LOWERING COSTS FOR LOW- TO MODERATE-INCOME NEW YORKERS

A THREE-PRONGED PLAN TO INCREASE FINANCIAL AND HOUSING STABILITY FOR LOW- TO MODERATE-INCOME NEW YORKERS

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Low- to moderate-income New Yorkers struggle to access and maintain stable housing due to credit, income, and financial shocks.

Access to credit and housing are inextricably linked for low- to moderate-income (LMI) New Yorkers, with challenges in one arena inevitably impacting the other. Any financial shock (e.g., emergency dental work, a sick child needing a parent to stay home and miss a shift) can send a household into a financial spiral. This is a particularly acute problem for the roughly 1.9 million New Yorkers who meet the United Way's definition of "ALICE"—Asset Limited, Income Constrained, Employed—meaning their earnings do not cover the cost of basics in their communities.[1]

The negative consequences of predatory credit products and practices on this population are severe, from an immediate impact on cash flow in the form of high interest and fees, to long-term impact on credit in the form of high utilization rates, missed payments, defaults, and collections that result from untenable terms and rates.

These consequences reverberate when New Yorkers are looking for a place to live and run into routine credit checks, price increases, and financial shocks that threaten their ability to make rent. A low credit score, often due to circumstances beyond one's control, can harm the chances of getting approved by prospective landlords. Moreover, when a family is living in City-subsidized housing, any increase in income triggers a decrease in housing subsidies.[2] And without access to low-cost credit, New Yorkers facing financial shocks or rent increases have no good options—and their bad options may require a desperate decision to not pay rent in order to meet their other financial obligations, further impacting their future access to housing. These structural issues can combine to trap working New Yorkers and their families in poverty.

New York City has made meaningful investments in tenant and consumer protection, as well as affordable housing access. However, these efforts have largely not addressed the interconnected cycle through which financial shocks damage credit, damaged credit restricts housing access, and income gains can actually reduce affordability.

NYC can remove credit barriers to housing, stabilize housing costs, and increase access to credit.

The Mamdani Administration can comprehensively address the issue of affordability for New Yorkers by tying multiple strategies together to create an effective mobility ladder throughout the housing system, recognizing how different policies overlap and enhance each other's effects. Our recommendations include:

1. Removing certain credit barriers for tenants, even if the rental units are not state-funded.
2. Stabilizing housing costs for approximately 1.1 million New Yorkers by capping rent increases for New York City Housing Authority (NYCHA) residents, Section 8 voucher holders, and City housing lottery tenants at the lower of either the household's income growth ratio or the standard annual Rent Guidelines Board (RGB) percentage.
3. Establishing a small-dollar emergency Loan Loss Reserve Fund. This policy mitigates risk for local credit unions and Community Development Financial Institutions (CDFIs), enabling them to offer low-interest loans of up to $2,500. These loans would become a lifeline for struggling New Yorkers facing financial shocks, providing access to low-cost credit that helps them avoid falling behind on their rent and damaging their credit with predatory financial services.

These policy proposals catch LMI New Yorkers at various inflection points, providing the opportunity to get their financial and housing situation back on track before it becomes a crisis.

Removing Credit Barriers To Housing

To expand access to housing affordability and combat discriminatory practices throughout the housing qualification process, the Mamdani Administration should expand existing Department of Housing Preservation and Development (HPD) credit practices by fully removing credit barriers linked to bankruptcy filed within the preceding twelve months and thresholds for unsatisfied delinquencies to "housing lottery" units and, potentially, to units that are not state-funded.[3] Specifically, the proposal calls for the HPD to eliminate its current application criteria of 12-month bankruptcy and the $5,000 unsatisfied delinquency thresholds for lottery housing. This policy would likely benefit thousands of New Yorkers who are currently locked out of affordable housing opportunities due to a low credit score stemming from systemic economic challenges. Ideally, this policy would be implemented in conjunction with current policies that provide free financial counseling to New Yorkers, which can identify and correct other credit and financial issues to support long-term housing stability.

The proposal relies on both executive and legislative changes to rules and practices, utilizing existing agency capacity, such as HPD for compliance, and the Department of Consumer and Worker Protection (DCWP) for financial counseling services.

Mayor Mamdani can issue an Executive Order (EO) directing HPD and other relevant agencies to immediately cease the use of credit scores, credit reports, and related disqualifying criteria for all City-owned, City-financed, or City-regulated affordable housing units (e.g., lottery buildings). The EO should expand the existing HPD tenant selection criteria to specifically remove existing barriers such as the 12-month bankruptcy and the $5,000 unsatisfied delinquency thresholds.

For privately owned housing stock with no relevant City nexus, the City Council must pass legislation amending the NYC Administrative Code to prohibit landlords, brokers, and management companies from using credit scores, credit checks, or specified adverse credit history (like non-housing-related bankruptcies or delinquent debt) as a determining factor in evaluating all prospective tenants for any rental unit in NYC, regardless of City funding. This would make the ban permanent and comprehensive.

No new budgetary action would be needed given that, after negligible costs associated with initial adoption of the EO, ongoing efforts would be already covered by existing compliance and financial counseling work by HPD and DCWP, respectively.

Examples of Past Success and Measuring Future Success

New York City already prohibits certain uses of credit reports for housing and has limited protections in place, making this an expansion of existing policy. For example, landlords cannot reject applicants for lack of credit history or solely based on credit score. Additionally, credit checks are not permitted for voucher holders, homeless referrals, or clients in process for project-based subsidy or supportive units.[4]

Other municipalities have already taken similar steps. Seattle, Washington, has a "Fair Chance Housing" ordinance that restricts the use of eviction history and criminal records, and has debated restricting the use of credit scores in rental applications—showing local jurisdictions' capability to regulate tenant screening.[5] Minneapolis, Minnesota, passed an ordinance prohibiting landlords from using credit score or lack of credit history for housing applications, classifying it as discriminatory.[6]

Once the above executive and legislative steps are taken, their effects can be measured in several meaningful ways:

- **Increase in the rate of successful housing placements** for applicants (especially Black and Latino households) who were previously denied due to credit-related issues in HPD-regulated lotteries.
- **Decrease in the number of appeals/denials** citing credit history, bankruptcies, or high delinquent debt in HPD lottery buildings.
- **Change in the demographic composition of new tenants** in affordable housing lotteries, specifically monitoring the housing rate for Black and Latino families.
- **Decrease in the volume of complaints** filed with the NYC Commission on Human Rights related to credit-based housing discrimination after the legislative ban.
- **Increase in satisfaction** with the clarity and accessibility of the housing lottery communication (specifically related to preferred language and credit alternatives).

Rent Stabilization for Households in City-Subsidized Housing

The City can stabilize housing costs for LMI households who are already housed but stuck in a cycle of subsidy dependence and unable to afford market-rate rental housing by transitioning subsidized housing rent structures from a rigid “30 percent of income” model to a Tiered Rent Model. Under a Tiered Rent Model, households pay a fixed rent based on their income tiers, rather than paying a percentage of their income. This would enable the City to cap rent increases by moving toward a recertification cycle for Section 8 residents that takes place every three years: whereas currently residents must annually recertify and see their rent increase as their income increases, under a Tiered Rent Model with less frequent recertifications, residents’ rent would only increase if their income increases into a higher tier. In adopting a Tiered Rent Model with less frequent recertifications, the City will eliminate the “upward mobility tax” that currently penalizes working-class families for earning more, and empower tenants to grow and prosper in their communities.

At the federal level, The U.S. Department of Housing and Urban Development’s (HUD) Moving to Work (MTW) program aims to improve the metrics of rent subsidy programs with the following objectives of reducing costs and achieving greater cost effectiveness, providing incentive for families toward self-sufficiency, and increasing housing choice options to LMI families. The program gives public housing agencies the power to design their own alternate rent policies.[7] Under this program, NYCHA can use its federal block grant more flexibly to cover

any rent gap caused by the three-year freeze. Because the 30 percent rule is mandated by the federal Brooke Amendment, the Mayor must utilize NYC's status as an MTW agency to apply for HUD Waivers; these waivers would allow the City to opt out of standard rent math to test this Tiered Rent Model.

The City can use a set of executive and legislative actions to ensure that subsidized housing residents are not penalized for any upward mobility they experience. At the City level, the Streamlining Procedures to Expedite Equitable Development (SPEED) Task Force—an interagency group that identifies policies and procedures affecting affordable housing and recommends strategies for streamlining those processes[8]—provides an opportunity to expedite and improve the process of affordable housing working alongside Mayoral and City agencies**.** The Mayor can use his authority over the SPEED Task Force to pilot the Tiered Rent Model on City-funded projects immediately and can issue a Mayoral Directive to HPD to adopt the pilot's three-year recertification for all new lottery buildings. Down the road, the NYC Council would need to pass a local law to make these changes permanent.

Although these proposals would reduce the City's rental income, these savings paired with increased housing security for New Yorkers would meaningfully offset losses. For example, moving away from annual income recertifications would save the City thousands of staff hours, reducing agency operating costs and increasing efficiency. At the same time, eliminating two out of every three recertification audits would save the City millions in labor and mailing costs. NYCHA and HPD will see the impact of the rent-share portion being locked in three years.

Examples of Past Success and Measuring Future Success

Since 2023, the Tiered Rent Model has been launched in five municipalities (Houston, Akron, Charleston–Kanawha, Everett, and Washington County) using the tiered rent approach over six years, where it is estimated 17,000 households will enroll and participate in the trial period.[9] Additionally, HUD is currently conducting a randomized controlled trial on 10 agencies in cities across the country, for which success metrics are currently being collected.[10]

New York City's Family Self-Sufficiency Program represents an alternate, but comparable, path to avoiding money lost to rental increases, putting NYCHA and HPD Section 8 Voucher Holders' incremental rent increases into escrow accounts for five years accessible upon graduation from the program where the average savings is well over $6,000.[11] While participants still pay for rental increases under this program, the money is repurposed for economic mobility.

Internationally, Singapore's Housing & Development Board uses a tiered subsidy model that allows residents to build home-equity savings while living in subsidized housing, though their model is more focused on ownership than rental caps.[12]

The City can measure the success of a Tiered Rent Model through existing and new data collection. HUD is currently tracking data on the Tiered Rent Model in five cities, measuring the following:

- Employment rates
- Savings growth
- Administrative cost savings

In addition to the above, the following additional metrics could be tracked through baseline survey and follow-up surveys to capture their financial situation to determine the efficacy of this approach:

- Debt reduction, demonstrating increased ability to pay other bills without the strain of increased housing costs
- Increased job promotion rates, demonstrating increased appetite for raises without the fear of corresponding rent increases
- Decreased tenant requests for "emergency resets" (a stopgap measure for households facing financial hardship), demonstrating increased financial stability and ability to make rent
- Increased number of families who voluntarily move into market-rate housing or homeownership, demonstrating increased savings, overall financial health, and long-term success of the housing program

Small-Dollar Emergency Loan Loss Reserve Fund

This policy directly supports housing stability for LMI New Yorkers by expanding access to emergency loans at affordable rates. Building on the proven model of Payday Alternative Loan products[13]—already successfully offered by many New York City credit unions—this proposal introduces a municipal backstop to mitigate risk for local credit unions and Community Development Financial Institutions (CDFIs) as they offer low-interest loans of up to $2,500 to underbanked individuals. By covering a portion of potential defaults—up to 20 percent of the total loan pool—the City can unlock millions in private capital for residents who would otherwise be forced into the cycle of payday lending or high-interest debt during financial shocks.[14]

In short, by partnering with local credit unions and CDFIs and guaranteeing a portion of their loans to New Yorkers who otherwise would not qualify, the City can ensure access to affordable and safe emergency loans. Expanding access to low-cost consumer loans would provide more New Yorkers with the cash cushion needed to stay current on rental payments and other necessities in the event of a financial shock like an illness or interruption. This not only protects their housing stability, but also prevents them from turning to high-cost, predatory loans that further damage their cash flow, credit, and long-term housing prospects.

Interagency coordination is necessary for this proposal to work, as no single NYC agency has unilateral authority over consumer finance policy, fund capitalization, lender procurement, and compliance. At least three agencies or offices would play a central role.

First, the NYC Economic Development Corporation (EDC), the City's lead economic development agency, would be responsible for leading the work as a fund administrator, including structuring and administering the Loan Loss Reserve Fund, conducting the Request For Proposals (RFPs) for credit unions and CDFIs, contracting with lending partners, and potentially scaling the fund through private capital partnerships. The Mayor would be able to influence EDC members to take up this role through making appointments to the agency[15] and as a result of City-provided funding. [16]

Second, assuming that the Mayor outlines the loan loss reserve program as a line item in the Preliminary Budget typically proposed in January, negotiations then take place with the City Council. If funding is ultimately approved, the Mayor's Office of Management and Budget (OMB), the City's chief financial agency, would then be responsible for allocating the funds for the Loan Loss Reserve Fund and providing a "Certificate to Proceed" for the funds to be released by any City agency. Funding for this program would most likely be allocated under the Expense Budget, which covers the City's operational expenses, as opposed to the Capital Budget, which focuses on infrastructure investments.[17]

Third, DCWP, the City's consumer consumer protection agency, could take on the role of setting, at the design stage, and enforcing, once operational, the consumer protection standards for lending partners (e.g., interest rates, fee limits, disclosure rules, and overall underwriting parameters). If DCWP is limited by resources and capacity, its role could be limited to advising EDC on how to incorporate these standards into the program.

Aspects of the proposal could be implemented immediately. First, Mayor Mamdani can issue an Executive Order to create the "Household Emergency Credit Loan Loss Reserve Initiative," designating the lead agencies (e.g., EDC) to implement it and set policy goals (e.g., the number of loans to be disbursed, neighborhoods or demographics to focus on). The EDC could then begin the RFP process. If using existing EDC funds already

appropriated, then a pilot could be launched. If not, the proposal would need to go through the budgetary approval process briefly summarized above. A pilot is the best option as it's quickest to implement. Under the Section 11.05 of the Master Contract between the City of New York and the EDC, if EDC has over $7 million in extra unrestricted funds, the City can request the additional amount above that.[18] A portion of these funds could then be dedicated for the loan loss reserve pilot. Assuming a 20 percent loan loss reserve ratio and an average loan size of $1,000, a $2 million reserve fund established could support approximately $10 million in lending capacity—or roughly 10,000 small-dollar emergency loans. Impact metrics from this pilot could be considered statistically significant to make adjustments as needed and provide the data necessary for City Council to codify it into the budget down the line.

For ongoing impact, this proposal will require some sort of fiscal authorization, especially if this is meant to be a recurring line item in the City Budget. For the fastest launch, only City dollars should be used. The problem is local, the beneficiaries are City residents, and the Mayor can move fastest with municipal resources. In this situation, no federal or state permission is required as NYC has "Home Rule" authority over its fiscal matters. If the City cannot fully capitalize the fund, then federal Community Development Block Grants are the next best source of funds. These funds are often used for neighborhood stabilization, economic opportunity, and anti-poverty initiatives—goals that are squarely in line with this proposal. Once there is available data regarding program impact, conversations can take place to make the Loan Loss Reserve Fund permanent legislatively.

Examples of Past Success and Measuring Future Success

The expanded NYC Future Fund—which makes financing more accessible to small businesses across the city—serves as a recent example by the Mamdani Administration of how supporting CDFI lending unlocks more capital. The NYC Future Fund began as a pilot in 2025 run by the City's Department of Small Business Services, during which four businesses received $1.2 million in small business loans. This year, the program relaunched with $80 million and a mission to serve businesses citywide, with funding provided by OMB.[19]

Although impactful, this is not a novel approach. New York State already offers grant funds to CDFIs to facilitate lending to underserved individuals and small businesses,[20] and nationally, the Dodd-Frank Act established a Small Dollar Loan Program via the Treasury Department, providing grants to CDFIs for loan loss reserves.[21]

Success for New Yorkers can be measured in terms of:

- Percent of borrowers who successfully repay their loan
- On-time repayment rate
- Approvals by borough, zip code, income band, race, gender (equity metrics)
- Household stability, in terms of the percent of households who avoided predatory products, overdrafts, or high-interest credit cards; achieved a credit score increase after six months; or increased their household savings rate after six months

Success for the financial sustainability of the program and portfolio/capital-related measurements can be evaluated via:

- The portfolio loss ratio (between 10 and 15 percent can be considered stable)
- Capital velocity (i.e., how quickly funds are recycled, using industry benchmarks)

Conclusion

The levers that keep New Yorkers in poverty, without access to appropriate credit products, and without access to stable housing, do not act independently of one another, and that is why they require a multi-pronged approach. New York City has shown its commitment to increasing the supply via such plans as the City of Yes Housing Plan, but we need to make sure that the most vulnerable populations are not being left behind, and we can do that using targeted, high-impact interventions. It is entirely possible that the same household could benefit from all three of these interventions, which separately and together help create a more affordable, more equitable, and more prosperous New York City.

Endnotes

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