



Legislation Text

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Res. No. 1049

Resolution calling upon the United States Congress and the New York State Legislature to pass legislation to prohibit the use of a confession of judgment in business loans.

By the Public Advocate (Mr. Williams) and Council Members Levin, Cabrera and Louis

Whereas, There are currently 11,938 active taxicab medallions operating in New York City; and

Whereas, Many medallions owners take out business loans to finance the purchase of their vehicles; and

Whereas, Some of the business loans that medallion owners take out include a document known as a “confession of judgment,” where the borrower waives the right to due process if the debt is unpaid and there is a dispute; and

Whereas, Once signed, a “confession of judgment” can be used by the lender to obtain a judgment against the borrower without any further notification; and

Whereas, The Federal government currently has prohibitions on the use of confessions of judgment in consumer loans, but not for business loans; and

Whereas, The United States Federal Trade Commission has recently called for the elimination of confessions of judgment in small business lending contracts; and

Whereas, Many states have also banned confessions of judgment practices for business loans, but New York State does not prohibit them; and

Whereas, A recent New York Times expose revealed that “confession of judgment” documents may have been used by lenders to influence some borrowers applying for taxi medallion loans; and

Whereas, According to the New York Times, some of the documents they reviewed show that some medallion borrowers admitted to defaulting on their loans even before the loan was approved; and

Whereas, A “confession of judgment” can be used by banks and other lending institutions as a document in predatory lending practices, a loophole that should be closed; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States Congress and the New York State Legislature to pass legislation to prohibit the use of a confession of judgment in business loans.

LS 9151, 9153, 11030, 11060  
RA  
7/18/2019