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:

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

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

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

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

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

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

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

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

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

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

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(e) "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, the ownership of voting stock of any person which possess such power or otherwise. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, or holds the power to vote ten per centum or more of the voting stock of any person or of any person which owns, controls or holds with power to vote ten per centum or more of the voting stock of any licensee, but no person shall be deemed to control a licensee solely by reason of being an officer or director of such licensee or person.

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

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

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

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

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

§ 2. This act shall take effect on the one hundred eightieth day after it shall have become a law. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized to be made and completed on or before such effective date.