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GOVERNOR SIGNS HOYLMAN-DINOWITZ LEGISLATION TO CLOSE LOOPHOLE EXPLOITED BY PREDATORY LENDERS

NEW YORK, NY – Governor Cuomo today signed into law [S6395](#) / [A7500A](#) sponsored by State Senate Judiciary Chair Brad Hoylman (D/WF-Manhattan) and Assembly Judiciary Chair Jeffrey Dinowitz (D-Bronx) to restrict the use of confessions of judgment for out-of-state loans. Confessions of judgment are legal documents in which debtors agree to pay a sum of money to a creditor and forfeit their right to sue.

As highlighted by [recent Bloomberg investigative reporting](#), out-of-state predatory lenders have weaponized these legal agreements, entering confessions of judgment in counties across New York against debtors who are often themselves out-of-state small business owners with no connection to New York. These predatory lenders then exploit New York law to freeze and then seize debtors' assets based on judgments entered in venues far from where the agreements were executed and the parties reside, making it difficult for debtors to contest abusive conduct. The merchant cash advance industry alone secured more than 25,000 judgments in New York between 2012 and 2018, worth an estimated \$1.5 billion.

Senator Hoylman said: "Where there's a loophole, there's a bad actor willing to exploit it to make money, no matter the cost to ordinary Americans. The entire business model of lenders who exploited New York's court system and laws to prey on out-of-state small businesses through confessions of judgment was immoral. Today, with Governor Cuomo's signature on my legislation, we're closing New York's courts to their predatory tactics. I

am grateful to the Governor, Senate Majority Leader Andrea Stewart-Cousins, Assembly Member Jeffrey Dinowitz, and the Office of Court Administration for their partnership on these essential reforms."

Assembly Member Dinowitz said: "For too long, New York has been used as a property seizure mill for the entire country because of loopholes in our laws governing confessions of judgment. Thanks in no small part to a diligent journalist at Bloomberg News, we were able to identify and correct this problem so that our civil courts will be able to focus on protecting the rights of New Yorkers - not expediting corporate greed from around the country. Thank you to my Judiciary Committee counterpart, State Senator Brad Hoylman, and our Chief Administrative Judge for their partnership in this display of legislative responsiveness."

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