

STATE OF NEW YORK

6423

2025-2026 Regular Sessions

IN ASSEMBLY

March 4, 2025

Introduced by M. of A. LASHER -- read once and referred to the Committee on Judiciary

AN ACT to amend the general obligations law, in relation to the liability of a grantee or assignee for deposits made by tenants upon conveyance of rent stabilized dwelling units

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 7-107 of the general obligations law, as added by
2 chapter 917 of the laws of 1984, is amended to read as follows:

3 § 7-107. Liability of a grantee or assignee for deposits made by
4 tenants upon conveyance of rent stabilized dwelling units. 1. This
5 section shall apply only to dwelling units subject to the New York city
6 rent stabilization law of nineteen hundred sixty-nine or the emergency
7 tenant protection act of nineteen seventy-four.

8 2. (a) Any grantee or assignee of any dwelling unit referred to in
9 subdivision one of this section shall be liable to a tenant for any sum
10 of money or any other thing of value deposited as security for the full
11 performance by such tenant of the terms of [~~his~~] such tenant's lease,
12 plus any accrued interest, if [~~his~~] such tenant or its predecessor in
13 interest was liable for such funds. Such liability shall attach whether
14 or not the successor in interest has, upon the conveyance of such dwell-
15 ing unit, received the sum as deposited.

16 (b) The liability of a receiver for payment of any security deposit
17 plus accrued interest pursuant to this subdivision shall be limited to
18 the amount of such deposit actually turned over to [~~him or it~~] such
19 receiver pursuant to subdivision one of section 7-105 of this [~~chapter~~]
20 title and to the operating income in excess of expenses generated during
21 [~~his or its~~] such receiver's period of receivership. No deposit or
22 advance shall exceed the amount of one month's rent, plus accrued inter-
23 est, under any contract for the lease or tenancy of a dwelling unit
24 subject to this section.

25 3. Any agreement by a lessee or tenant of a dwelling unit waiving or
26 modifying [~~his~~] such lessee's or tenant's rights as set forth in this
27 section shall be void. The entire amount of the deposit or advance,

EXPLANATION--Matter in italics (underscoring) is new; matter in brackets
[-] is old law to be omitted.

LBD02363-07-5

1 plus accrued interest, shall be refundable to the tenant upon the
2 tenant's vacating of the premises except for an amount lawfully retained
3 for the reasonable and itemized costs due to non-payment of rent, damage
4 caused by the tenant beyond normal wear and tear, non-payment of utility
5 charges payable directly to the landlord under the terms of the lease or
6 tenancy, and moving and storage of the tenant's belongings. The landlord
7 may not retain any amount of the deposit for costs relating to ordinary
8 wear and tear of occupancy or damage caused by a prior tenant.

9 4. After initial lease signing but before the tenant begins occupancy,
10 the landlord shall offer the tenant the opportunity to inspect the prem-
11 ises with the landlord or the landlord's agent to determine the condi-
12 tion of the property. If the tenant requests such inspection, the
13 parties shall execute a written agreement before the tenant begins occu-
14 pancy of the unit attesting to the condition of the property and specif-
15 ically noting any existing defects or damages. Upon the tenant's vacat-
16 ing of the premises, the landlord may not retain any amount of the
17 deposit or advance due to any condition, defect, or damage noted in such
18 agreement. The agreement shall be admissible as evidence of the condi-
19 tion of the premises at the beginning of occupancy only in proceedings
20 related to the return or amount of the security deposit.

21 5. Within a reasonable time after notification of either party's
22 intention to terminate the tenancy, unless the tenant terminates the
23 tenancy with less than two weeks' notice, the landlord shall notify the
24 tenant in writing of the tenant's right to request an inspection before
25 vacating the premises and of the tenant's right to be present at the
26 inspection. If the tenant requests such an inspection, the inspection
27 shall be made no earlier than two weeks and no later than one week
28 before the end of the tenancy. The landlord shall provide at least
29 forty-eight hours written notice of the date and time of the inspection.
30 After the inspection, the landlord shall provide the tenant with an
31 itemized statement specifying repairs or cleaning that are proposed to
32 be the basis of any deductions from the tenant's deposit. The tenant
33 shall have the opportunity to cure any such condition before the end of
34 this tenancy. Any statement produced pursuant to this subdivision shall
35 only be admissible in proceedings related to the return or amount of the
36 security deposit.

37 6. Within fourteen days after the tenant has vacated the premises, the
38 landlord shall provide the tenant with an itemized statement indicating
39 the basis for the amount of the deposit retained, if any, and shall
40 return any remaining portion of the deposit to the tenant, plus accrued
41 interest. If a landlord fails to provide the tenant with the statement
42 and deposit within fourteen days, the landlord shall forfeit any right
43 to retain any portion of the deposit.

44 7. In any action or proceeding disputing the amount of any portion of
45 the deposit retained, the landlord shall bear the burden of proof as to
46 the reasonableness of the amount retained.

47 8. Any person who violates the provisions of this section shall be
48 liable for actual damages, provided a person found to have willfully
49 violated this section shall be liable for punitive damages of up to
50 twice the amount of the deposit or advance.

51 9. (a) In circumstances where any sum of money or any other thing of
52 value deposited as security for the full performance by a tenant of the
53 terms of their lease is not turned over to a successor in interest
54 pursuant to section 7-105 of this title, the grantee or assignee of the
55 leased premises shall also be liable to such tenant, upon conveyance of
56 such leased premises, for the repayment of any such security deposit,

1 plus accrued interest, as to which such grantee or assignee has actual
2 knowledge.

3 (b) For purposes of this section, a grantee or assignee of the leased
4 premises shall be deemed to have actual knowledge of any security depos-
5 it which is (i) deposited at any time during the six months immediately
6 prior to closing or other transfer of title in any banking organization
7 pursuant to subdivision two-a of section 7-103 of this title, or (ii)
8 acknowledged in any lease in effect at the time of closing or other
9 transfer of title, or (iii) supported by documentary evidence provided
10 by the tenant or lessee as set forth in paragraph (c) of this subdivi-
11 sion.

12 (c) With respect to any leased premises for which there is no record
13 of security deposit pursuant to subparagraph (i) or (ii) of paragraph
14 (b) of this subdivision, the grantee or assignee of the leased premises
15 shall be obligated to notify the tenant thereof in writing no later than
16 thirty days following the closing or other transfer of title to the fact
17 that there is no record of a security deposit for said leased premises
18 and that unless the tenant within thirty days after receiving notice
19 provides them or it with documentary evidence of deposit, the tenant
20 shall have no further recourse against them or it for said security
21 deposit. For purposes of this subdivision, "documentary evidence" shall
22 be limited to any cancelled check drawn to the order of, a receipt from,
23 or a lease signed by any predecessor in interest, if such predecessor's
24 interest in the leased premises existed on or after the effective date
25 of this paragraph. Except as otherwise provided by subparagraphs (i) and
26 (ii) of paragraph (b) of this subdivision, the grantee or assignee of
27 the leased premises shall not be charged with actual knowledge of the
28 security deposit where the tenant fails within the thirty-day period to
29 provide such documentary evidence. Where the grantee or assignee of the
30 leased premises fails to notify the tenant as specified in this para-
31 graph within thirty days following the closing or other transfer of
32 title, the tenant shall be entitled to produce documentary evidence at
33 any time.

34 (d) The grantee or assignee of the leased premises shall have the
35 right to demand that the grantor or assignor thereof establish an escrow
36 account equal to one month's rent for any leased premises for which
37 there is no record of a security deposit pursuant to paragraph (b) of
38 this subdivision to be used for the purpose of holding harmless the
39 grantee or assignee in any case where, at a date subsequent to the clos-
40 ing or other transfer of title, the tenant gives notice pursuant to
41 paragraph (c) of this subdivision.

42 (e) The liability of a receiver for payment of any security deposit
43 plus accrued interest pursuant to this subdivision shall be limited to
44 the amount of such deposit actually turned over to them or it pursuant
45 to subdivision one of section 7-105 of this title and to the operating
46 income in excess of expenses generated during their or its period of
47 receivership.

48 10. Any agreement by a lessee or tenant of a dwelling waiving or modi-
49 fying their rights as set forth in this section shall be absolutely
50 void.

51 § 2. This act shall take effect on the thirtieth day after it shall
52 have become a law and shall apply to any lease or rental agreement or
53 renewal of a lease or rental agreement entered into on or after such
54 date.