



COMMITTEE ON
Banks

2019 ANNUAL REPORT

NEW YORK STATE ASSEMBLY



CARL E. HEASTIE, *Speaker*

KENNETH P. ZEBROWSKI, *Chair*



THE ASSEMBLY
STATE OF NEW YORK
ALBANY

CHAIRMAN
Committee on Banking

COMMITTEES
Codes
Ethics and Guidance
Government Employees
Judiciary
Labor

KENNETH P. ZEBROWSKI
Assemblyman 96th District
Rockland County

December 15, 2019

The Honorable Carl E. Heastie
Speaker of the Assembly
State Capitol, Room 349
Albany, NY 12248

Dear Speaker Heastie:

I am pleased to submit the 2019 Annual Report for the Assembly Standing Committee on Banks. Included herein are details of the Committee's 2019 legislative work, other initiatives undertaken during the year, and important developments since the close of session. Additionally, you will find the Committee's outlook for the 2020 legislative session where we will continue to protect consumers' financial interests and rights while helping to improve and grow the banking industry across the State.

The Banks Committee made significant progress during the 2019 session, reporting legislation that aimed to maintain and enhance the vitality of our State's financial industry, expand the banking development district program, address the student loan debt crisis, increase access for consumers in under-banked communities, and maintain sound operations within the industry.

The Committee's significant accomplishments in 2019 include adding meaningful protections for student loan borrowers in the State budget as well as imposing important restrictions on bad actors in the student debt consulting industry; increasing disclosure to consumers on issues such as mortgage lending, allowing credit unions and savings banks to take municipal deposits; and, expanding the banking development district program to include credit unions.

I want to thank my fellow members of the Assembly Banks Committee for all the time and work they have put in to serving the interests of the residents of our State. I would also like to thank the hard work and dedication of our Committee staff. Mr. Speaker, I greatly appreciate your leadership and collaboration, and look forward to a productive session in 2020.

Sincerely,

Kenneth P Zebrowski, Chair
Assembly Banks Committee

**2019 ANNUAL REPORT
NEW YORK STATE ASSEMBLY
STANDING COMMITTEE ON BANKS**

Kenneth P. Zebrowski
Chair

Banks Committee Members

| <u>Majority</u> | <u>Minority</u> |
|------------------------|------------------------|
| N. Nick Perry | Kieran Michael Lalor |
| Peter J. Abbate, Jr. | Gary Finch |
| Michael Miller | John K Mikulin |
| David Weprin | Douglass Smith |
| Robert Rodriguez | Brian Manktelow |
| Rodneyse Bichotte | John Salka |
| Michael Blake | Colin Schmitt |
| Kimberly Jean-Pierre | Robert Smullen |
| Rebecca Seawright | |
| Diana Richardson | |
| Inez Dickens | |
| Carmen De La Rosa | |
| Clyde Vanel | |
| Tremaine Wright | |
| Yuh-Line Niou | |
| Al Taylor | |
| Brian Barnwell | |
| Steve Stern | |
| Andrew Hevesi | |
| Nader Sayegh | |
| Patrick Burke | |
| Marianne Buttenschon | |

Staff

Aaron Suggs, Assistant Secretary for Program and Policy
Teri Kleinmann, Associate Counsel
Peter Hoffman, Analyst
Benjamin E. Piccolo-Evans, Committee Assistant
Kimberly Giordano, Committee Clerk
Dawn Fowler, Program and Counsel Secretary

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I. Introduction

The New York State Assembly Standing Committee on Banks was established in order to review and initiate legislation that affects financial institutions that operate in New York State. The Committee's statutory purview includes the Banking Law, the General Obligations Law, the Uniform Commercial Code, and the Personal Property Law. Entities under the Banking Law jurisdiction include banks, credit unions, savings banks, savings and loan associations, licensed lenders, licensed cashers of checks, money transmitters, trust companies, safe deposit companies, bank holding companies, sales finance companies, budget planners, mortgage brokers, mortgage bankers, insurance premium finance agencies, and foreign and private banks. Other entities that engage with NY customers in a financial capacity may also fall within NY State law and the Banking Committee's purview. The bills within the Banks Committee address a broad range of banking concerns, from both the industry and consumers, including maintaining the competitive balance among financial institutions, protecting customers' interests, providing housing finance, and modifying banking regulations and administration.

During the 2019 legislative session, 64 bills were considered by the Banks Committee. Of these bills, 22 were reported favorably by our committee, 15 passed the Assembly, 10 were signed into law and one bill was vetoed.

II. Major Issues of 2019

Industry Issues

Money Transmitters

A.1826-A (Pichardo) / S.2109-A (Sanders)

This bill would authorize treble damages in order to deter agents of licensed money transmitters from abusing business relationships and consumer trust by absconding with funds.

Chapter 324

Predatory Equity Study

A.3275-B (Epstein) / S.1476-B (Hoylman)

This bill would authorize and direct Department of Financial Services to prepare a study to review the process in which financial institutions provide loans to landlords acquiring or refinancing property that includes rent-regulated and/or small business tenants according to a list of criteria.

Passed Assembly

Banking Development District

A.3320 (Zebrowski) / S.727-A (Montgomery)

This bill would provide that a designation as a Banking Development District (BDD) shall be valid for fourteen years after the date of designation and give the Superintendent of Department of Financial Services the option to extend the designation for one or more additional five- or ten-year periods upon determining that there is a demonstrated need for banking services in the district. Additionally, any bank, trust company or national bank that has established a bank within a BDD would have to offer affordable products and services, including financial services, tailored to the BDD's community. Further, this bill would allow federal and state credit unions to participate in the BDD program.

Chapter 629

Regulatory Issues

Community Reinvestment Act Performance

A.1772-A (Peoples-Stokes) / S.3227-A (Sanders)

This bill would expand upon what is currently required to be included in the Community Reinvestment Act assessment of financial institutions in order to provide a more meaningful look at how such institutions are meeting the specific credit needs of their communities and to better understand the availability of banking services for low- to moderate-income consumers.

Chapter 590

Basic Account Withdrawal Increase for 65+

A.1940 (Zebrowski) / S.2245 (Sanders)

This bill would to increase the number of withdrawal transactions allowed at no additional charge for basic banking account holders aged sixty-five and older from eight to twelve.

Chapter 260

DFS Hotline Posting

A.3168 (Ortiz) / S.4931 (Sanders)

This bill would require banking institutions to publicly and conspicuously post notice of the Department of Financial Services' toll-free consumer hotline telephone number where consumers may file complaints if they are unsatisfied with a bank's services.

Chapter 423

Consumer Products, Protection, and Convenience

Mortgage Modification

A.92-A (Perry) / S.5017-A (Parker)

This bill would require that a bank or financial institution which enters into negotiations to modify a mortgage and sells or transfers the mortgage during the modification process be responsible for providing the borrower with a written list of all the documents relating to the loan modification that were furnished to the bank or financial institution to which the mortgage was sold or transferred.

Chapter 166

Student Loan Servicers

A.2008-C (Budget Bill) / S.1508-C (Budget Bill)

This legislation was part of the 2019-20 enacted budget. It would require certain student loan servicers to obtain a license from the Department of Financial Services and impose certain responsibilities on student loan servicers. These include the accurate reporting of a borrower's payment performance; inquiring how a borrower would apply nonconforming payments honoring all borrower benefits originally represented as being available to borrower during the repayment of the student loan.

Chapter 58

Co-op Reverse Mortgages

A.2632-B (Dinowitz) / S.3686 (Biaggi)

This bill would allow owners of cooperative apartments who are over the age of 62 to obtain reverse mortgages on cooperative apartment unit under certain circumstances.

Veto Memo 213

Student Debt Consultants

A.3408-A (Zebrowski) / S.2426-A (Kaplan)

This bill would establish standards of practice for the student debt consulting industry in New York, including identifying prohibited practices, outlining what information student debt consultants must disclose in all advertising, and identifying what terms a contract between a student debt consultant and a consumer must include.

Passed Assembly

III. Banking Committee 2020 Outlook

The Assembly Majority and the Committee's pursuit of consumer protection initiatives are taken in order to provide a fair playing field for both consumers and financial institutions. The Committee will continue to pursue an agenda that responds to the banking industry and consumers' needs and concerns.

During the upcoming 2020 legislative session, the Committee will further its efforts to ensure that every New Yorker has access to banking services, home loans, and fair and responsible business and personal credit products.

The Committee will also continue to work on strengthening the New York State banking charter, not only for our state-chartered banks doing business here, but for other banking institutions that may be considering obtaining state charter in New York. New York is the financial capital of the United States, and a strong state banking charter is an important asset to its continued strength.

IV. Hearings

Municipal Deposits

The Assembly Standing Committees on Banks and Local Governments held a hearing on May 20, 2019, to examine whether credit unions should be authorized to accept the deposit of public funds and the impact, if any, that State and municipal deposits in credit unions would have on various stakeholders.

Under current law, public funds of the State or its municipalities must be deposited in banks or trust companies authorized to do business in the State. It has been argued that allowing credit unions and other financial institutions to accept municipal deposits would expand help banking access in under- and non-banked across the State. Over the years, there have been various proposals that would have authorized public funds to be deposited into credit unions and other financial institutions.

The Committees heard testimony from witnesses representing credit unions, state-chartered banks, independent bankers, and municipal governmental institutions. As a result of testimony provided, the Standing Committee on Banks introduced and reported A.3262-A (Zebrowski) creating a 6-year pilot program to allow credit unions to accept municipal deposits on a graduated scale, with a depository cap of \$500,000 in the first year increasing annually to \$5 million in year six.

Appendices

**APPENDIX A
SUMMARY OF ACTIONS ON ALL BILLS
REFERRED TO THE COMMITTEE ON BANKS
DURING THE 2019 LEGISLATIVE SESSION**

TOTAL NUMBER OF COMMITTEE MEETINGS HELD 7

| | | |
|-----------------|---------------|--------------|
| <u>ASSEMBLY</u> | <u>SENATE</u> | <u>TOTAL</u> |
| <u>BILLS</u> | <u>BILLS</u> | <u>BILLS</u> |

BILLS REPORTED FAVORABLE TO:

| | | | |
|----------------|-----------|----------|-----------|
| Codes | 11 | 0 | 11 |
| Judiciary | 0 | 0 | 0 |
| Ways and Means | 4 | 0 | 4 |
| Rules | 1 | 0 | 1 |
| Floor | 6 | 0 | 6 |
| TOTAL | 22 | 0 | 22 |

COMMITTEE ACTION

| | | | |
|-------------------------------|-----------|-----------|-----------|
| Held For Consideration | 0 | 0 | 0 |
| Defeated | 0 | 0 | 0 |
| Enacting Clause Stricken | 1 | 0 | 1 |
| REMAINING IN COMMITTEE | 54 | 10 | 64 |

BILLS REFERENCE CHANGED TO:

| | | | |
|--------------|----------|----------|----------|
| TOTAL | 0 | 0 | 0 |
|--------------|----------|----------|----------|

APPENDIX B
SUMMARY OF FINAL ACTIONS ON BILLS
REPORTED BY THE BANKS COMMITTEE

| Assembly Bill Number (Sponsor) | Senate Bill Number (Sponsor) | Final Action | Description |
|---------------------------------------|-------------------------------------|-------------------------|--|
| A.92-A (Perry) | S.5017-A (Parker) | Chapter 166 | Requires a bank or financial institution selling or transferring a mortgage during a modification process to provide the borrower with a written list of all documents relating to such application for modification that were provided to the bank or financial institution to which such mortgage was sold or transferred. |
| A.1772-A (Peoples-Stokes) | S.3227-A (Sanders) | Chapter 590 | Requires the assessment of a banking institution's record of performance to be in writing detailing the record of performance in helping to meet the credit needs of local communities. |
| A.1826-A (Pichardo) | S.2109-A (Sanders) | Chapter 324 | Requires agents of licensed money transmitters to remit moneys to the licensee within the time frame provided in the contract between the agent and the licensee and makes agents liable for treble damages for failure to remit moneys in a timely manner. |
| A.1845-B (Miller, MG) | No Senate Sponsor | Advanced to 3rd Reading | Requires the development of a "what mortgage applicants need to know" pamphlet on residential mortgages and provides such pamphlet shall be posted and printed in the 6 most common non-English languages spoken by individuals with limited English proficiency in New York state. |

APPENDIX B - Cont.

| | | | |
|----------------------|--------------------|-------------------------|--|
| A.1914 (Vanel) | S.1194 (Sanders) | Chapter 195 | Amends a chapter of the laws of 2018 creating the digital currency task force to increase the members of the task force from 9 to 13. |
| A.1931 (Zebrowski) | S.982 (Breslin) | Advanced to 3rd Reading | Provides that every banking institution which maintains checking accounts for customers shall pay checks in the order received within account balance; provides such banks may dishonor check for insufficient funds, but then must honor smaller checks within amounts on deposit in the subject account. |
| A.1940 (Zebrowski) | S.2245 (Sanders) | Chapter 260 | Increases the number of authorized withdrawal transactions at no charge from basic banking accounts for account holders 65 years of age or older from 8 to 12. |
| A.2071-C (Zebrowski) | No Senate Sponsor | Reported to Codes | Relates to Department of Financial Services' licensure of certain student loan servicers and the imposition of certain responsibilities on such student loan servicers. |
| A.2632-B (Dinowitz) | S.3686-B (Biaggi) | Veto Memo 213 | Relates to authorizing reverse cooperative apartment unit loans for persons 62 years of age or older and provides additional consumer protections. |
| A.3168 (Ortiz) | S.4931(Sanders) | Chapter 423 | Requires posting notice of the Department of Financial Services toll free consumer's hot-line telephone number. |
| A.3214-A (Cook) | S.3505-A (Breslin) | Chapter 656 | Relates to immunity from civil liability and information furnished to or from the National Insurance Crime Bureau, which is dedicated to the investigation and prosecution of the banking law or the insurance law. |

APPENDIX B - Cont.

| | | | |
|----------------------|----------------------|----------------------------|---|
| A.3235 (Dickens) | S.3223 (Sanders) | Chapter 264 | Relates to assessment of the record of performance of banking institutions in helping to meet the credit needs of local communities. |
| A.3262-A (Zebrowski) | S.6079-A (Sanders) | Reported to Ways and Means | Allows credit unions, savings banks, savings and loan associations and federal savings associations to accept and secure deposits from municipal corporations. |
| A.3275-B (Epstein) | S.1476-B (Hoylman) | Passed Assembly | Directs the Department of Financial Services to study, evaluate and make recommendations concerning lending practices by financial institutions to landlords acquiring property that includes small business and/or rent-regulated tenants; requires a report on the Department's findings and recommendations for legislative action within 18 months. |
| A.3320 (Zebrowski) | S.727-A (Montgomery) | Chapter 629 | Relates to the banking development district program. |
| A.3408-A (Zebrowski) | S.2426-A (Kaplan) | Passed Assembly | Regulates the practice of student debt consultants by establishing prohibitions and requiring certain disclosures. |
| A.3636 (Niou) | No Senate Sponsor | Reported to Rules | Prohibits the inclusion of a confession of judgment in a contract or agreement for a financial product or service. |
| A.6522-A (Galef) | S.2155-B (Sanders) | Reported to Ways and Means | Establishes the New York State Commission on establishing a bank owned by New York state for purposes of determining what benefits a public bank or network of public banks owned by the state of New York or by a public authority constituted by the state of New York could provide for the New York State government, local governments, communities, private businesses, community banks, credit unions and people; requires publication of the commission's findings and recommendations. |

APPENDIX B - Cont.

| | | | |
|--------------------------|-------------------|-------------------|---|
| A.7393-A (De La Rosa) | S.5423 (Sanders) | Reported to Codes | Relates to enacting the "community financial services access and modernization act of 2019"; modernizes existing statute to reflect the full scope of financial services available at neighborhood "check cashing" establishments; provides for a comprehensive regulatory framework for the delivery of the expanded financial services currently being offered. |
| A.7604 (Buttenschon) | S.5411 (Sanders) | Chapter 217 | Relates to extending certain provisions authorizing banks and trust companies to exercise the rights of national banks to September 10, 2024. |
| A.7668 (Seawright) | S.6100 (Sanders) | Chapter 82 | Extends the effectiveness of provisions of law relating to permissible fees in connection with open-end loans. |
| A.7796 (Zebrowski) | No Senate Sponsor | Passed Assembly | Relates to the definition of "servicing" by student loan servicers. |

APPENDIX C
SUMMARY OF LAWS ENACTED DURING THE
2018 LEGISLATIVE SESSION

| Assembly Bill Number (Sponsor) | Senate Bill Number (Sponsor) | Final Action | Description |
|---|---|---------------------|---|
| A.92-A (Perry) | S.5017-A (Parker) | Chapter 166 | Requires a bank or financial institution selling or transferring a mortgage during a modification process to provide the borrower with a written list of all documents relating to such application for modification that were provided to the bank or financial institution to which such mortgage was sold or transferred; and relates to the obligations of subsequent mortgage servicer shall assume related to any previously approved first lien loan modification or other foreclosure prevention alternative. |
| A.1826-A (Pichardo) | S.2109-A (Sanders) | Chapter 324 | Requires agents of licensed money transmitters to remit moneys to the licensee within the time frame provided in the contract between the agent and the licensee; makes agents liable for treble damages for failure to remit moneys in a timely manner. |
| A.1914 (Vanel) | S.1194 (Sanders) | Chapter 195 | Amends a chapter of the laws of 2018 creating the digital currency task force to increase the number of members on the task force from 9 to 13. |
| A.1772-A (Peoples-Stokes) | S.3227-A (Sanders) | Chapter 590 | Requires the assessment of a banking institution's record of performance to be in writing detailing the record of performance in helping to meet the credit needs of local communities. |

APPENDIX C - Cont.

| | | | |
|----------------------|----------------------|-------------|---|
| A.3168 (Ortiz) | S.4931(Sanders) | Chapter 423 | Requires posting notice of the Department of Financial Services toll free consumer's hot-line telephone number. |
| A.3214-A (Cook) | S.3505-A (Breslin) | Chapter 656 | Relates to immunity from civil liability and information furnished to or from the National Insurance Crime Bureau, which is dedicated to the investigation and prosecution of the banking law or the insurance law. |
| A.3235 (Dickens) | S.3223 (Sanders) | Chapter 264 | Relates to assessment of the record of performance of banking institutions in helping to meet the credit needs of local communities. |
| A.3320 (Zebrowski) | S.727-A (Montgomery) | Chapter 629 | Relates to the banking development district program. |
| A.7604 (Buttenschon) | S.5411 (Sanders) | Chapter 217 | Relates to extending certain provisions authorizing banks and trust companies to exercise the rights of national banks to September 10, 2024. |
| A.7668 (Seawright) | S.6100 (Sanders) | Chapter 82 | Extends the effectiveness of provisions of law relating to permissible fees in connection with open end loans. |