



NEW YORK STATE SENATOR

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Senators Hamilton and Carlucci Hold Joint Hearing on Practice of the Online Lending Industry

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Senate and Assembly Committees heard testimony on the impact of the industry in New York

Albany, NY – Senator Jesse Hamilton, Chair of the Senate Committee on Banks, and **Senator David Carlucci**, Chair of the Senate Committee on Consumer Protection, held a joint public hearing alongside the New York State Assembly Committees on Banks, Small Business and Consumer Affairs & Protection on the online lending industry to examine the impact of the industry in New York.

The growing industry, often referred to as Fintech, has garnered praise but has also at times been used to further predatory practices, putting consumers at risk. Committee members held the hearing to determine if there is a need for legislation to better regulate the field.

“A flourishing financial services sector is one that successfully meets the multiplicity of needs of New York households and businesses. Whether buying a first home, starting and growing a small business, or saving for retirement, New Yorkers benefit from a dynamic and innovate financial services sector. At the same time, as policymakers, we need to be sure that innovation does not come at the expense of consumer protection, or at the cost of sound, stable institutions. Hearing from regulators, industry professionals, advocates, and experts

all contributes to ensuring that laws and regulations keep pace with fast moving developments, fintech, and new products and services. No doubt, there are tremendous opportunities to further economic inclusion and expand access to tools that will help New Yorkers reach their goals. This hearing serves as one step towards realizing those opportunities without sacrificing the safeguards we all depend upon,” **said Senator Jesse Hamilton, Chair, Committee on Banks.**

“Exciting new industries that are the result of new technologies have had a tremendous impact for the last few years. We have seen that there are challenges balancing regulations to protect consumers against the benefits of modern technology. While the financial industry is one of the most important in New York, it is one of the most difficult to regulate and new technology has presented new challenges. Beginning today, the Consumer Protection Committee will be an active part of conversations with the financial and technology industries to find ways to protect consumers without stepping on the feet of innovation,” **said Senator David Carlucci, Chair, Committee on Consumer Protection.**

The Fintech industry has attracted a number of small startup type companies that have found great success with younger consumers, namely millennials, who prefer the digital medium. Banks and more traditional financial services companies have had difficulty keeping up with these smaller startups, mostly due to regulations and internal structures.

Within the industry, the expanding online lending segment has opened consumers up to unscrupulous lenders who lack disclosure of hidden fees, provide unclear loan terms and charge high interest rates.

The joint hearing comes after the Executive budget proposed allowing the Superintendent of the Department of Financial Services to expand regulations of online lenders and those from out of state. Both houses of the legislature determined that it would be appropriate to first hear

from the industry and those with knowledge of it.

Advocates who testified praised the Committees for holding the hearing.

“We’re looking forward to discussing with the Legislature responsible approaches to the regulation of online lending that will promote innovation and access to credit for borrowers in New York -- both consumers and small businesses,” **said Nathaniel Hoopes, Executive Director of the Marketplace Lending Association.**

“The Innovative Lending Platform Association looks forward to sharing more about the unique role our members play in providing critical capital to New York small businesses and to working with you on viable public policy solutions. There are various online lending products that provide needed credit to diverse small business customers, and any consideration of policies that impact the industry should be studied through a deliberative, inclusive and public process to ensure the legislative framework does not stifle innovation, further regulatory inconsistencies, or restrict access to credit for New York’s small businesses. We thank the Chairs for this opportunity,” **said Chris Walters, Executive Director, Innovative Lending Platform Association.**

“We thank the State Assembly and Senate for the opportunity to have this timely discussion on online lending and predatory lending. According to the FDIC's 2015 National Survey, nearly 32% of New York households are either unbanked or underbanked. Safe and inclusive access to capital is critical to strengthening communities, especially for small businesses and people of modest means. We look forward to discussing ways to strengthen safe and inclusive economic resources for New Yorkers, and the impact of community development financial institutions and credit unions bridging these gaps,” **said Cathi Kim, Associate Director of the Community Development Investment Program, National Federation of Community Development Credit Unions.**

"As a nonprofit, mission-driven small business lender, we have witnessed the impact that the online lending industry has had on the business community—much of it detrimental," **said Steve Cohen, President of Excelsior Growth Fund (EGF)**. "While EGF offers responsible alternatives, more could be done to raise awareness and rein in predatory practices, and so we applaud the Senate and Assembly committees for coordinating this important hearing to address both risks to consumers and businesses, and some possible solutions."