

AFFORDABLE NYC NOW: MAKING GOVERNMENT WORK

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BORROWERS** 

**THE CENTURY
FOUNDATION** 

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Introduction

Every time a New Yorker gets caught in a bureaucratic web while seeking city assistance, pays a fine they couldn't afford, or goes without a benefit for which they never knew they qualified, they lose trust in their government. When problems go unaddressed due to agency budget or staffing limitations, New Yorkers pay the price. A city committed to affordability must also be committed to making its own systems work better.

This section presents proposals for improving how city government functions—strategically deploying services and resources, reducing bureaucratic friction, and identifying and leveraging potential revenue streams. Many of these changes require no new legislation, adopt a common-sense approach to policymaking, and offer the Administration a blueprint for accomplishing commitments it has already made.

Making New York City affordable means building a government that treats people's time and money with the same respect it asks of them, and that can efficiently deploy its limited resources.

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MAKING GOVERNMENT WORK BY MONITORING FINANCIAL DISTRESS

MAPPING CONSUMER DEBT-DRIVEN FINANCIAL
DISTRESS IN NEW YORK CITY

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Hidden financial distress: rising consumer debt is driving uneven economic vulnerability across New York City.

An increasing number of households in New York City are experiencing increased financial instability that is driven by the growing burden of consumer debt. While overall debt-to-income ratios in New York remain relatively manageable compared to other states,¹ this aggregate measure masks significant and worsening distress at the household and neighborhood level. Rising credit card balances, increasing auto loan delinquencies, and the reemergence of student loan repayment obligations have placed new pressure on already financially vulnerable New Yorkers.²

Recent data show that delinquencies are rising across debt types, with 4.8 percent of household debt now delinquent, and increases in serious delinquency for credit cards, mortgages, and student loans.³ These trends are concentrated among lower-income households and in historically under-resourced communities, where residents are more likely to rely on high-cost credit and less able to absorb economic shocks. As a result, financial distress is not evenly distributed. It is clustered geographically, particularly in communities of color, reflecting longstanding inequities in income, wealth and access to affordable financial products, even as it remains largely obscured in citywide averages.⁴

In New York City, residents in communities of color are significantly more likely to have subprime credit scores, limiting access to lower-cost borrowing and increasing reliance on high-interest credit products.⁵ National data show that 42 percent of borrowers in predominantly non-White communities have debt in collections, compared to just 26 percent in predominantly White communities, underscoring stark disparities in financial vulnerability.⁶

Current policy approaches rely heavily on income-based indicators, such as poverty rates and employment levels, which fail to capture these dynamics. While important, these measures do not reveal the real-time financial pressures households face as they manage multiple forms of debt. As a result, the City lacks a comprehensive, neighborhood-level understanding of where debt-driven financial distress is most acute and which forms of debt are driving instability.

Neighborhoods with similar median incomes, for example, can experience dramatically different levels of financial vulnerability depending on factors such as debt burden, credit utilization, delinquency rates, and exposure to collections. Without incorporating these dimensions, the City lacks visibility into where financial distress is actually occurring and how it is evolving over time.

This gap limits the City's ability to:

- Identify early warning signs of financial instability
- Target financial counseling, debt relief, and outreach programs effectively
- Prevent cascading outcomes such as eviction, job disruption, vehicle lost, and long-term credit damage

As a result, policy responses are often reactive, addressing crises after they emerge, rather than preventative. Moreover, the absence of a standardized, data-driven framework makes it difficult to measure program impact or allocate resources equitably, and limits the effectiveness of financial counseling, consumer protection enforcement, and borrower relief efforts.

Without a more precise, data-driven framework to measure and map financial distress, New York City risks misallocating resources and missing opportunities to prevent crises such as eviction, default, and long-term financial exclusion, particularly among low-income communities and communities of color.

Creating a Consumer Debt Distress Index (CDDI)

To address this gap, this proposal recommends the creation of a ZIP code-level Consumer Debt Distress Index (CDDI) to map and monitor financial distress across New York City.

The CDDI can integrate key indicators of financial vulnerability, including:

- Debt burden relative to income
- Delinquency and default rates across debt types
- Credit utilization and accounts in collections
- Exposure to high-risk or high-cost debt products

These components can be combined into a composite index, generating a granular, neighborhood-level map of financial distress that identifies both the severity and drivers of economic vulnerability.

To further strengthen its policy relevance, the CDDI should incorporate age-disaggregated insights, enabling analysis of financial distress across key population groups—particularly working-age adults and older adults. This added dimension will allow the City to identify distinct patterns of vulnerability, such as student loan and credit card stress among younger adults or fixed-income and medical-related debt burdens among older residents.

Incorporating age-based analysis will support more precise and tailored interventions, helping agencies design strategies that reflect the specific financial risks, income dynamics, and support needs of different populations, and ensuring that outreach, counseling, and relief efforts are aligned with the lived experiences of New Yorkers across the life course.

Current financial counseling, consumer protection enforcement, and outreach efforts are constrained by limited geographic targeting and incomplete data infrastructure. Existing approaches typically rely on:

- Income and poverty measures
- Citywide or borough-level data
- Program participation metrics rather than underlying financial stress

Aggregate indicators often obscure localized pockets of distress within otherwise prosperous areas. Without neighborhood-level insights into debt burden, delinquency, and credit health, the City cannot fully align resources with need. The CDDI addresses these shortcomings and offers a place- and consumer-based targeted alternative strategy.

Implementation Through Executive Action

The City can implement this initiative through Mayoral executive action, ensuring rapid deployment and strong cross-agency coordination. Specifically, the Mayor can issue an Executive Order directing the development of a citywide financial distress mapping system and establishing the CDDI as an interagency priority aligned with the City's affordability and economic mobility goals. This directive would formalize collaboration across key agencies and ensure accountability in building a comprehensive, data-driven framework to identify and address neighborhood-level financial distress.

The Department of Consumer and Worker Protection (DCWP) has the track record and subject-matter expertise to lead this initiative, and could collaborate closely with the Federal Reserve Bank of New York and relevant City agencies—including the NYC Office of the Comptroller, the Mayor's Office of Economic Opportunity, the Department of Housing Preservation and Development, the Human Resources Administration, and the Mayor's Office of Data Analytics—as well as external research partners, to support data integration, analysis, and implementation. Community-based organizations would play a critical role in validating findings and supporting targeted outreach.

To maximize the CDDI's utility, the City should develop a public-facing, interactive dashboard that maps financial distress at the ZIP code level, providing a dynamic and accessible tool for policymakers, agencies, and community stakeholders. The dashboard will display:

- Distress levels across neighborhoods
- Key drivers of debt distress by ZIP code (e.g., credit cards, student loans, auto loans)
- Trends over time to identify emerging risks and improvements

In addition to citywide visualization, the platform should allow users to filter and aggregate data by City Council district, borough, and other administrative boundaries, enabling elected officials to better understand financial conditions within their constituencies. The City should also produce regular briefing reports and district-level summaries tailored for elected officials, agency leaders, and community partners.

This approach will promote transparency, support data-driven decision-making, and equip policymakers and community-based organizations with actionable insights to more effectively target services, outreach, and interventions in the communities most in need.

This initiative will enable New York City to:

- Target financial counseling and outreach to the highest-need neighborhoods
- Direct debt-relief efforts where borrowers are most vulnerable
- Strengthen consumer protection enforcement in high-risk areas
- Improve cross-agency alignment, connecting debt distress data to housing, workforce, and public benefits programs

Most importantly, it will allow the City to shift from a reactive to a preventative policy approach, identifying risks early and intervening before financial instability escalates into crisis.

CDDI Case Study: Student Loans

The student loan debt crisis serves as a case study for mapping distress and targeting resources to provide critical relief. Within the City, student loan outcomes reflect similar inequities. Predominantly minority neighborhoods experience higher rates of student loan default, tied to systemic disparities in educational access, labor market outcomes, and wealth accumulation.⁷ Nationwide, including in New York, student loan borrowers are experiencing unprecedented levels of delinquency and defaults.⁸

In the past, the City has mapped student loan distress and issued population-specific reports on student loan borrowers as a tool for delivering resources to at-risk New Yorkers.⁹ These efforts allowed the City to deploy financial counselors and free legal assistance to communities with the greatest need, delivering resources that were bespoke to the problem. Through the CDDI, the City could do the same with all types of financial distress that New Yorkers face.

Connection to Affordability, Economic Justice, and Racial Justice

Consumer debt distress is fundamentally an affordability issue. As the cost of living in New York City continues to rise, many households rely on credit, both traditional credit such as credit cards and loans, and more frequently, Buy Now Pay Later and Payroll Advance types of products¹⁰ to cover essential expenses such as

housing, healthcare, and transportation. When debt becomes unaffordable due to high interest rates, rapidly increasing balances, or unstable incomes, households can become trapped in cycles of repayment that undermine long-term financial stability.

This issue is also central to economic justice. Credit health influences access to foundational opportunities. A borrower's credit profile can determine their ability to:

- Secure stable housing
- Access employment opportunities
- Obtain affordable insurance, utilities, and financial products

As such, debt-driven financial distress can limit upward mobility and reinforce broader inequality.

The issue is deeply tied to racial justice as well. Structural disparities in wealth, credit access, and income mean that Black and Latino New Yorkers are more likely to experience high-cost borrowing, lower credit scores, and aggressive debt collection practices. These inequities reflect systemic barriers that continue to shape financial outcomes across generations.¹¹ The CDDI would therefore serve as a tool to advance the Administration's commitment to affordability and economic and racial justice.

Conclusion

The challenge facing New York City is not simply the amount of debt residents carry, but how that debt is distributed, structured, and experienced across communities and across the life course. Aggregate economic indicators obscure deep disparities in financial vulnerability, particularly among low-income households, communities of color, and different age groups, masking the uneven ways in which debt burdens and financial risks are felt across the city.

A neighborhood-level understanding of consumer debt distress is essential to advancing affordability, promoting economic mobility, and addressing persistent racial and economic inequities. By establishing a Consumer Debt Distress Index through executive action, the City can equip itself with a powerful tool to identify need with precision, anticipate risks, and deliver more targeted, equitable, and effective policy responses.

This proposal offers a clear and achievable path forward: one that transforms fragmented data into actionable insight, and insight into meaningful impact. By investing in a more comprehensive and data-driven understanding of financial distress, New York City can better protect its residents, strengthen household stability, and ensure that all communities—across incomes, neighborhoods, and age groups—have a fair opportunity to achieve long-term financial security.

Endnotes

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MAKING GOVERNMENT WORK FOR DEED THEFT VICTIMS

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

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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

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- 3 NYC Admin. Code Section 11-322.1.
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MAKING GOVERNMENT WORK FOR IDENTITY THEFT VICTIMS

EXPANDING ACCESS TO JUSTICE FOR
ECONOMICALLY MARGINALIZED AND VULNERABLE
NEW YORK CITY IDENTITY THEFT VICTIMS

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CAMBA Legal Services, Inc.

NYPD personnel systematically refuse to provide identity theft police reports to victims of identity theft.

New York City Police Department (NYPD) personnel systematically refuse to provide identity theft police reports to victims, preventing them from obtaining relief from the far-reaching consequences of identity theft and achieving financial security.

In our increasingly technological society, identity theft is surging.¹ New York State ranks twelfth in the nation in identity theft, and in 2024, New Yorkers reported 58,692 identity theft cases to the Federal Trade Commission (FTC).² This crime disproportionately impacts NYC's most marginalized communities, including people with low income/low wealth, people of color, immigrants, people with disabilities, seniors, and domestic violence survivors.³ Identity theft causes enduring hardship:⁴ debt collection, state court lawsuits, judgment enforcement, and ruined credit overwhelm and consume victims for years.

State and federal law provide remedies for victims of identity theft, but to access these remedies, victims often need a report from law enforcement.⁵ Unfortunately, for too many New Yorkers, such a report is virtually impossible to obtain. Many NYPD personnel will not take nor provide the victim's police report, instead demanding additional documentation or telling victims that what happened to them was not a crime. In other cases, personnel may take the report, but the victim is then unable to obtain a copy.

Without an identity theft police report, victims cannot defend against debt collection actions or get fraudulent accounts removed from their credit reports. Victims languish, unjustly, for years, with negative information staying on credit reports—preventing victims from accessing housing and credit of their own—and with creditors enforcing judgments against the income that victims need to survive.⁶

NYPD must train its personnel and require them to provide identity theft reports in compliance with NYS law.

The NYPD must implement oversight processes so that victims of identity theft are able to defend against debt collection actions and have fraudulent accounts removed from their credit reports.

Current Law and Practice

New York Executive Law § 646 provides that an identity theft victim “may make a complaint to the local law enforcement agency of the county” where the identity theft took place or where the financial harm was suffered, and that the “local law enforcement agency shall take a police report of the matter and provide the complainant with a copy of such report free of charge.” Identity theft and related crimes are clearly defined in the NY Penal Code at Article 180.

Separately, the NYPD Patrol Guide defines a complaint as an “*allegation*” of unlawful or improper conduct that necessitates investigation to determine if an unlawful or improper act actually occurred.⁷ An identity theft complaint can be taken by any member of the service and then referred to a desk officer and detective for review and investigation.⁸ Reporting criteria are contained in the Crime Complaint Reporting System Reference Guide, which, unfortunately, is not publicly available.⁹ But the Patrol Guide makes clear that investigation is not required before a complaint can be recorded.¹⁰ And at a joint hearing by the New York City Council’s Committee on Aging and Committee on Public Safety, NYPD Deputy Chief Julie Morrill, of the Quality Assurance Section, testified that additional documentation is not required for a complaint of identity theft to be taken—investigation happens afterwards.¹¹

Notwithstanding their state law mandate and internal policy, NYPD personnel still often refuse to take identity theft reports.¹² Instead, they deflect in a range of ways, claiming the identity theft is a civil or family matter, directing the complainant to go to another precinct, or demanding additional documentation that is impossible to get for a person who did not open the account in question.¹³ Sometimes personnel intimidate victims to dissuade them, often with a discriminatory dimension. Domestic violence survivors are frequently told that the identity theft committed by their abusers was not a crime because they were married at the time.¹⁴ One client of CAMBA Legal Services, Inc., a Spanish-speaking immigrant with a history of trauma, was taken to an interrogation room when she tried to make an identity theft report, and threatened in Spanish with arrest for perjury. Another client, an immigrant from China, was told that “identity theft is a Chinese problem,” and that the police could not help him. Even individuals who are able to make a report face additional obstacles: some

reports do not contain information such as credit account numbers or balances, even when the victim reported that information. Some reports only state the balance without interest and fees, even though the creditor seeks to hold the victim liable for those charges and they are the direct result of the identity theft.¹⁵

Often, victims cannot get a copy of the police report. In advocates' experience, obtaining a police report for identity theft is a multi-step process, involving filing the complaint at a precinct and receiving a "receipt" or being told to call back later for the number, and separately requesting and receiving the actual police report of identity theft. But many victims are not told it is possible to get a more comprehensive report than the receipt, while others get the runaround when they try to call back for the number, and still others are unable to get a copy despite their best efforts.

Recommendations for Reform

First, officers should receive training underscoring: (1) the definition of identity theft under the penal code and what factual circumstances meet that definition; (2) that documentation is not necessary to report identity theft; and (3) the level of detail that should be included in an identity theft police report so that victims can obtain relief, including account numbers and account balances, if the complainant has that information. Training should be trauma-informed and should also discuss the pervasiveness of identity theft, the targeting of marginalized communities, and the methods by which identity theft is perpetrated.

Second, NYPD's Quality Assurance Initiatives division should implement mechanisms to determine whether identity theft reports are actually being taken. These should include a publicized, easily accessible grievance and escalation process for victims who face problems getting a report, and procedures for regular oversight and resolution of these grievances.

Third, the New York City Mayor's Office of Criminal Justice (NYC MOCJ) should produce Know Your Rights materials for victims of identity theft that are posted online and in all police precincts explaining what identity theft is and how it can be reported. Materials should include information about how victims can address identity theft, similar to existing materials issued by the FTC and the New York State Attorney General, but more specific and tailored to New York City residents. NYC MOCJ should undertake a public information campaign to broadly publicize the assistance that victims can get through NYC MOCJ.

Fourth, the process of obtaining a copy of an identity theft report should be streamlined. Once a report is taken, a copy of it should be automatically provided to the complaining victim by the means they identify as most convenient—and most secure—for them. This could be by mail, email, and/or secure online portal. This

would significantly reduce the barriers for victims, who might otherwise be dissuaded by the extensive steps required to obtain a copy.

One persistent obstacle to the taking of identity theft reports is the view by precincts that identity theft is an unsolvable crime. The Mayor's Office and NYPD should work together to address that concern as part of any overhaul. We recommend that precincts be permitted to separately report identity theft crimes so they are not included in overall crime statistics to remove the potential disincentives to taking identity theft reports.

These policy changes would address the systemic problem identified here for all NYC residents and could be immediately adopted. The Mayor could issue an executive order outlining the proposed recommendations and reforms, followed by introduction of a bill in the City Council that would mandate the proposed recommendations in local law in order to sustain and institutionalize the reforms. The Mayor's Office should give due consideration to a legal enforcement mechanism for identity theft victims to ensure compliance with the recommended mandates.

The budgetary action needed to implement the proposed recommendations and reforms would be relatively minimal. Costs would include:

- Developing a training curriculum and implementing training for NYPD personnel related to identity theft and the taking of identity theft police reports.
- Developing quality assurance processes to assess compliance with the rules and directives around the taking of identity theft reports.
- Developing NYPD guidance and directives on identity theft and the taking of identity theft police reports.
- Developing procedures to streamline the process by which victims obtain copies of identity theft reports.
- Developing a public information campaign on identity theft and how victims can obtain identity theft police reports.

NYPD is the principal city agency involved in implementing the proposal. However, the New York City Mayor's Office of Criminal Justice, the Mayor's Office to End Gender-Based Violence, the New York City Department of Consumer and Worker Protection, and New York City Department for the Aging should all have an opportunity to help design and implement the recommendations and reforms outlined in the proposal.

Prior Reform Efforts

Over the last several decades, stakeholders in NYC and beyond have sought workarounds and improvements to the identity theft reports problem, with little success.

The FTC created a process for identity theft victims to make a report online under penalty of perjury, called the FTC Identity Theft Report.¹⁶ Federal guidance makes clear that this report is a law enforcement report and should be sufficient grounds for a victim to obtain relief, and the FTC has issued a memorandum to law enforcement explaining the importance of the separate identity theft police report and instructing law enforcement personnel to provide victims with an “Identity Theft Report,” composed of the police report with the victim’s FTC ID Theft Complaint attached or incorporated.¹⁷ Unfortunately, law enforcement personnel rarely do so.¹⁸ In addition, advocates have helped clients obtain alternate identity theft reports through, for example, the Federal Bureau of Investigation’s Internet Crime Complaint Center and the United States Postal Inspection Service. But credit reporting agencies and creditors routinely reject all these reports, instead demanding a local police report.¹⁹

In 2017, consumer advocates from thirteen legal services organizations wrote to the NYPD Commissioner describing the problem and NYPD’s legal obligation to provide police reports to identity theft victims.²⁰ The NYPD never responded. Additional advocacy efforts led to one meeting between the Mayor’s Office to End Gender-Based Violence, consumer advocates, and the NYPD. No systemic reform came out of any of these advocacy efforts.

Starting in 2018, CAMBA Legal Services obtained funding from the New York State Office for Victim Services to provide legal services to victims of crime, including identity theft victims. CAMBA paralegals began accompanying identity theft victims to police precincts to help them secure identity theft police reports and witnessed firsthand how difficult it is to obtain a report. Paralegals often had to visit the precinct multiple times, spend hours waiting, and advocate with detectives and officers—but even with this extraordinary advocacy, they still did not achieve universal success.

Most recently, in 2024, CAMBA Legal Services and the Feerick Center engaged in joint advocacy efforts with the NYC Council regarding NYPD’s widespread and longstanding refusal to provide identity theft police reports to victims. This led to NYC adopting Local Law 35 of 2025 (formerly Int. 1101-2024), which requires the NYPD to post information about identity theft on its website and provide training to NYPD personnel on responding to and investigating suspected identity theft.²¹ To our knowledge, NYPD has yet to comply with Local Law 35 of 2025. A search for “identity theft” on the NYPD website on April 27, 2026, yielded limited information.²²

Also in response to advocates' outreach efforts, the Quality Assurance Section of the NYPD began conducting precinct-specific training on the taking of identity theft reports in response to advocate complaints on behalf of clients, but the problems remain widespread.

Measuring Success

The success of these reforms could be measured in a variety of ways:

- NYC could survey consumer law advocates on an annual basis to assess whether the NYPD is effectively implementing the proposed recommendations and reforms.
- NYC could establish a complaint process for individual identity theft victims that is easily accessible and would enable the NYPD to monitor complaints and trends.
- NYC could conduct regular evaluations of the proposed recommendations and reforms, via quality assurance mechanisms, audits, investigations, or spotchecking of practices in precincts throughout the city.

Conclusion

NYPD personnel systematically refuse to provide police reports of identity theft victims, many of whom are people of color, immigrants, people with disabilities, and people with low wealth/low incomes. This widespread practice is often discriminatory and prevents victims from obtaining relief from identity theft, leading to financial hardship and barriers to building savings and accessing credit. The reforms described above would meaningfully address this problem and would give identity theft victims a critical resource they need to undo the consequences of the crime committed against them, and achieve financial security.

Endnotes

- 1 See, e.g., Report, Consumer Sentinel Network Data Book 2024, Fed. Trade Comm. 54 (Mar. 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/csn-annual-data-book-2024.pdf [Hereinafter FTC, Consumer Sentinel Network Data Book 2024]; Katherine Cloud, Ilya Brovin, and Andrey Severyukhin, *How identity fraud is increasing in the age of AI*, World Economic Forum (Dec. 11, 2025), <https://www.weforum.org/stories/2025/12/how-identity-fraud-is-increasing-in-the-age-of-ai/>.
- 2 FTC, Consumer Sentinel Network Data Book 2024 at 54.
- 3 See Sarah Dranoff, *Identity Theft: A Low-Income Problem*, American Bar Association (Dec. 15, 2014), https://www.americanbar.org/groups/legal_services/publications/dialogue/volume/17/winter-2014/identity-theft--a-lowincome-issue/?login.
- 4 Marguerite DeLiema et al., *Identity Theft and Older Adults: How Minorities and the Poor Suffer the Worst Consequences*, 5 *Innov. Aging* 322-23 (2021), <https://pmc.ncbi.nlm.nih.gov/articles/PMC8680321/>.
- 5 See, e.g., Fair Credit Reporting Act, 15 U.S.C. 1681c-1; Truth in Lending Act, 15 U.S.C. 1643; N.Y. GBL 604-a. And while a police report is not required to make out a defense of identity theft to a state court debt collection act, judges often order victims to obtain them.
- 6 Ryan Bolger, *Door Shut and Ears Plugged: How Consumer Reporting Casts Identity Theft Victims Out of Financial Society and How the Law Can be Harmonized to Bring Them Back In*, 15 *Brooklyn J. of Corp., Fin. & Comm. L.* 156-64 (2020), <https://brooklynworks.brooklaw.edu/cgi/viewcontent.cgi?article=1344&context=bjcfcl>; Manual, *Protecting Wages, Benefits, and Bank Accounts from Judgment Creditors*, National Consumer Law Center (Oct. 29, 2020), <https://library.nclc.org/article/protecting-wages-benefits-and-bank-accounts-judgment-creditors>; Diane Johnston & Divya Subrahmanyam, *Denied! How Economic Abuse Perpetuates Homelessness for Domestic Violence Survivors*, Fordham University School of Law, CAMBA Legal Services, Inc., and The Legal Aid Society 5-6 (Sept. 2018), <https://camba.org/wp-content/uploads/2025/09/Denied-How-Economic-Abuse-Perpetuates-Homelessness-for-Domestic-Violence-Survivors.pdf>.

7 Patrol Guide, *Procedure 207-01*, New York Policy Department https://www.nyc.gov/html/nypd/downloads/pdf/public_information/public-pguide1.pdf.

8 *Id.* at *Procedure 207-34*.

9 *Id.*

10 *Id.*

11 Committee on Aging Jointly with the Committee on Public Safety, New York City Council, Meeting Minutes 76-77 (Oct. 30, 2024), <https://legistar.council.nyc.gov/View.ashx?M=F&ID=13573224&GUID=4570BF93-498A-4BBF-B771-C1EC93EFB25A>.

12 *Id.* at 76.

13 This statement is based on the extensive experiences of the authors, other advocates, and their clients.

14 This is true in the experience of advocates and their clients. See also Johnson & Subrahmanyam, *supra* note 6, at 16 & n.70; Angela Littwin, *Coerced Debt: The Role of Consumer Credit in Domestic Violence*, 100 Calif. L. R. 951, 954 (2012), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1867554; Emily M. Poor, *Police Gatekeeping*, 30 Mich. J. of Race & L. 49, 72-73 (2025), <https://repository.law.umich.edu/cgi/viewcontent.cgi?article=1415&context=mjrl>.

15 This statement is based on the experiences of advocates and their clients.

16 See *IdentityTheft.gov*, Federal Trade Comm., www.IdentityTheft.gov.

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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 2026⁸), 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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MAKING GOVERNMENT WORK BY EXPANDING CAPACITY

PUBLIC ENFORCEMENT OF WORKERS' RIGHTS WITH
OUTSIDE COUNSEL

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NYC employers are getting away with violating workers' rights.

New York City has some of the strongest workers' rights laws in the nation—an expansive paid sick leave law, an ordinance requiring fair and predictable scheduling for certain workers, just cause protections for fast food workers, and wage and other rights for platform (or “gig”) drivers and delivery workers, among other things. Yet enforcement of those laws, as well as other statutes like the state minimum wage, is in crisis. The City's primary labor enforcement agency, the NYC Department of Consumer and Worker Protection (DCWP), has faced chronic resource constraints that leave a vast gap between the violations workers experience and the accountability employers face. But even if funding were significantly increased, DCWP still could not possibly address all workplace violations. The state labor department has similarly long been insufficiently resourced relative to the scale of violations.

That gap falls hardest on low-wage workers—disproportionately Black, Latino, and immigrant New Yorkers—in industries including restaurants, retail, construction, domestic work, and app-based delivery, where wage theft and other violations are most pervasive. Employers nationwide steal an estimated \$15 billion in wages annually through minimum wage violations alone,¹ and the vast majority of those stolen wages are never recovered. A worker who is wrongfully terminated for taking sick leave to which they are entitled may become housing insecure. A worker who is underpaid \$100 or \$200 per week because of overtime or other wage violations is deprived of income for daily survival needs. When workplace rights are violated, people can't afford rent, groceries, or medical care, making the enforcement gap inseparable from the City's affordability crisis.

Expanded protections for delivery and fast-food workers in New York City have recently taken effect, but DCWP already faced a backlog in enforcing existing law.² The recent collapse of federal enforcement has dramatically worsened the situation: wage and hour cases brought by the U.S. Department of Labor declined 97 percent in the first year of the second Trump administration.³ Meanwhile, widespread forced arbitration provisions—covering an estimated 80 percent of private sector non-union workers⁴—block many workers from bringing their own lawsuits in court, leaving government enforcement as the only realistic avenue of redress. The convergence of these factors makes this a compelling moment for New York City to expand its enforcement capacity.

The most important way of doing so is straightforward: adequately fund enforcement agencies such as DCWP so that they are staffed sufficiently to perform their critical function. Enforcement of workplace laws is a

public function that requires a strong public sector with experienced and skilled public employees. Even if adequately funded and staffed, though, capacity will always pose a challenge. Our proposal—contracting with mission-aligned outside counsel to bring enforcement cases—can further strengthen enforcement. If properly implemented, it would be an impactful force-multiplier. If successful with DCWP, it could be implemented more broadly throughout the City to facilitate the enforcement of protections for New Yorkers in a range of aspects of their lives.

Facilitating the use of outside counsel on a contingency basis would be a force multiplier in enforcement of workers' rights laws at very low cost to the City.

The Mayor of New York City should direct DCWP and the NYC Law Department to establish a program under which values-aligned outside counsel are hired on a contingency basis to litigate select appropriate enforcement actions on DCWP's behalf. Within this model of enforcement, the government does not pay anything out of pocket. Instead, outside counsel is paid only if they prevail in a lawsuit or reach a successful negotiated resolution—generally as a percentage of the money recovered. This is executive action the Mayor and his team can take under existing authority, without legislation or new budget appropriation.

Rationale

The contingency-fee outside counsel model offers a concrete and immediately available way to help address the current enforcement crisis. Contingency-fee outside counsel act as a force multiplier. In the cases best suited for this model, the alternative is often no enforcement at all. Facing chronic resource constraints, DCWP cannot bring every strong case on its own. The contingency-fee outside counsel model draws on the resources and expertise of the private bar to bring public enforcement actions the agency could not otherwise sustain.

Corporations have succeeded in getting the Supreme Court to green-light forced arbitration and class action waivers for workers—making non-governmental enforcement by private and public interest law offices difficult—while their allies in the conservative anti-tax, anti-government movement have succeeded in starving government budgets, making public enforcement harder.⁵ The result, too often, is impunity by low-road employers that exploit their workers. Our proposal is an attempt to help address this challenge and shift power back to workers.

It is a sound approach that has long been utilized by government enforcement agencies, most notably state attorneys general throughout the country, in cases involving the tobacco industry, opioids, environmental hazards, consumer fraud, antitrust violations, and more.⁶ Given its widespread adoption in other areas, it is appropriate also to deploy this model to enforce essential workplace rights.

Executive Authority and Legal Basis

NYC Charter § 394 vests the Corporation Counsel with broad authority over all law business of the city, and that authority has been used to engage outside legal services.⁷ DCWP has independent civil enforcement

authority under the NYC Administrative Code over city labor standards laws.⁸ These existing authorities provide the legal foundation for this proposal. Indeed, the City is already using outside counsel in a consumer fraud action,⁹ and contracts out debt collection work to outside firms and debt collection agencies. Further, legal challenges to contingency-fee outside counsel arrangements have been almost uniformly unsuccessful in other jurisdictions.¹⁰

Though new legal authority is not needed, a mayoral executive order could help codify and expand the program over time. An executive order could direct Corporation Counsel and DCWP to develop joint protocols—for case referral, outside counsel selection, litigation oversight, and transparency—within a defined timeframe. The administration should consult with the current enforcement attorneys, including relevant union leadership, before proceeding.

This model has been used successfully in several workers' rights contexts in other cities (Washington, D.C. and Philadelphia) and states (New Jersey and California).¹¹ As noted above, scores of state and local agencies have hired outside counsel on a contingency-fee basis in a wide range of civil enforcement contexts. This is a well-established approach to government civil enforcement. As in many localities nationwide, New York City's involvement in workers' rights is relatively new, which is one possible reason the City is not currently using this model for enforcing its workplace laws.

How The Program Would Work

DCWP would serve as the entry point for case identification. The agency could draw on its existing intake process, worker complaints, and enforcement data to flag cases that are strong candidates for this model. The agency would then work with the Law Department to hire outside counsel.

Good candidates are cases that are unlikely to be resolved through administrative action alone, involve systematic violations across a workforce, and are of a scope and complexity where outside counsel would add meaningful value. Philadelphia's Law Department, for example, hired outside counsel to help enforce its new Fair Workweek law, where employer violations were rampant and private counsel had considerable expertise.¹² Cases where workers are blocked from going to court by forced arbitration provisions should receive particular attention, since government enforcement is often the only realistic avenue of redress for these workers.

Consistent with factors articulated by courts reviewing these arrangements,¹³ the retainer agreement between the City and outside counsel should specify that the City will retain complete control over the course

and conduct of the litigation. It is critical to have meaningful, ongoing, and non-perfunctory government involvement in and oversight of a case through all stages, from initial filing, to discovery, motion practice, any negotiated resolution, and through distribution of restitution to workers.

Budgetary Considerations

Because outside counsel is compensated only from the proceeds of successful cases, the program requires no new appropriation to launch. The primary City cost is the Law Department and agency staff time required to maintain active litigation oversight—a manageable investment given that outside counsel will bear the burden of the litigation itself. Importantly, the model has the potential to generate resources for the City in additional civil penalties paid by employers, but it is no substitute for the additional funding DCWP needs for additional staff.

Measuring Success

The program's success should be assessed through clear metrics, publicly reported on an annual basis:

- the number of contingency-fee enforcement cases filed;
- total dollars recovered for workers;
- the number of workers receiving restitution;
- industries and employers brought into compliance;
- civil penalties recovered and reinvested in public enforcement capacity; and
- the proportion of cases involving workers who were otherwise blocked from court by forced arbitration.

The deterrence effect of the program—a reduction in violation rates among employers who know the city has a more powerful enforcement tool—may ultimately prove to be the most significant measure of impact, even if the hardest to quantify.

Addressing Concerns

There are legitimate concerns about this model. One is about whether the financial motives of private lawyers will skew the results; for example, favoring monetary recovery over injunctive relief ensuring

future compliance. This concern can be addressed through appropriate discussion prior to entering into a relationship, and through careful drafting of the retainer to require injunctive relief. Another concern is the amount of workers' recovery: because outside counsel receives a contingency fee, affected workers receive a portion of the money recovered rather than the whole amount. This tradeoff is real but must be weighed carefully against the realistic alternative. In the cases best suited for this model, the question is typically not whether workers will receive everything they are owed or merely a portion—it is whether they will receive anything at all. Moreover, some private law firms charge a reduced "government rate," significantly lower than the typical 33 percent in other cases, when they handle these cases.

Another concern is about privatization: whether engaging private lawyers to enforce public rights is an inappropriate outsourcing of government functions, and whether it may lead to further depletion of agency resources over time. This concern deserves serious consideration. But properly structured with genuine and ongoing government control and oversight, contingency-fee outside counsel is a targeted use of private resources to achieve public ends that can also increase public resources through collection of penalties.

This model should be understood as one part of a broader effort to strengthen public enforcement. New York City should pursue increased DCWP appropriations, expanded partnerships with worker organizations, and faster administrative adjudication alongside this initiative—not instead of it.¹⁴

Conclusion

New York City stands at a defining moment for workers' rights enforcement, where the tools available to DCWP are not equal to the scale of the problem they face. The contingency-fee outside counsel model offers a tested and immediately available force multiplier: one resource among many for combating a multidimensional enforcement crisis, enabling public enforcement in a subset of cases that otherwise simply would not be brought, thereby providing remedies for more workers than could be served by the agencies alone.

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MAKING GOVERNMENT WORK FOR STUDENTS

A STUDENT-CENTERED STRATEGY TO IMPROVE
HIGHER EDUCATION ACCESS, AFFORDABILITY, AND
COMPLETION IN NEW YORK CITY

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Rising costs, fragmented supports, and structural barriers undermine student success.

New York City's higher education students face considerable affordability challenges. Even at the City University of New York (CUNY), where tuition remains relatively low, the cost of books, supplies, housing, food, transportation, healthcare, and more drive up the total cost of attendance. Changes in federal student loans add to these challenges, making affording college increasingly difficult for many more students.

There are a number of existing resources for students to receive financial assistance, however, accessing financial and educational supports spread across government, institutional, and non-profit systems can be complex and overwhelming. This maze of disaggregated services burdens low-income and first generation students, student parents, and adult learners, who often lack the time, information, or generational knowledge needed to successfully connect to available resources. The result: eligible students fail to receive the necessary support to enable them to succeed in higher education.

The governance structure of many schools—and CUNY in particular—can limit institutions' responsiveness to current challenges. If students' experiences are not adequately understood by leaders themselves, they may lack the knowledge to address the needs of today's students. CUNY Trustees bring important professional expertise, however, there appears to be little representation from individuals with direct experience working with students or within student support systems. This gap can limit institutional responsiveness to critical issues faced by today's students related to affordability, completion, and basic needs insecurity.

Another obstacle—and perhaps illustrative of what goes unaddressed when students' needs are not fully seen—are policies regarding institutional debt. Students who owe small-dollar debts to their school can be blocked from re-enrolling, even when they are academically on track.¹ This issue impacts the lowest-income students who lack a financial safety net, potentially increasing financial instability and deterring economic mobility.

Modernizing Student Supports and Governance to Meet the Needs of Today's Students

Short of creating new funding streams, the Mayor can play a pivotal role in addressing administrative barriers and updating models to adequately meet the needs of today's students. A coordinated mayoral strategy should include three interconnected approaches: (1) centralizing student support resources, (2) addressing institutional debt, and (3) strengthening student-centered governance at CUNY through strategic appointments to its Board of Trustees.

Centralizing and Streamlining Access to Student Supports

Students lacking family wealth, or living independently, often need to piece together financial aid, housing assistance, food support, childcare services, mental health care, transportation benefits, and emergency resources to be able to afford the total cost of college. Multiple city, state, institutional, and non-profit systems provide resources, however, the fragmented landscape is complex and challenging to navigate, particularly for first-generation students, students who are low-income, adult learners, and student parents who are already managing significant time and financial constraints.

To simplify the process, the Mayor can direct the NYC Department of Social Services, working together with CUNY, to create a centralized, streamlined "one-stop" digital portal for postsecondary students and families. This platform would function as a single access point for all major supports, including city services, state programs, federal resources, institutional aid, and community-based assistance. The site should be intuitive, mobile-friendly, and designed to guide users through eligibility screenings and application processes in real time. It must also be well publicized, with outreach embedded in high schools, college campuses, libraries, workforce development centers, and non-profits.

California Compete's Public Benefit Finder for California Students is a model to determine eligibility for different benefits programs.² It is similar to ACCESS NYC for public benefits,³ but specifically designed for students. New York City can build on this concept to enable students to quickly identify and access multiple forms of financial assistance through a single interface. The portal could integrate existing resources such as the Free Application for Federal Assistance (FAFSA),⁴ the New York State Higher Education Services Corporation (HESC) grant and scholarship information,⁵ CUNY CARES,⁶ CUNY EDGE,⁷ CUNY Accelerate, Complete, and Engage (ACE),⁸ CUNY Accelerated Study in Associate Programs (ASAP),⁹ other opportunity programs, and more.

Campuses already have dedicated student support offices, and the city is home to a large ecosystem of community-based organizations providing counseling, case management, and other assistance. A centralized website can serve as a coordination hub, linking all parties.

A supplemental phase could follow to integrate city-based workforce predictions into student counseling, which is especially important with the emergence of AI and changing workforce needs. Counselors could help students understand how their educational pathways align with workforce needs, and whether a degree program or short-term workforce credential better fits their goals and circumstances.

Strengthening Student-Centered Governance at CUNY Through Board Appointments

Since its beginnings, CUNY has aspired to expand opportunity, particularly for students who are low-income, first generation, or from historically marginalized communities. Its governance can be a key lever for change.

Pursuant to NY Education Law sec. 6204, CUNY's Board of Trustees is comprised of ten members appointed by the Governor, and five members appointed by the Mayor with one person from each borough. Members are appointed for a seven-year term and can be reappointed for one additional term. The chairpersons of the university student senate and the university faculty senate serve as ex-officio trustees.

The current Board of Trustees brings valuable expertise from fields such as law, finance, public service, labor relations, civil rights, the arts, and more.¹⁰ Yet there is no structural requirement—apart from the ex-officio members—that any trustees have direct experience working with higher education students or within student support systems, and currently, none do.

This gap matters. Governance decisions related to affordability, academic policy, student services, and institutional priorities are more effective when informed by individuals who understand the day-to-day realities today's students face—particularly those from low-income backgrounds, students of color, adult learners, student parents, and first-generation college students.

The Mayor is in a position to appoint two trustees and should act quickly to do so—appointments are subject to confirmation by the New York State Senate.¹¹ The Mayor should consider candidates who have worked directly in higher education student services, advising, counseling, financial aid administration, community-based college access programs, or related fields. The Mayor should prioritize individuals with lived or professional experience addressing barriers such as food insecurity, housing instability, childcare challenges, and non-traditional educational pathways.

Strengthening representation of student-centered perspectives will enhance the Board’s decisionmaking on a variety of support initiatives such as centralized service delivery systems, institutional debt relief, expanded emergency aid, and integrated advising models. Understanding how policies translate into day-to-day changes for administrations, staff, and students will help the Board keep pace with the rapidly changing needs of its student body.

Addressing Institutional Debt as a Barrier to Completion

Institutional debt—small-dollar amounts owed to a school, typically for past-due tuition resulting from a student having to drop out or failing to receive grants they expected—can have outsized consequences.¹² CUNY’s written policy, for example—like that of many schools—prohibits students with institutional debt from re-enrolling unless there are exceptional circumstances, effectively halting their academic progress regardless of how close they are to completion (although exceptions do occur).¹³

The Mayor can take several steps to address this issue. First, he can call on all institutions of higher education in New York City to report annually on student institutional debt, including the number of students affected, average debt amounts, and the academic consequences of unpaid balances. In 2018, NYC’s Department of Consumer Affairs conducted an in-depth analysis of student loan debt which informed the City regarding which neighborhoods and student populations to target resources.¹⁴ Getting data to shed light on the issue has been one obstacle preventing reform, and the little data that have become available make clear that these debts disproportionately affect low-income, Black, Latino, and older students.¹⁵

Second, the Mayor can call for and support policies at all institutions, but particularly at CUNY, that systematically allow students who owe debt to re-enroll. There is precedent: the CUNY Comeback Program allowed CUNY students with institutional debt resulting from the COVID-19 pandemic to re-enroll and complete their education,¹⁶ and CUNY Reconnect provides forgiveness grants to help older students settle balances and re-enroll.¹⁷

Third, the Mayor can establish targeted funding programs to eliminate institutional debt for students in the lowest income brackets.¹⁸ Debt forgiveness initiatives could be structured as last-dollar support, and prioritize that students closest to completion are not derailed by modest financial obligations. Here, too, the CUNY Comeback Program is informative, as it included strategic debt forgiveness to allow students to complete their education.

Conclusion

Taken together, these three strategies—centralizing student supports, addressing institutional debt, and appointing individuals to CUNY’s Board of Trustees who have direct knowledge of the needs of today’s students—are a good start to making higher education more affordable and accessible in New York City. While each proposal addresses a distinct barrier, they are mutually reinforcing. A centralized support system is crucial to prioritizing student needs. Institutional debt reform is more sustainable when leaders understand its impact on retention and completion. Student-centered Board of Trustee appointments ensure that these reforms are not only implemented but continuously refined based on lived experience.

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MAKING GOVERNMENT WORK FOR RENTERS

UNLEASHING DORMANT CAPITAL: A CENTRALIZED
RENT SECURITY DEPOSIT FUND AS REVENUE
GENERATION FOR NEW YORK CITY AND FASTER
RENT DEPOSIT REFUNDS FOR TENANTS

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New York City tenants face significant hurdles to get their rent deposits back at a time when money is scarce for them and for the City.

New York City has approximately 2.3 million rental units.¹ Under New York law, landlords in buildings with six or more units are required to hold tenant security deposits in interest-bearing accounts at a bank within New York State, with tenants notified in writing of the account details and accrued interest to be paid back to tenants, less permitted administrative fees.² According to the New York City Comptroller's Office, the median asking rent on publicly listed apartments citywide rose to a record high of \$3,500 per month in 2023 and has remained near that level.³ At that figure, aggregate security deposits across the City's rental market—typically equal to one month's rent—represent a pool measured in the billions of dollars: capital that is legally unavailable to landlords, but is also currently generating no public benefit.

Under the current system, that capital sits idle and divided across thousands of private landlord accounts. When disputes arise over deposit returns, tenants must either file in small claims court or lodge a complaint in court or with the New York State Attorney General's Office⁴—both paths are time-consuming, legally demanding, and disproportionately difficult for low-income tenants without legal representation. The proposal advanced here would change this system fundamentally by establishing by default that tenants receive their deposit refunds from a City office or agency, rather than the landlord, and putting the onus on the landlord to prove any damages to the property.

Through mid-May, 2026, New York City was carrying a structural budget deficit of approximately \$5.4 billion⁵—a gap that was driving Mayor Zohran Mamdani to scale back the ambitious economic justice agenda on which he campaigned. A campaign proposal to double the staff of the Department of Consumer and Worker Protection (DCWP)—an agency that took on a significant portfolio of new enforcement responsibilities under recently enacted legislation—became a budget proposal to cut staffing during the City's budget crisis.⁶ Even in times of better fiscal health, the City has not historically prioritized funding for economic justice. Though budget cuts to essential services seem to have been averted,⁷ to deliver on promises made to working-class and low-income New Yorkers, the Mamdani Administration must identify new and reliable revenue streams.

The City has been exploring a number of options to increase revenue. The property tax is the one major revenue source the City directly controls and can increase without state authorization.⁸ But doing so is deeply unpopular across the political spectrum,⁹ and no mayor has raised property taxes in more than two decades.¹⁰

Taxing the rich is essential for funding public services and reducing inequities—but Governor Hochul has so far been opposed to raising personal income taxes on New York City’s highest earners, and there will have to be a coordinated campaign on all fronts to make that happen. The governor’s proposed pied-à-terre¹¹ tax on non-primary residences owned by wealthy nonresidents is a step in the right direction, but insufficient on its own to fund a comprehensive economic justice agenda.¹²

The City must think beyond the traditional revenue toolbox. The question is not simply how to reallocate economic burden, but how to identify and ignite revenue streams that have not yet been explored. One such opportunity—substantial in scale, and proven in practice elsewhere—lies in the billions¹³ of dollars in tenant security deposits currently held in private accounts across New York City’s rental market, generating no public benefit whatsoever. With two million units at an average \$3,000 deposit, we would be looking at \$6 billion in deposits. If the City were to invest the funds with 4 percent return, it could generate \$240 million in annual revenue.

A Centralized Rent Security Deposit Fund

The Core Proposal

Rather than allowing security deposits to remain scattered in private accounts, New York City—through state legislation—should require that all residential security deposits¹⁴ be lodged with a centrally managed government fund.¹⁵ The principal of each deposit would remain credited to the individual tenant and fully returnable at the end of the tenancy. The interest generated by the aggregated, professionally managed pool would flow into a dedicated public fund to support programs serving low-income New Yorkers, with an initial focus on housing legal services and tenant protection programs. Not all of the City’s 2.3 million estimated rental units are subject to the requirement to keep deposits in interest-bearing accounts, but the legislation would have to cover all City landlords, regardless of building size/number of units, in order to maximize the revenue potential.

It is unclear how routinely New York City’s landlords comply with the current requirements and the current individual interest entitlement is, for most tenants, illusory. When and if their landlords comply with the requirements to hold the rent deposits in interest-bearing accounts, tenants rarely recover any interest. That is because traditionally, interest rates in deposit accounts have been very low.¹⁶ With the proposed new structure, tenants who today wait months to recover their deposits through small claims proceedings could instead receive automatic refunds within days of a tenancy’s end, unless the landlord files a documented claim. That is a meaningful improvement in tenants’ lived experience, and one that does not require them to sacrifice anything of real value.

The Australian Model

Australia has operated a version of this system for decades, and the results illustrate the potential for the model. In every Australian state and territory—with the exception of the Northern Territory—residential tenancy bonds are not held by landlords or agents but are lodged with government-run bond authorities that hold the funds in trust until the end of the tenancy.¹⁷ The bond is returned to the tenant by default; if a landlord wishes to make a deduction for damage, unpaid rent, or cleaning costs, they must file a documented claim with the authority and substantiate it.

The scale of the funds involved is significant. In New South Wales alone, the Rental Bond Board currently holds approximately AUD\$2.29 billion in rental bonds, and at a conservative 5 percent interest rate the annual return

would easily exceed AUD\$100 million.¹⁸ Queensland’s Residential Tenancies Authority held over 631,000 bonds at a combined value of approximately AUD\$1.3 billion at the close of the 2024–25 financial year.¹⁹ Across all Australian jurisdictions, the aggregate interest generated by pooled bond funds runs to many tens of millions of dollars annually. The programs are not without criticism. Tenant advocates, in particular, have expressed frustration over the lack of transparency on how the funds are used.²⁰

The IOLA Precedent

We do not have to look outside New York City’s borders for inspiration. There is a domestic analog for this approach, one that has been operating in New York since 1983. The Interest on Lawyers’ Accounts (IOLA) program—also referred to as Interest on Lawyers’ Trust Accounts, or IOLTA, programs—requires attorneys to hold client funds that are nominal in amount or short in duration in pooled interest-bearing trust accounts. The interest flows to a state-designated foundation that funds civil legal services for low-income New Yorkers.²¹ IOLA’s current five-year grant cycle provides \$80.9 million in appropriations, and in the most recent reporting year IOLA grantees closed over 307,000 cases benefiting nearly 640,000 New Yorkers.²² Every state in the country, along with the District of Columbia and the U.S. Virgin Islands, operates a version of this program.²³

Administrative Structure

A critical question is how the program would be administered—specifically, how deposit refund disputes would be resolved at the end of a tenancy. Two broad models are worth considering, each with different tradeoffs between equity, efficiency, and cost.

The first option is to establish a new dedicated administrative tribunal, modeled on Australia’s bond authorities, with the power to receive landlord claims, evaluate documentation, and issue determinations. This would provide the most robust adjudication process, but it carries significant cost and lead time. Building a new agency from scratch requires capital investment, ongoing staffing, and legislative authorization—all challenging in a fiscal environment defined by a \$5 billion deficit. It would also invite legitimate criticism that the program is creating bureaucracy even as it purports to generate revenue.

A second option is to route deposit disputes through an existing administrative agency, most naturally the Department of Housing Preservation and Development (HPD) or the Office of Administrative Trials and Hearings (OATH). HPD enforces the NYC Housing Maintenance Code, invests in affordable housing, and provides rental and down payment assistance to New Yorkers.²⁴ OATH already adjudicates a wide range of civil and administrative matters for City agencies and has established procedures, experienced hearing officers, and

physical infrastructure.²⁵ Assigning deposit disputes to OATH would avoid the cost of building a new institution. The tradeoff is that OATH's caseload is already substantial, and a significant influx of deposit disputes—particularly in the program's early years—could strain capacity and slow resolution times.

A streamlined option could be used by either HPD or OATH: a documentation-based online process that places the burden squarely on the landlord. Under this model, the deposit is returned to the tenant automatically at the end of a tenancy unless the landlord files a claim within a defined window—say, fourteen days—through a digital portal administered by the agency. The landlord must upload supporting documentation, such as itemized repair invoices, photographs, or move-in and move-out inspection records. If no claim is filed, or if the documentation is facially insufficient, the deposit is released to the tenant. Disputed claims above a threshold amount could be escalated to OATH's administrative tribunal, but the expectation is that the documentation requirement would resolve the vast majority of cases without formal adjudication. This model requires minimal new staffing and creates strong incentives for landlords to maintain proper records throughout the tenancy. This model is also most consistent with the program's overarching goal: to generate net public revenue, not to create a new administrative apparatus that consumes the revenue it generates.

Conclusion

A centralized Rent Security Deposit Fund, modeled after Australia’s residential tenancy bonds, can facilitate faster and fairer rent deposits refunds to tenants, and also provide a new revenue stream to the City. This intervention does not raise taxes on working New Yorkers. It does not cut services. It pools billions of dollars in rent deposits into a professionally managed public fund, and directs the interest they generate toward programs that serve the City’s most vulnerable residents. The path forward runs through Albany, and it will not be easy. But the political case is strong: this is a reform that protects tenants, generates revenue, and costs the average New Yorker nothing.

Endnotes

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- 3 Report, *Spotlight: New York City's Rental Housing Market*, Office of NYC Comptroller (Jan. 17, 2024), <https://comptroller.nyc.gov/reports/spotlight-new-york-citys-rental-housing-market/>.
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- 5 Nicole Galinas, *Unresilient City*, City Journal (Spring 2026), <https://www.city-journal.org/article/new-york-city-economy-spending-budget-deficit>.
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- 8 Brochure, *New York City Residential Property Taxes, Class 1*, NYC Department of Finance, https://www.nyc.gov/assets/finance/downloads/pdf/brochures/class_1_guide.pdf.
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12 “The proposal is expected to generate \$5 million a year in revenue for the city.” *Id.*

13 See Report, *Insecurity Deposits: A Plan to Reduce High Entry Costs for NYC Tenants*, Office of the New York City Comptroller (July 15, 2018), https://comptroller.nyc.gov/wp-content/uploads/documents/Insecurity_Deposit_Report.pdf. There was approximately half a billion dollars in rent deposits in 2016 for new renters during that year. *Id.* This was over a decade ago when the median advertised rent was \$2,695. *Id.* (citing Report, *State of New York City’s Housing & Neighborhoods - 2017*, NYU Furman Center (2017). Since then, rents have gone up significantly, with the median asking rent in New York City registered at \$3,616 in Q1 2026. See, e.g., Jiayi Xu, Danielle Hale, *New York City Rental Report 2026Q1: The Real Cost of Moving in New York City*, Realtor.com (Apr. 28, 2026), <https://www.realtor.com/research/nyc-q1-2026-rent/>.

14 One question to address is whether this requirement should apply to all landlords of all sizes or be limited to the same universe of landlords that are currently required by law to maintain rent deposits in interest bearing accounts.

15 Whether the government fund is managed by the same office that handles rent deposit disputes is an issue that needs to be further studied.

16 Samantha Maldonado, *Getting Your Apartment Security Deposit Back: A Guide for New York Tenants*, The City (Sept. 11, 2024), <https://www.thecity.nyc/2024/09/11/security-deposit-return-landlords/>. As of May 2026, standard savings accounts in New York average low interest rates around (0.38 percent).

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