



Legislation Text

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Int. No. 52

By Council Members Cornegy, Brannan, Rosenthal, Rivera, Yeger and Lander

A Local Law to amend the administrative code of the city of New York, in relation to banning companies that charge a fee for “student debt relief” already provided by the federal government and creating a private cause of action for borrowers who fall victim to these scams

Be it enacted by the Council as follows:

Section 1. Chapter 5 of title 20 of the administrative code of the city of New York is amended by adding a new subchapter 20 to read as follows:

SUBCHAPTER 20

PROHIBITION ON STUDENT DEBT RELIEF SERVICES REGARDING FEDERAL LOANS FOR A
FEE

§ 20-828 a. No person shall offer or advertise student debt relief services regarding federal student loans for a fee where such services are offered for free by the federal department of education.

b. This law does not apply to persons who, before providing such services, provide to customers written disclosures that contain the following information:

1. A statement informing customers that the federal department of education provides free assistance to holders of federal loans, including:

- (a) Lowering or capping monthly payments;
- (b) Checking eligibility for loan forgiveness;
- (c) Consolidating federal loans; and
- (d) Giving advice on getting out of default.

2. Contact information for the federal student aid information center, including:

(a) The phone number; and

(b) The website URL.

§ 20-825 Penalties. Any person that violates 20-824 is liable for a civil penalty of not less than \$500 or more than \$2,000 for the first violation and a civil penalty of not less than \$800 or more than \$3,000 for each succeeding violation.

§ 20-826 Civil cause of action. Any person claiming to have been harmed by a person offering student debt relief services for a fee has a cause of action against such person in any court of competent jurisdiction for compensatory and punitive damages; injunctive and declaratory relief; attorney's fees and costs; and such other relief as a court deems appropriate.

§ 2. This local law takes effect 180 days after it becomes law, except that the commissioner of the department of consumer affairs shall take such measures as are necessary for the implementation of this local law, including the promulgation of rules, before such date.

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