

2017

ANNUAL REPORT



New York State Assembly

Carl E. Heastie

Speaker

Committee on

Banks

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, 2017

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 2017 Annual Report for the Assembly Standing Committee on Banks.

The 2017 session brought change in leadership to the Standing Committee on Banks but the Committee's commitment to assuring that banking customers of New York are treated fairly while strengthening New York State's banking charter remains unchanged.

The Banks Committee made significant progress during the 2017, reporting legislation that aimed to maintain and enhance the vitality of our State's financial industry, to expand customer access to non-for-profit banking, to ensure fairness in personal and business lending products, to protect consumers' financial interests and rights, to foster competition, and to maintain sound operations within the industry.

The Committee's significant accomplishments in 2017 include limiting the term of the Banking Development District designation, requiring licensure of student loan servicers, and creating a task force on online lending.

I want to thank my fellow members of the Assembly Banks Committee for all the time and work they have put in serving the interests of the residents of our state. Mr. Speaker, I greatly appreciate your continued support and encouragement, the cooperation of my Assembly colleagues especially those who are Banks Committee members, and the hard work and dedication of our Committee staff.

I look forward to a productive session in 2018. Thank you for your leadership.

Sincerely,

Kenneth P Zebrowski, Chair
Assembly Banks Committee

**2017 ANNUAL REPORT
NEW YORK STATE ASSEMBLY
STANDING COMMITTEE ON BANKS**

Kenneth P. Zebrowski
Chair

Banks Committee Members

Majority

N. Nick Perry
William Magee
Peter J. Abbate, Jr.
Michael Miller
David Weprin
Robert Rodriguez
Aravella Simotas
Sean Ryan
Michael Kearns
Luis R. Sepulveda
Walter T. Mosley
Mark Gjonaj
Rodneyse Bichotte
Michael Blake
Kimberly Jean-Pierre
Rebecca Seawright
Diana Richardson
Inez Dickens
Carmen De La Rosa
Clyde Vanel
Tremaine Wright
Yuh-Line Niou

Minority

Steven McLaughlin,
Ranking Minority Member
Gary Finch
Andrew P. Raia
Brian Curran
Nicole Malliotakis
Andrew R. Garbarino
Kieran Michael Lalor
Dan Stec
Ronald Castorina
Kevin Byrne

Staff

Aaron Suggs, Assistant Secretary for Program and Policy
Teri Kleinmann, Associate Counsel
Peter Hoffman, Analyst
Daniel Gordon, 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. 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 2017 legislative session, 67 bills were considered by the Banks Committee. Of these bills, 15 were reported favorably by our committee, 10 passed the Assembly, 5 were signed into law and no bills were vetoed.

II. Major Issues of 2017

Industry Issues

Renewal of Branches within a Banking Development District A.6949-B (Zebrowski) / S.6700 (Hamilton)

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 would give the Superintendent of Department of Financial Services (DFS) 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, the bill would allow federal and state credit unions to participate in the banking development district program.

Passed Assembly

Regulatory Issues

Pension Loan Advancements A.684-A (Rodriguez) / S.6161-A (Hamilton)

This bill would direct DFS to examine the business practices of those entities that provide pension loan advancements including licensing, limits on fees and interest, and disclosure practices. The bill would require DFS to submit a report to the Governor and Legislature, no later than January 1, 2018, containing findings, conclusions and recommendations, including any policy or legislative recommendations as they relate to the practice of pension loan advancements.

Chapter 441

Community Reinvestment Act Assessment Modernization A.1921 (People-Stokes)/ S.2461 (Hamilton)

This bill would improve the effectiveness of the Community Reinvestment Act (CRA) by making the assessments more informative in order to better understand the availability of banking services for low- to moderate-income consumers. The Superintendent of DFS would be required to write an assessment that explains the financial institution's performance record on meeting the credit needs of the community including: the amount of mortgage/home loans issued; a description of the efforts to market business loans; amount of farm and small business loans; financial investments in and contributions to local nonprofit community (re)development projects/entities and other factors.

Advanced to third reading

DFS Hotline Posting**A.3389 (Ortiz) / S.2938 (Hamilton)**

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

Passed Assembly

Consumer Products, Protection, and Convenience**Student Loan Services****A.7582-A (Zebrowski) / S.6589 (Hamilton)**

This bill would require student loan servicers to obtain a license from DFS in order to engage in the business of servicing student loans in New York State.

Passed Assembly

Online Lending Task Force**A.8260-A (Zebrowski) / S.6593-A (Hamilton)**

This bill would establish a task force on online lending in order to identify the main participants in the online lending industry, how they serve consumers and small businesses in this state, and their current and anticipated impact on consumers and small businesses.

Chapter 505

Pay Checks in Order Received**A.5744 (Zebrowski) / S.2797 (Breslin)**

This bill would require every banking institution maintaining checking accounts to pay checks in the order received; provided, however, if a check is dishonored for insufficient funds and thereafter smaller checks which could be paid are received, the smaller checks would be honored within the amounts on deposit.

Passed Assembly

III. Banking Committee 2018 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 New York State Assembly Standing Committee on Banks will continue to pursue an agenda that responds to the banking industry and consumers' needs and concerns.

During the 2018 legislative session, the Assembly Banks Committee will continue in its efforts to create legislation that protects New York's small business community from an influx of out-of-state predatory lending products, expands consumers' access to not-for-profit banking options, and regulates the student lending industry.

The Banks 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.

Lastly, the Committee will continue to work toward the goal of ensuring access to fair and responsible credit for all borrowers and small businesses in order to strengthen our economy and improve opportunities for all residents of the state.

IV. Hearings

Practices of the Online Lending Industry

Online lending is a practice which is rapidly expanding across the state and nationally. Online lenders issued over \$20 billion in loans in 2015, and that number is expected to grow over the next decade. Although online loans can provide another avenue for entrepreneurs to acquire capital and grow their small businesses, there is also significant potential for unscrupulous online lenders to exploit consumers through predatory practices such as unusually high interest rates, lack of disclosure of hidden fees, and unclear loan terms.

The New York State Assembly Standing Committees on Banks, in combination with the New York State Senate Standing Committees on Banks, held a joint hearing in Albany on May 22, 2017 on the practices of the online lending industry. Working alongside the Standing Committees from Small Business and Consumer Protection from the Assembly and the Senate, a list of witnesses was compiled that represented a wide variety of actors involved in online lending, along with consumer advocates. The various witnesses discussed the current landscape of the online lending industry and helped shed some light on how online lending actually works and discussed other issues that have been affecting the industry and the consumers of New York State.

The purpose of the hearing was for both bodies of the legislature to gain a better understanding of the online lending industry in order to decide if any type of legislation may be needed in the future to help protect the consumers involved.

Appendices

**APPENDIX A
SUMMARY OF ACTIONS ON ALL BILLS
REFERRED TO THE COMMITTEE ON BANKS
DURING THE 2017 LEGISLATIVE SESSION**

<u>FINAL ACTION</u>	<u>ASSEMBLY BILLS</u>	<u>SENATE BILLS</u>	<u>TOTAL BILLS</u>
BILLS REPORTED WITH OR WITHOUT AMENDMENT			
TO FLOOR; NOT RETURNING TO COMMITTEE (FAVORABLE)	2	0	2
TO WAYS AND MEANS	6	0	6
TO CODES	5	0	5
TO RULES	2	0	2
TO JUDICIARY	0	0	0
TOTAL	15	0	15
BILLS HAVING COMMITTEE REFERENCE CHANGED			
TO <u>Small Business</u>	0	0	0
TO _____	0	0	0
TO _____	0	0	0
TO _____	0	0	0
TOTAL	0	0	0
SENATE BILLS SUBSTITUTED OR RECALLED			
SUBSTITUTED		4	4
RECALLED		0	0
TOTAL		4	4
BILLS DEFEATED IN COMMITTEE	0	0	0
BILLS HELD FOR CONSIDERATION WITH A ROLL- CALL VOTE	0	0	0
BILLS NEVER REPORTED, DIED IN COMMITTEE	51	9	60
BILLS HAVING ENACTING CLAUSES STRICKEN	1	0	1
MOTIONS TO DISCHARGE LOST	0	0	0
TOTAL BILLS IN COMMITTEE	67	13	80

TOTAL NUMBER OF COMMITTEE MEETINGS HELD	6
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**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.372 (Richardson)	S.982 (Savino)	Chapter 20	Amends subdivision 30 of section 2 of the Banking Law, adding language in the definition of consummation of a mortgage loan to provide for electronic signatures on mortgage documents.
A.684-A (Rodriguez)	S.6161-A (Hamilton)	Chapter 441	Directs DFS to study, evaluate and make recommendations concerning businesses engaged in pension loan advancements.
A.1126 (Pretlow)	No Senate Sponsor	Referred to Rules	Prohibits banking organizations from issuing mail-loan checks without request or application therefor; provides that failure to destroy or return a mail-loan check does not constitute an acceptance thereof; provides that mail-loan checks shall have the transaction fee and interest rate included on the check.
A.1921 (Peoples-Stokes)	No Senate Sponsor	Advanced to 3 rd Reading	Requires inclusion and explanation of additional annual data in meeting the requirements of the Community Reinvestment Act for assessing the record of performance of banking institutions in meeting community credit needs, including loans for housing low- and moderate-income residents of low- and moderate-income areas, and the scope of efforts to market housing and small business loans in low- and moderate-income areas and other data.
A.2881-B (Brindisi)	S.2420-B (Griffo)	Referred to Ways and Means	Allows state-chartered banking institutions to use domestic bonds that are rated in four highest rating categories as collateral to secure New York State municipal deposits.

APPENDIX B - Cont.

A.3389 (Ortiz)	S.2938 (Hamilton)	Passed Assembly	Requires posting notice of the DFS toll-free consumer's hotline telephone number.
A.3942 (Kavanagh)	S.2021 (Squadron)	Advanced to 3 rd Reading	Provides for the inclusion of low-income credit unions in the banking development district program in cities having a population of one million or more persons.
A.5744 (Zebrowski)	S.2797 (Breslin)	Passed Assembly	Requires every banking institution maintaining checking accounts to pay checks in the order received; provided, however, if a check is dishonored for insufficient funds and thereafter smaller checks which could be paid are received, the smaller checks shall be honored within the amounts on deposit.
A.6284 (Seawright)	S.4998 (Hamilton)	Chapter 77	Extends, for an additional two years, the existing authority of licensed lenders to charge annual fees for open-end loans until June 30, 2019.
A.6949-B (Zebrowski)	S.6700 (Savino)	Passed Assembly	Provides that a designation as a Banking Development District 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, the bill would allow federal and state credit unions to participate in the banking development district program.
A.7582-A (Zebrowski)	S.6589 (Hamilton)	Passed Assembly	Requires student loan servicers to obtain a license from DFS.
A.7705-B (Rodriguez)	S.5920-B (Savino)	Referred to Codes	Modernizes the licensing structure, and the existing statute to reflect the full scope of financial services available at neighborhood "check cashing" establishments.

APPENDIX B - Cont.

A.8129-A (Zebrowski)	S.3758-A (Hamilton)	Chapter 380	Allows DFS to change the examination interval to every 18 months for banks with assets of less than \$1 billion.
A.8217-A (Lupardo)	No Senate Sponsor	Passed Assembly	Provides that customers who open a joint account be informed of the existence of a convenience account as an alternative to a joint account, to the extent the bank offers convenience accounts, and also provide to such customer the information required to be given to those opening convenience accounts.
A.8260-A (Zebrowski)	S.6593-A (Hamilton)	Chapter 505	Establishes a task force on online lending in order to identify the main participants in the online lending industry, how they serve consumers and small businesses in this state, and their current and anticipated impact on consumers and small businesses.

APPENDIX C
SUMMARY OF LAWS ENACTED DURING THE
2017 LEGISLATIVE SESSION

Assembly Bill Number (Sponsor)	Senate Bill Number (Sponsor)	Final Action	Description
A.372 (Richardson)	S.982 (Savino)	Chapter 20	Amends subdivision 30 of section 2 of the Banking Law, adding language in the definition of consummation of a mortgage loan to provide for electronic signatures on mortgage documents.
A.684-A (Rodriguez)	S.6161-A (Hamilton)	Chapter 441	Directs DFS to examine the business practices of those entities that provide pension loan advancements including licensing, limits on fees and interest, and disclosure practices. The bill would require DFS to submit a report the Governor and Legislature, no later than January 1, 2018, containing findings, conclusions and recommendations, including any policy or legislative recommendations as they relate to the practice of pension loan advancements.
A.6284 (Seawright)	S.4998 (Hamilton)	Chapter 77	Extends, for an additional two years, the existing authority of licensed lenders to charge annual fees for open-end loans until June 30, 2019.
A.8129-A (Zebrowski)	S.3758-A (Hamilton)	Chapter 380	Allows DFS to change the examination interval to every 18 months for banks with assets of less than \$1 billion.
A.8260-A (Zebrowski)	S.6593-A (Hamilton)	Chapter 505	Establishes a task force on online lending in order to identify the main participants in the online lending industry, how they serve consumers and small businesses in this state, and their current and anticipated impact on consumers and small businesses.