



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, Confessions of judgement enable creditors to legally seize assets of borrowers without a court proceeding, by enabling lenders to claim a debtor failed to meet their payment obligations; 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 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 (NYS) does not prohibit them; and

Whereas, On August 30, 2019, then-Governor Cuomo signed S.6395/A.7500A, relating to judgements by confession; and

Whereas, The State bills prohibit out-of-state lenders from entering into confessions of judgement in New York counties against debtors; and

Whereas, Confessions signed by parties that are New York residents at the time of signing remained enforceable; 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; and

Whereas, A.7196, introduced by NYS Assembly Member Jeffrey Dinowitz, and S.5256, introduced by NYS Senator James Sanders Jr., would prohibit the inclusion of a confession of judgement in a contract or agreement for a financial product or service; and

Whereas, The legislation would apply to lenders and debtors that reside in NYS; and

Whereas, The legislation will protect small businesses from predatory lenders that offer loans and cash advances on the pre-condition the business signs a confession of judgment; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State Legislature to pass, and the Governor to sign, S.5256/A.7196, to prohibit the use of a confession of judgment in business loans.

Session 12

NM

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Session 11

RA

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