MAKING GOVERNMENT WORK BY ENDING PREDATORY DEBT COLLECTION

ESTABLISHING FAIR PAYMENT PLANS FOR NYC FINES AND FEES

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NYC municipal debt disproportionately impacts communities of color and financially vulnerable individuals.

Each year, New York City issues hundreds of thousands of fines and fees that many low-income New Yorkers simply cannot afford to pay, for everything from parking violations and business license infractions to housing code violations and sidewalk debris. When residents fall behind, the City does not offer accessible repayment options. Instead, it routinely refers unpaid debts to third-party private collection agencies,[1] triggering a cycle of penalties, interest, and harassment that is in stark contrast to this Mayoral administration's stated values and that drives families deeper into poverty. These consequences deepen the affordability crisis facing millions of New York City households and push families further from financial stability.

The burden falls most heavily on Black and Latino New Yorkers for two compounding and distinct reasons. First, they are least able to absorb the financial shock of an unexpected fine and pay it down before penalties accrue, making even modest fines destabilizing in ways they would not be for wealthier households.[2] Second, and independent of ability to pay, research consistently shows that Black and Latino communities face more aggressive debt collection enforcement regardless of their financial profiles: studies controlling for income have found debt collection actions to be more than twice as common in majority-Black neighborhoods as in majority-white neighborhoods at equivalent income levels, suggesting enforcement patterns driven by racial targeting rather than financial risk alone.[3] Both dynamics are at work in New York City, and both must be addressed.

Once a debt is referred to a collection agency, fees can balloon dramatically, sometimes from $200 to $500—a product of the additional fees that collection agencies are authorized to add to outstanding debt, as well as interest that accrues on that debt. Given that almost four out of every ten people nationwide cannot afford a $400 emergency,[4] this ballooning of fees could be the difference between someone being able to pay their rent or buy groceries that month, and allowing the debt to accumulate, or foregoing basic necessities just to keep debt collectors at bay. Wage garnishment and liens on property can follow. Many residents, unaware of their rights or unable to navigate bureaucratic appeals processes, simply pay whatever the collector demands or default entirely, further damaging their financial stability.

Traffic debt is among the most common and racially inequitable categories of municipal debt in New York City. Police-issued traffic violations and parking tickets disproportionately burden residents in low-income and majority-Black and Latino neighborhoods,[5] where discretionary enforcement is most heavily concentrated, with Black and Latino New Yorkers accounting for nearly 90 percent of people involved in NYPD vehicle stops in 2022 alone. Unpaid traffic fines compound rapidly with late penalties and, when referred to collectors, frequently grow even further beyond any resident's ability to pay. This proposal explicitly covers traffic debt alongside all other municipal fines and fees.

The City has taken limited, piecemeal steps to address this crisis. The Department of Finance offers some installment agreements for certain tax debts,[6] and the Office of Administrative Trials and Hearings (OATH) provides hardship waivers in narrow circumstances.[7] But these programs are poorly advertised, difficult to access, and exclude most categories of municipal fines. No comprehensive, citywide framework exists to ensure that residents facing financial hardship can pay what they owe without being subjected to punishing collection practices. This proposal closes that gap..

New York City can provide debt relief with an income-based payment plan system.

The Mamdani administration should immediately suspend the referral of unpaid municipal fines and fees to third-party debt collectors and replace that system with a citywide Accessible Payment and Debt Relief Program (APDRP) a structured framework of income-based payment plans, automatic hardship relief, and targeted debt forgiveness for the City's most financially vulnerable residents. This action can begin through executive direction and agency rulemaking, and should be followed by legislation to make it permanent and enforceable.

This proposal proceeds by describing each of the APDRP core components in greater detail, and then by discussing which components can be accomplished using existing authority and which require legislative changes, budgetary and funding considerations, precedents that offer support for such a program in NYC, and how we can measure success in reforming the City's collection practices.

Core Components Of The Proposal

The APDRP employs a combination of mutually reinforcing initiatives to provide reasonable and affordable repayment options for low-income New Yorkers.

Moratorium on Third-Party Debt Referrals

The Mayor should direct the Department of Finance (DOF) and all relevant city agencies including the Department of Buildings (DOB), the Department of Consumer and Worker Protection (DCWP), the Department of Transportation (DOT), and the Environmental Control Board (ECB) to immediately pause all new referrals of unpaid fines and fees to private collection agencies while the APDRP is designed and implemented. Existing contracts with third-party collectors should be reviewed for renegotiation or termination. This moratorium can be effectuated through a mayoral executive order and agency directives, without legislative action, and should take effect within ninety days.

Income-Based Payment Plans

The APDRP would establish a universal right to an income-based installment agreement for any municipal fine or fee, including parking violations, camera-issued traffic tickets, and all other DOT-administered fines.

Monthly payment amounts would be capped as a percentage of the debtor's net monthly income, with ceilings of no more than 2 percent for households below 200 percent of the Federal Poverty Level (FPL) and no more than 10 percent for households between 200 and 400 percent of the FPL. Interest and penalty accrual would be suspended during the term of any approved payment plan. Residents would apply through a streamlined, multilingual online or in-person process administered by DOF, with application assistance available at all DOF borough offices and through a network of community-based partners, such as the City's existing network of financial counseling partners through DCWP's Office of Financial Empowerment.

Automatic Hardship Relief and Debt Reduction

The APDRP would provide partial or complete debt reduction on a tiered basis according to income. For residents at or below the federal Department of Housing and Urban Development's (HUD) "very low income" limit—defined as 50 percent of the median family income for a county or metropolitan area—the program would provide automatic penalty and interest waivers upon proof of income (which might also require state legislation removing the ability of penalties and interest to be imposed or accrue), reducing the outstanding balance to the original fine amount only. For those at or below HUD's limit ($57,400 for families in 2026[8]), the City should establish a debt forgiveness pathway for fines below a threshold amount (recommended: $1,500) applying to both existing debt accumulated prior to program launch and new fines incurred going forward and encompassing traffic debt, including accumulated parking violations and camera tickets that have ballooned with penalties beyond the original fine amount, recognizing that collection costs for small-balance debts often exceed the amounts recovered. Relief for existing debt would be implemented in phases, with timelines proposed here to balance ambitious and urgent action with what is practically possible in a complex bureaucracy: the moratorium on new third-party referrals would take effect within ninety days via executive order; income-based payment plans and hardship waivers would open within six months as DOF infrastructure is stood up; and debt forgiveness applications for qualifying existing balances would be available within twelve months of program launch, with full operations and local legislation codifying the program targeted for Year Two of the administration.

Centralized Citywide Debt Portal

A persistent barrier to resolving municipal debt is that residents often cannot determine what they owe, to which agency, and under what conditions. The Mayor should direct the Office of Technology and Innovation (OTI) to build a single, resident-facing portal that consolidates all outstanding municipal fines and fees across agencies, displays available relief options, and allows residents to apply for payment plans or hardship waivers in one place. This portal should be available in the City's designated languages (currently eleven), mobile-optimized, and accessible to individuals without a Social Security number.

Prohibit Referral for Debts in Active Dispute or Active Plans

The City should codify through local law that no fine or fee may be referred to a third-party collector while: (a) an administrative appeal is pending, including appeals of traffic violations before OATH, the NYC Transit Adjudication Bureau, or DOF; (b) the resident is enrolled in and current on a payment plan; or (c) a hardship waiver application is under review. This would eliminate a frequent injustice in which debts are sold to collectors even as residents are actively seeking relief through official channels. This protection is especially critical for traffic debt, where aggressive collection timelines frequently outpace residents' ability to navigate the appeals process.

Agency Authority and Implementation

Implementation of the APDRP would be led by the Department of Finance, with coordination from DOB, DCWP, DOT (which administers parking and camera-issued traffic violations), and the Mayor's Office for Economic Opportunity (NYC Opportunity). The moratorium on third-party referrals and the suspension of penalty accrual during payment plans can be accomplished through agency rulemaking (amending Chapters 34 and 39 of Title 19 of the Rules of the City of New York) without City Council action. Full codification of the program, including the debt forgiveness pathway and the prohibition on referrals during disputes, will require introductory legislation and Council passage, which the Administration should actively champion.

No state or federal action is required to implement this proposal, though the City should explore alignment with state consumer debt protection statutes and federal Consumer Financial Protection Bureau (CFPB) guidance on municipal debt.

Budget and Funding

The primary fiscal impact of this program is the revenue the City currently collects through third-party collectors. City agencies use a combination of contingency fee arrangements in which collectors retain 25 to 40 percent of recovered amounts and, in some cases, fixed-fee contracts, while the City retains the remaining collected fees as public revenue. As a result, the approximately $50 to $70 million collected annually in gross recoveries across agencies nets substantially less after accounting for 25 to 40 percent in collector fees and administrative overhead. Furthermore, this does not even take into account the significant administrative and social costs of aggressive debt collection, including enforcement labor, appeals hearings, and the downstream public assistance costs associated with financial destabilization of low-income households.[9] The APDRP would reduce these costs, allowing a fairer and more effective utilization of city resources and significantly curtailing the fiscal inefficiency of the current fines and fees system.

Startup costs for the unified portal and expanded DOF capacity should be funded through the City's capital and expense budgets, with potential supplemental funding from state and federal digital equity and access-to-justice grants. The City should also explore redirecting a portion of savings from reduced enforcement and collection overhead to fund the program's ongoing operations. Note: because the debt reduction policy recommended above would be offered for people with low-incomes who already likely have low or no ability to pay their debt, we assume that the City would not otherwise collect significant revenue in these cases, and that therefore the policy change would not result in any significant City revenue loss.[10]

Precedent and Evidence

New York City would not be acting alone. A growing number of jurisdictions have reformed predatory municipal debt collection in recent years:

- San Francisco eliminated most administrative fines for low-income residents through its Ability to Pay program, allowing courts and agencies to waive or reduce fines based on income, with reported reductions of up to 80 percent for qualifying individuals.[11]
- Chicago established a Debt Relief Program through its Department of Administrative Hearings that permits fine forgiveness and income-scaled repayment for residents in financial hardship, with demonstrated success in recovering more revenue than aggressive collection while reducing defaults.[12]

These models demonstrate that accessible repayment pathways recover more revenue, at lower cost, while producing fewer harmful downstream outcomes than third-party collection. And we now know, with quantifiable evidence, that fines and fees reform makes a concrete difference in addressing the affordability crisis for working families. A first-of-its-kind national analysis released in April 2026 by the Fines and Fees Justice Center found that fines and fees reforms enacted since 2018 have delivered more than $37.5 billion in financial relief to families across the country, preserving resources that people can now use to pay rent, buy groceries, and care for their families.[13] New York City has an opportunity to be part of that story.

Measuring Success

The Administration should establish baseline metrics and report publicly on program performance annually. Key indicators should include:

- Volume of fines and fees diverted from third-party collection annually, disaggregated by agency and community district
- Number and dollar value of payment plans established, and plan completion rates by income bracket
- Number of hardship waivers and debt forgiveness grants approved, and demographic breakdown of recipients
- Total debt resolved through the program versus through third-party collection in baseline years
- Resident satisfaction and complaint rates, tracked through 311 and agency feedback channels

Conclusion

Predatory debt collection by the City of New York is not a revenue strategy—it is a poverty trap. When the City hands unpaid fines to private collectors, it converts civil infractions into cascading financial crises for families who are already struggling, and it does so with demonstrably worse fiscal outcomes than accessible repayment alternatives would produce. The communities that bear the greatest burden are overwhelmingly Black and Latino New Yorkers living in neighborhoods that have long faced over-enforcement and under-investment.

The Mamdani Administration has an opportunity to act swiftly and decisively. A moratorium on third-party referrals can begin immediately through executive direction. The Accessible Payment and Debt Relief Program can be commenced using existing agency authority and codified through legislation. The technology infrastructure needed to make this work already exists in large part; it needs only to be coordinated and centered on the resident experience.

Ending predatory municipal debt collection is an act of economic justice that will strengthen families, stabilize communities, and ultimately recover more of what the City is owed without doing harm in the process. We urge the Administration to act now.

Endnotes

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11 *The Financial Justice Project*, City and County of San Francisco, https://www.sfgov.org/financialjustice.

12 *Administrative Debt Relief Program*, City of Chicago, https://www.chicago.gov/city/en/sites/administrative-debt-relief-program/home.html.

13 Lillian Patil and Dr. Marshall L. White, *The Cost We No Longer Pay: How Fines and Fees Reform Delivered Billions in Relief for Families*, Fines and Fees Justice Center, https://finesandfeesjusticecenter.org/articles/the-cost-we-no-longer-pay-how-fines-and-fees-reform-delivered-billions-in-relief-for-families/.