made to a person or entity
29 shall constitute a separate violation.

30 6. The department shall promulgate all rules and regulations necessary
31 to implement and enforce this section.

32 § 2. This act shall take effect on the one hundred eightieth day after
33 it shall have become a law. Effective immediately, the addition, amend-
34 ment and/or repeal of any rule or regulation necessary for the implemen-
35 tation of this act on its effective date are authorized to be made and
36 completed on or before such effective date.