

# STATE OF NEW YORK

9796

## IN SENATE

April 6, 2026

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

AN ACT to amend the general obligations law, in relation to pre-payment penalties for mortgages secured by real property owned in a cooperative form of ownership

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

1 Section 1. Paragraph b of subdivision 3 of section 5-501 of the gener-  
2 al obligations law, as amended by chapter 472 of the laws of 2008, is  
3 amended to read as follows:

4 b. notwithstanding any other provision of law, the unpaid balance of  
5 the loan or forbearance may be prepaid, in whole or in part, at any  
6 time. If prepayment is made on or after one year from the date the loan  
7 or forbearance is made, no penalty may be imposed. If prepayment is made  
8 prior to such time, no penalty may be imposed unless provision therefor  
9 is expressly made in the loan contract, provided that no penalty may be  
10 imposed if prohibited by sections six-l and six-m of the banking law. No  
11 prepayment penalty or fee shall be charged or collected on a loan or  
12 forbearance secured by real property owned in a cooperative form of  
13 ownership where over fifty percent of the units are shareholder occu-  
14  pied. Such prepayment penalty shall be unenforceable. In all cases, the  
15 right of prepayment shall be stated in the instrument evidencing the  
16 loan or forbearance, provided, however, that the provisions of this  
17 subdivision shall not apply to the extent such provisions are inconsis-  
18 tent with any federal law or regulation.

19 § 2. This act shall take effect immediately.

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

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