The Business Council

S.153 (Thomas) / A.2382 (Weinstein)

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BILL
S.153 (Thomas) / A.2382 (Weinstein)
SUBJECT
Consumer Credit Debt
DATE
February 25, 2021
OPPOSE

The Business Council opposes S.153 (Thomas) / A.2382 (Weinstein) which would cut the statute of limitations on consumer credit transactions in half and bar debt collectors from collecting debt on which the statute of limitations has expired, thus removing collection options for lenders and small businesses that extend lines of credit to customers and consequently limiting credit options for many New Yorkers.

It is important to note that this legislation applies to all creditors and not just financial institutions. This means that every retailer is subject to both the narrow three-year statute of limitations as well as the difficult set of legal procedures in order to enforce consumer credit obligations. Since this will make it far more onerous and expensive to collect debt owed on any consumer credit contracts it is quite likely that the availability of this credit will disappear. As Bob Hunt, Senior Economist in the Research Department of the Philadelphia Federal Reserve has observed, "The effectiveness of the collection process has implications for the pricing and availability of consumer credit. The more difficult (or costly) it is to ensure that a loan is repaid, the higher will be the costs of borrowing, and less credit will generally be available."

While statutes of limitations on consumer debt vary from state to state, there is little precedent for such a dramatic cut in time period, from six to three years. This will leave creditors with significantly less opportunity to seek repayment options with debtors and will result in more and earlier litigation. We believe that this legislation was intended to benefit consumers, but in reality it will eliminate the flexibility and result in many more consumers with judgments against them rather than negotiated settlements.

Further, the bill has a host of unintended consequences for consumers, namely worsening credit scores, based on lack of negotiated settlements and an increase in judgments; the loss of real property and or wage garnishments under otherwise avoidable judgements; and taxable income after a statute of limitations has run on a debt. While perhaps well intentioned, this policy approach leads to very poor outcomes for consumers and small businesses alike.

For these reasons, The Business Council strongly opposes S.153 (Thomas) / A.2382 (Weinstein).