STATE OF NEW YORK

6397

2025-2026 Regular Sessions

IN SENATE

March 13, 2025

Introduced by Sen. JACKSON -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary

AN ACT to amend the real property law, in relation to establishing security deposit options for certain tenants

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

Section 1. The real property law is amended by adding a new section 238-b to read as follows:

§ 238-b. Security deposit. 1. A landlord who requires a security deposit to be paid by a tenant which is covered by the provisions of sections 7-107 and 7-108 of the general obligations law shall also be required to offer to accept at least one of the following options in lieu of such security deposit:

a. Payment of any security deposit over a series of no less than six equal monthly installment payments, which installments shall be due on the same day as the monthly rent payment and which may be paid together with the monthly rent payment in a single transaction, absent a separate agreement between such landlord and tenant;

b. Payment of a reduced security deposit which shall be no more than fifty percent of the amount of one month's rent under such contract; or

c. If such tenant qualifies, payment of any deposit pursuant to 18 NYCRR 352.6.

2. In addition to the options in subdivision one of this section in lieu of a security deposit, a landlord may accept rental security insurance, defined as a surety bond or insurance policy issued by a licensed carrier in the state of New York that guarantees or indemnifies a tenant after default of a financial obligation under the rental agreement. If the landlord wishes to offer or suggest rental security insurance that is provided by itself or a separate company, the rental security insurance offered must satisfy the following criteria:

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

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a. the insurance provider is an approved carrier licensed by the department of financial services pursuant to article eleven of the insurance law;

b. the coverage is effective upon the payment of the first premium or fee and remains effective for the entire lease term;

c. any dispute under the coverage cannot require arbitration and waive the tenant's right to go to court;

d. the amount paid by the tenant cannot exceed the amount of the coverage;

e. the tenant cannot be liable to the insurance provider for any claims paid out to the landlord; and

f. the coverage provided per claim is no less than the amount such landlord requires for security deposits.

3. A tenant who elects to provide rental security insurance, pursuant to paragraph a of subdivision one of this section, in lieu of a required security deposit shall not be required to provide additional security or insurance coverage per claim in an amount greater than the amount required for the security deposit.

4. Such landlord shall not impose any additional fees or interest on a tenant that pays their security deposit in an alternate manner pursuant to subdivision one of this section.

5. Any agreement to pay a security deposit in installments shall be included within such contract, lease or agreement and shall specify the total deposit amount due and the amount due for each installment.

6. Prior to entering into a contract, lease or rental agreement a landlord shall provide the tenant written notice of the available security deposit alternatives and include the following language: "If a security deposit is required, tenant has the right to request and landlord is required to accept one of the following three alternatives: a. a deposit paid over no less than six equal monthly installments; b. a one-time reduced security deposit payment of no more than fifty percent of the monthly rental rate charged for the rental unit; or c. if such tenant qualifies, a deposit paid through the department of social services grant program pursuant to 18 NYCRR 352.6. Tenant shall not be required to provide rental security insurance coverage per claim in an amount greater than the amount required for the security deposit".

7. The requirements of this section shall be considered source of income as defined by subdivision thirty-six of section two hundred ninety-two of the executive law and any violation of this section may be a violation of section two hundred ninety-six of the executive law.

§ 2. This act shall take effect on the thirtieth day after it shall have become a law. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized to be made and completed on or before such effective date.