

MAKING GOVERNMENT WORK FOR DEED THEFT VICTIMS

TAXING ILL-GOTTEN RICHES: USING THE CITY'S
REAL PROPERTY TAXING AUTHORITY TO END DEED
THEFT

Christopher Fasano, Supervising Attorney

Joseph Rebella, Supervising Attorney

The Legal Aid Society

Deed theft continues to plague New York City neighborhoods, as existing protections do little to prevent fraudulent transactions.

Communities across New York City continue to be plagued by deed theft, a fraudulent transaction in which a deed thief causes a homeowner to transfer title to their property in order to strip home equity. Such schemes tend to proliferate when property values increase greatly in areas where homeowners have limited income and face affordability issues related to their home ownership. Deed theft strips mostly Black and brown New Yorkers of their equity and wrest away homes that may have been in the family for generations. This type of scam, long endemic in New York City neighborhoods experiencing gentrification, has been on the rise as property values have increased across New York City and New York State. In April 2026, the New York Office of the Attorney General reported a 240 percent increase in complaints related to deed theft from 2023 to 2025.

Deed theft can take different forms, but in the most basic and common form, the deed thief induces the homeowner, who may be at risk of losing their home due to a mortgage default or tax lien, to sign papers transferring title to the home to a straw buyer. The straw buyer then uses title to take out a new mortgage from a lender; usually this loan is taken out at the same closing in which title is transferred. The proceeds from the new mortgage are then used to “clear” the title to the property—that is, pay off the previous mortgage loan or tax lien that threatened homeownership. The deed thief arranges to receive the remaining proceeds.

Another equity stripping scheme closely related to deed theft involves “tangled titles,” in which scammers locate the heirs of a homeowner who dies without a will—or even the heirs’ heirs—and convince individual fractional owners to sell their portion of the property. Once in possession of these fractional interests, the scammers can attempt to force a sale of the property, sometimes through a partition action, in order to realize a windfall profit on their interest.

Many homeowners duped into these transactions do not even learn that they have lost their properties until years later, sometimes when they are sued in housing court to be evicted from their own family home. These scammers also hide behind limited liability corporations (LLCs), which makes tracking and shutting down their operations nearly impossible.

Although existing New York State law affords some defrauded homeowners the right to reclaim their title, this procedure takes place after the fact—and so does not prevent deed theft—and places the onus on individual homeowners to meet the high bar of demonstrating that the transaction should be unwound due to fraud. And,

even a deed theft victim who is able to obtain cancellation of the deed and mortgage might still have to pay the original amount owed to the scammer's lender in order to avoid foreclosure. Generally, the homeowner has fallen victim to a deed thief precisely because they cannot pay the original mortgage. Thus even successful advocacy on behalf of a deed theft victim may result in loss of the home.

New York City can prevent deed theft by making it harder to profit from fraudulent transactions.

Combatting deed theft locally requires a three-tiered approach. First, the city should use its recording and real property taxing authority to make deed theft unprofitable by imposing an enhanced real property transfer tax (RPTT) on suspicious transactions, as well as stringent documentation requirements for the RPTT returns if the grantee would like to be exempt from this enhanced tax. Second, the city should use this same authority to impose an enhanced mortgage tax on lenders that finance transactions that are suspected of deed theft with an exemption for lenders that can meet stringent documentation requirements showing that they investigated transactions to confirm that they were bona fide. These first two proposals operate by making deed theft or the sale of a stolen deed cost prohibitive for the deed thieves and their financiers, with exceptions for transactions that do not involve a stolen deed. And third, the city should make it easier for homeowners to resolve municipal debts and liens, so that homeowners are less susceptible to scams and deed theft.

Although deed theft and equity-stripping scams come in different forms, and are ever-evolving, the most common deed theft scams involve the transfer of residential real property to or from LLCs and other business entities. The heightened recording requirements for deeds and mortgages, therefore, will be limited to transfers of one- to four-family residential real property and condo units to LLCs and other business entities.

Although these proposals require legislation to amend the NYC Administrative Code, they align with the Mayor's campaign commitments and policy goals. A powerful way for the Mamdani Administration to commit to protecting vulnerable homeowners during the ongoing affordability crisis would be to champion these policies with the City Council. These proposals would also afford the Office of Deed Theft Protection an opportunity to investigate potential deed theft before title is stolen, so that the Office can prevent the deed thefts from happening in the first place, rather than be limited to investigating deed thefts after they have occurred.

Imposing an Enhanced Real Property Transfer Tax on Transfers That Are Suspected of Deed Theft

The City should amend the RPTT to impose a confiscatory tax on transfers of residential real property to LLCs or corporations unless the LLC or corporation can demonstrate that it has not acquired the property by deed theft. If implemented, this would prevent fraudulent transactions from being recorded and completed by eliminating the financial incentives for scammers. The City can do this by taking the following measures:

1. Expand the scope of the covered LLCs that are subject to disclosure when filing a RPTT return.

NYC Administrative Code Section 11-2105(h) already provides that an LLC must disclose its members when it is “the grantor or grantee of a deed for a building used as residential real property containing up to four family dwelling units.” The City should amend the scope of this section to cover other business entities, in addition to LLCs, and to cover condominium units as well.

2. Impose a 100 percent RPTT on these transfers.

The City should amend Section 11-2102 to impose a Deed Theft Tax on transfers of residential real property by natural persons to an LLC or other business entity. That tax would be 100 percent of the fair market value of the property, and it would be imposed on the grantee LLC or other business entity.

3. Exempt LLCs and other business entities from the 100 percent RPTT if they attach documentation to the RPTT return demonstrating that the deed was not stolen.

The City should amend the RPTT to add a new Section 11-2105(h)(1) to prescribe the specific requirements to qualify for an exemption from the Deed Theft Tax. These documents would be attached to the RPTT return in which a natural person transfers real property to an LLC or other business entity. These requirements would include: (a) an affidavit signed by a U.S. Department of Housing and Urban Development (HUD)-certified housing counselor that the grantor met with the counselor to discuss the transfer; (b) a form signed by the Office of Deed Theft Prevention that it has investigated the transaction and has not found indicia of deed theft; and (c) a form, prescribed by the Department of Finance, describing in laymen’s terms the nature of the transaction, consideration, fees and costs, and application of payments, to be signed by the grantor.

Furthermore, should the registrar later determine that the property was transferred as a result of deed theft, the City should be able to require the LLC or corporation, and its beneficial owners, to pay the Deed Theft Tax with interest and penalties. Given that in these circumstances, the transaction was fraudulent, the scammer would almost certainly not pay the Deed Theft Tax. When the LLC or other business entity fails to do so, the City should be authorized to commence a foreclosure action for the unpaid tax and provide the homeowner with the right to purchase the property at auction for a nominal amount, such as one dollar.

4. Promote transparency for the LLCs and other business entities that acquire residential real property.

In addition to these heightened RPTT return requirements, any deed transferred to an LLC or other business entity should list the actual amount of the consideration provided and should identify the natural persons who own the LLC or business entity. Additionally, the City should license these LLCs and other business entities to ensure that they are not engaged in fraud. This could be operated through the Department of Consumer and Worker Protection and would include: (a) requiring the LLCs and other business entities to disclose their members and/or owners and, if those members and/or owners are LLCs or business entities, the ultimate natural persons who own the interest; (b) an organization chart for the business; (c) a business plan; (d) an accounting of the LLC or other business entity's income and expenses; and (e) an accounting of its transactions or proposed transaction and related financing. Failure to comply with this licensing requirement would provide homeowners faced with a foreclosure action or eviction initiated by a deed thief with a defense under New York State Civil Practice Law and Rules sections 3015(e) and 3211(a)(7). Furthermore, the registrar should require a member of the LLC or other business entity to physically file the deed in-person, and the registrar and the Department of Finance, through the Office of Deed Theft Prevention, should have the authority to review proposed transactions and interview that person.

Imposing an Enhanced Mortgage Tax on Loans That Scammers Use To Finance Suspected Deed Theft

The City should impose a confiscatory tax on mortgages that are secured by real property that was transferred from a natural person to an LLC or other business entity unless the lender can demonstrate that the borrower has not acquired the property by deed theft. The City can do so by taking the following measures:

1. Impose a 100 percent mortgage tax on loans to LLCs or other business entities that acquired the underlying residential real property from a natural person.

The City should amend NYC Administrative Code Section 11-2601, which already imposes a tax on mortgages, to impose a 100 percent tax on mortgages (the "Deed Theft Financing Tax") in which the borrower is an LLC or other business entity that acquired the underlying residential real property from a natural person. That tax would be imposed on the lender.

2. Exempt lenders from the Deed Theft Financing Tax if they provide documentation demonstrating that the underlying deed securing the loan was not stolen.

The City should further amend Sections 11-2601 through 11-2604 to prescribe the specific requirements to qualify for an exemption from the Deed Theft Financing Tax. These requirements would include: (a) an affidavit signed by the lender stating that they spoke with the HUD-certified housing counselor to confirm that the counselor met with the grantor to discuss the transaction; (b) an affidavit signed by the lender stating that they confirmed with the Department of Finance that it has investigated the transaction and has not found indicia of deed theft; and (c) that it reviewed the form, prescribed by the Department of Finance, describing the nature of the transaction, consideration, fees and costs, and application of payments, and that it confirmed with the grantor that the grantor has received and reviewed the form.

As with the Deed Theft Tax, should the registrar later determine that the underlying property was transferred as a result of deed theft and that the lender was not a bona fide encumbrancer for value, *i.e.*, they did not finance the transaction in good faith, the City should be able to require the lender to pay the Deed Theft Financing Tax, with interest and penalties, to a fund the City will maintain to compensate victims of deed theft. Homeowners would qualify for a disbursement from the fund if they transferred their property to an LLC or other business entity that received financing from a lender that was later required to pay the Deed Theft Financing Tax, and in an amount not to exceed that tax.

Reducing the Burden on New Yorkers To Resolve Municipal Debts

One driver of deed theft is the difficulty homeowners encounter in resolving property tax arrears, water debt, and liens for emergency repairs. These unpaid bills become liens on the property and will appear on tax lien sale lists when the City sells the tax liens, which effectively hands to scammers a list of potential targets. Even more fundamentally, the City should strive to reduce these delinquencies by streamlining the process for applying for various exemptions and payment plans.

1. End the tax lien sale program for one- to four-family residential real property and condominiums.

Although the City has recently overhauled the tax lien sale program, to ensure that these liens will be sold to an as-yet unformed land bank,¹ it would be better still to simply end the tax lien sale program altogether for one- to four-family residential real property and condominium units. Even with a sale to a land bank, homeowners are at risk of losing their homes for liens that could be paid in full when

the property is eventually sold by the homeowner or their family, on their own timeline. Even though this delays collection, the City would still be made whole and the homeowner could remain in the home. Ending the tax lien sale program would also benefit the City, as the tax lien sale program has a disproportionate effect on majority Black and Hispanic neighborhoods.²

The City should therefore amend NYC Administrative Code Section 11-319 through 11-322 to simply end the tax lien sale program for one- to four-family residential real property and condominium units, and provide that the unpaid liens are to be paid when the home is sold or title is transferred, including upon death of the homeowner. At minimum, the City should amend Section 11-320 to prohibit the City from publishing the list of tax liens to be sold at auction, and to instead authorize the Department of Finance to share this list with approved nonprofit legal service providers and housing counseling agencies to help homeowners resolve their liens.

2. Expanding the scope of hardship installment agreements to include water debts and debts for emergency repairs.

Currently, a homeowner can only enter into a hardship installment agreement for unpaid property taxes.³ The City should amend NYC Administrative Code Section 11-322.1 to include water debts, debts for emergency repairs, and any other municipal debts that can become a foreclosable lien on the property.

3. Ease the application process for hardship installment agreements for heirs.

While heirs with tangled titles are eligible for hardship installment agreements, the NYC Administrative Code makes such agreements difficult to obtain for heirs who do not hold consolidated title. For example, NYC Administrative Code Section 11-322.1 ties eligibility to the combined income of all property owners. Where title is tangled, some owners may be out of state and have limited or no contact with the property owner who actually lives in and maintains the home. Accordingly, this section should be amended to condition eligibility to the combined income of only property owners who reside in the property.

4. Ease the property tax exemption process for heirs.

Similarly, although heirs are eligible for the Senior Citizen Homeowner Exemption (SCHE) and the Disabled Homeowners Exemption (DHE) property tax exemption programs, owners of heirs property are unlikely to qualify for these exemptions. To be eligible for SCHE or DHE, all property owners must

meet the eligibility criteria unless the owners are siblings or spouses. If title is tangled, the eligibility criteria are extremely unlikely to be met by all the heirs. The City should amend NYC Administrative Code Sections 11-245.3 and 11-245.4 to consider the age and disability status of resident heirs only.

Overall, these measures are novel. While other jurisdictions have attempted to address deed theft through outreach and education, which are salutatory, this proposal would cut to the heart of the problem by attacking the financing for these scams and eliminating scammers' financial gain. Moreover, the City can readily adopt these proposals at minimal cost. The proposals to expand the hardship installment plan programs may yield greater revenue if more homeowners who are not otherwise able to pay enter into these plans, while the proposal to expand the property tax exemptions will reduce revenue, which would somewhat offset one another. Cancelling the lien sale would be revenue neutral compared to years in which the City declines to hold a tax lien sale.⁴ Given that the City is transitioning the lien sale program, it is difficult to determine how much revenue the City would lose, if any, from cancelling the lien sales altogether for one to four family residential real property. And while it may be necessary to hire additional personnel into the Office of Deed Theft Prevention to investigate these transactions, this could be offset by charging a processing fee to LLCs and business entities seeking an exemption to the Deed Theft Tax.

Because the victims of deed theft are often unaware that their deeds have been stolen, it is often difficult to measure the frequency of these scams and, therefore, it will be difficult to measure their decline should the City adopt these measures. That said, any decrease in the number of transfers of residential real properties to LLCs and other business entities would strongly suggest a decrease in deed theft. Given that these amendments would require homeowners to meet with housing counselors, those counselors may be able to provide a more qualitative assessment about whether an increasing number of homeowners are reaching out to them before they've transferred their deeds and, generally, how these matters are being resolved.

Conclusion

Deed theft has been a scourge in part because no city or state has attempted to tackle the financial drivers for this scam. Outreach and education can only go so far. It is difficult to reach homeowners before their deeds are stolen, and even if the City could reach every homeowner susceptible to deed theft, it still would be met with limited success because scammers often rely on homeowners' vulnerabilities and build false confidence with them through a host of unfair, deceptive and abusive techniques. Rather than ask more of the homeowner—to be ever more vigilant in a world of increasingly sophisticated scams—we should ask more of the City to hold scammers to account. Specifically, a business entity should pay a confiscatory transfer tax if it cannot show that the transfer is bona fide. Similarly, a lender should pay a confiscatory mortgage tax if it refuses to do basic due diligence and funds a loan that bears the hallmarks of a deed theft. Better than a world of informed consumers able to navigate around scams is one where the City stamps out the scams in the first place.

Endnotes

- 1 Local Laws 56, 65, and 62 of 2026.
- 2 Report, *New York City's Tax Lien Sale: History, Outcomes, and Alternatives*, New York City Independent Budget Office (Apr. 2026), <https://www.ibo.nyc.gov/assets/ibo/downloads/pdf/taxes-and-other-revenues/2026/2026-april-nycs-tax-lien-sale.pdf>.
- 3 NYC Admin. Code Section 11-322.1.
- 4 The City did not conduct lien sales in 2020, 2022-2024 and 2026.