BEFORE THE NEW YORK STATE SENATE
STANDING COMMITTEE ON CODES
AND
STANDING COMMITTEE ON CONSUMER PROTECTION

JOINT PUBLIC HEARING:

CURRENT PATTERNS IN WHITE-COLLAR CRIME AND FRAUD, AND POSSIBLE UPDATES TO LAWS PROTECTING NEW YORKERS AND MARKETS

Date: March 4, 2026
Time: 9:30 a.m.

PRESIDING:

Senator Zellnor Y. Myrie, Chairman
NYS Senate Standing Committee on Codes

Senator Rachel May, Chairman
NYS Senate Standing Committee on
Consumer Protection

PRESENT:

Senator Jabari Brisport

Senator Dean Murray

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SENATOR MYRIE: Good morning, everyone.

All right. So, firstly, let me thank everyone for taking the time to be with us this very winter morning in Albany.

I want to especially thank my colleague and chair of the Consumer Protection Committee, Senator Rachel May.

As well as my colleagues, we are joined currently by Senator Dean Murray and the witnesses who have taken the time to be with us this morning at this hearing, a joint hearing between the Codes and Consumer Protection Committee, regarding white-collar crime and patterns that we are seeing in fraud.

Now, we know that New Yorkers are in a cost-of-living crisis.

The legislature has rightfully focused a lot of energy on making life more affordable, and will continue to do so.

But there is a dimension of this affordability crisis that we do not talk about enough, and that is:

The cost of being defrauded, the cost of being overcharged, and having no recourse;

The cost of seemingly insurmountable student

loan payments with no way out;

The cost of losing your life savings to a crypto scheme;

The cost of losing your home in an opaque foreclosure proceeding;

The cost of having your wages stolen by an employer;

To put it plainly, the cost of being scammed.

Now, here in New York, we like to think we know a scam when we see one. But I want to take a moment to focus on the student loan industry.

More than 2 million New Yorkers carry student loan debt worth over $96 billion. In New York City alone, roughly, one in nine borrowers are delinquent, and in The Bronx that number is closer to one in seven.

So last December, as chair of the Codes Committee, I sent detailed inquiry letters to companies across the student loan servicing industry, and I asked straightforward questions about their practices serving New York borrowers.

I offered confidentiality protections. Said I would accept documents in phases. I tried to be as accommodating as a legislative body can be.

So let me talk to you about what we got back.

I have four letters today, representing four companies that touch virtually every student loan in the state of New York. And not one of them, not one, was willing to answer basic questions about how they treat the people whose loans they service.

I'm going to start with Navient.

At its peak, Navient, formerly Sally Mae, was the largest student loan servicer in the United States: 12 million borrowers and over $300 billion in federal and student private loans.

The Consumer Financial Protection Bureau found that Navient steered 1.5 million borrowers into costly forbearances instead of the affordable repayment plans that they were entitled to. That added up to $4 billion in unnecessary interest to their loan balances.

Navient was permanently banned from federal student loan servicing and ordered to pay $120 million.

Additionally, 39 state attorneys general, led by our New York attorney general, reached a separate $1.85 billion settlement. And, currently, Navient has 41,000 formal complaints in the CPFB [sic] database.

That bureau's own enforcement director said

Navient's practices resulted in millions of borrowers needlessly defaulting on their loans.

So with that record, I wrote to them and asked for information related to their customer communication, their personnel training, compliance, and any remediation or coercive practices that they were trying to correct.

And here's what they said, and I'm reading directly from the letter:

"Navient has largely exited the student loan servicing business. Navient outsourced the bulk of its remaining services' functions to an organization named MOHELA. But we would be happy to answer any further questions at the committee's convenience."

But they did not answer any of our questions, and they declined to attend today's hearing.

A company permanently banned from its own industry, with $2 billion in combined penalties, and their answer to the New York State Senate is: We've left. Ask someone else.

So we did.

I wrote to Earnest, Navient's private lending arm that originates and services private student loans. It was acquired by Navient and operates as a subsidiary of the same corporate family; the same

parent company, the same leadership structure.

And here is what Earnest said:

"Earnest is an affiliate of Navient, and Earnest outsourced a substantial portion of its servicing functions to MOHELA."

They also said, "We would be happy to answer any further questions at the committee's convenience."

But they did not answer our questions, and they declined to attend today's hearing.

And then there's Aidvantage, a subsidiary of Maximus, one of the largest government contractors in the country.

And when Navient was banned from federal servicing, it was Maximus, doing business as Aidvantage, that picked up the portfolio. Together, they directly managed student debt held by nearly 13 million borrowers and hold over $800 million in department of education contracts. Aidvantage also runs the servicing platform for every federal student loan borrower in default.

It is, by many measures, the largest student loan company in the world, and its record?

The department of education withheld $2 million from Aidvantage for failing to send

timely billing statements to 758,000 borrowers. Investigations have documented evidence of sloppy servicing, unfair debt collection practices, unlawful wage garnishment, and improper seizure of tax refunds from borrowers in default.

A federal judge held the Secretary of Education in contempt of court because Maximus failed to stop garnishing the wages whose loans the government had already agreed to cancel.

I sent Aidvantage the same inquiry I sent to others, I invited them to testify at today's hearing, and here was the response we received just last week:

"Maximus Education, LLC, doing business as Aidvantage, is a contractor on behalf of the federal student aid for the servicing of department of education-owned loans. Inquiries related to servicing federal student loans should be directed to the department of education.

"Accordingly, we will not provide testimony regarding student loans."

The largest student loan company in the world -- 13 million borrowers, 800 million government dollars in contracts -- and their answer to the New York State Senate is: "We will not

provide testimony." Talk to someone else about the very thing the federal government pays them to do.

And we heard about MOHELA, the higher-education loan authority of the state of Missouri, that currently has the portfolios from Navient and Earnest.

We wrote them the same letter, and their response to us was to speak to the trade association. No documents, no point of contact, no production plan.

8 million borrowers they have, $1.1 billion in taxpayer money, and their answer is: Talk to someone else.

Navient says: We have left. Ask MOHELA.

Earnest says: We're with Navient. Ask MOHELA.

Aidvantage says: Talk to the federal government.

MOHELA says: Talk to our trade association.

No one is accountable, and the borrower is the one that is trapped inside.

But here's why we're here today: This is not unique to the student loan industry.

This is how powerful entities get away with getting over on regular people:

Creating webs of affiliates and subcontractors and transfers. Moving the portfolio before anyone can pin it down. You point to the last company. The last company points to the next company. The next company points to the regulator.

And the result is: No one sits before the legislative body and answers for what happens to the people that they are supposed to serve.

If a single New Yorker had been fined billions of dollars, permanently banned from their profession, sued by multiple federal agencies, and found to have harmed millions of people, and then refused to answer questions, we'd say they're playing by a different set of rules and operating outside of the law.

But when it's a large corporation or financial institution or sophisticated digital operation, we look the other way.

So I will close, so we can get to the hearing testimony, with a date: 1986.

There are a lot of great things about that year, including that it was the year I was born. But it's also the last time that New York significantly updated its white-collar crime statutes.

That is the legal framework we are working with today.

Think about what the world looked like in 1986: No Internet. No email. No smartphones. No online banking. No algorithmic credit scoring. No digital mortgage applications. No student loans securitization market. No service portfolios. No cryptocurrency. No blockchain. No Zelle. No Venmo. No digital payment networks.

That is the world our fraud statutes were built to serve 40 years ago.

Since then, our federal securities laws have been updated, our banking laws have been updated, our consumer protection laws have been updated, our cybercrime statutes have been updated; but not our core criminal fraud provisions, not the penal law. Those are still stuck in 1986, and that is a choice.

Bad actors know this. They've operated for decades, knowing that our fraud statutes cannot reach them. That what they were doing may look bad, may sound bad, may feel bad; but the law, as written, has left them untouchable, while New Yorkers, literally, and figuratively, have money taken out of their pockets every day.

Every dollar extracted through deceptive

servicing, every dollar inflated in a wrongful foreclosure judgment, every dollar stolen from a worker's paycheck, and every dollar misappropriated in a digital scheme is money taken from families already stretched to the breaking point.

New Yorkers are getting scammed every single day. It's time we do something about it.

And with that, I will pass it to the chair of the Consumer Protection Committee to offer some opening remarks, and then we will commence with the hearing.

Thank you.

SENATOR MAY: Well, thank you, Chair Myrie, and thanks to everybody who is here.

I guess I should thank Senator Myrie for making me feel really old --

[Laughter.]

-- because, 1986, I was already well into adulthood.

But I do want to thank you for being a partner in this hearing.

As chair of the Consumer Protection Committee, we -- we have a lot of bills in our committee about fraud and scams, and we are dealing with this all the time.

I was the chair of the Committee on Aging for four years. And that's -- I know we will be hearing about elder fraud here, which is -- which is pervasive and growing. And I find myself targeted by those fraudsters all the time as well. And it's -- people are terrified.

The thing about when you -- as Senator Myrie was saying, you know, people expect prices to go up, they expect things to be expensive. But they don't expect to be scammed, they don't expect to be defrauded, and they don't expect just money to disappear for no apparent reason. And it's terrifying, and people feel destabilized and they feel helpless.

And those kinds of events, even if it's a smaller amount of money than the money that they might be struggling with because their utility bill went up, if it is something where they feel like they've been abused or mistreated or scammed, then they get that much -- it's that much harder, it feels like a much bigger hit.

I also want to say, Senator Myrie talked about the student loan industry, and that's something we're working on in my committee, is trying to protect private student loan borrowers who

have private student loans.

But you mentioned that there had were 41,000 formal complaints at the Consumer Financial Protection Board against Navient.

One of the things that we're dealing with right now in New York State is that the federal government and the Trump Administration have made an all-out attack on the Consumer Financial Protection Board. And the estimate is that that has cost consumers $19 billion just in the last year alone because of the -- essentially, the demise of that board as a -- as an active participant in helping consumers deal with these big corporations that are not responsive.

If they're not going to be responsive to a -- you know, a state senator who chairs a powerful committee, then they're not -- definitely not going to be responsive to the individuals who have filed those complaints.

And so it isn't an accident that we are having to do this in 2026, when the federal government has completely abdicated its role in protecting consumers.

And so we need to do it here at this -- in this state.

And I'm really grateful to all of you who are here, to help us figure out the best ways to do that.

And I won't take any more time, except just to say, I'm looking forward to hearing from all of you. And we will definitely take what you have to say to us, and make sure that we're using it either to advance existing legislation or to improve the legislation that we've got on the books right now, so that we can help the consumers of this state feel like they are being protected even when the federal government is not in their corner.

Thank you.

SENATOR MYRIE: Thank you, Chair May.

And we will commence with the hearing.

We are first starting with a number of government panels.

In the first panel, if you can introduce yourselves before you speak, you will each be allotted five minutes, and then we will have some questioning that I think will be around that time. We're a little flexible today.

And so, I don't know amongst the lottery who wanted to go first.

Okay. And so we'll start with

Mr. O'Malley.

And thank you again for being here today, and thank you for your testimony.

GABRIEL O'MALLEY: Good morning, Chair Myrie, Chair May, and Senator Murray, and all other members of the New York Senate.

The department of financial services appreciates the opportunity to submit testimony today.

My name is Gabriel O'Malley.

Since last March I have been the executive deputy of DFS's Consumer Protection and Financial Enforcement Division. It's known as "CPFED" colloquially, and so I may refer to us as that in the testimony today.

The department regulates the activities of approximately 3,000 banking, insurance, virtual currency, and other financial institutions, with assets totaling more than $9 trillion. This includes over 1200 depository and non-depository financial service providers, and nearly 1800 insurance companies.

Last year, DFS provided over $350 million to the State and New Yorkers through restitution to consumers and health-care providers, penalties paid

to the state general fund and DFS assessment revenue reappropriated to other state entities.

The department's operating expenses, importantly, are assessed upon regulated entities and are not a cost to New York taxpayers.

Under Governor Hochul's leadership, DFS has secured, roughly, 760 -- excuse me -- $765 million for consumers, addressed more than 200,000 consumer complaints, and issued 134 enforcement actions, and, finally, collected more than $517 million in enforcement penalties.

DFS's Consumer Protection and Financial Enforcement Division, which I oversee, is comprised of six units.

The attorneys and staff of CPFED's Civil Investigation Unit, known as "CIU," investigate civil financial fraud and violations of Consumer Protection and Fair Lending laws, and violations of the New York financial services law, banking law, and insurance law, and regulations promulgated thereunder.

Our CIU attorneys and staff conduct investigations, they form legal conclusions, and, ultimately, they resolve those investigations generally in one of two ways: Either through an

agreed-upon consent order with an entity or individual, or through the filing of a statement of charges.

Under Governor Hochul's leadership, CIU has taken robust action to address wrongdoing in New York.

For example, DFS brought its first actions against cryptocurrency companies, including Robinhood Crypto, Coinbase, Block, and Gemini, securing penalties and agreements to remediate, to ensure compliance with state laws and regulations.

The department was also the first regulator to take action concerning Binance, ordering Paxos to cease minting Paxos-issued BUSD.

Notably, pursuant to a settlement with DFS in 2024, Gemini Trust Company returned more than $2 billion worth of digital assets to consumers after failing to protect them from alleged fraud by an unregulated third party.

Gemini also paid $37 million in a penalty to resolve that action, and to resolve their law violations which threatened the safety and soundness of the company.

In the past year alone, CIU's work has resulted in, roughly, $90 million in penalties, with

changes mandated to various aspects of businesses, including safety and soundness, anti-money laundering, consumer protection, virtual currency, and cybersecurity compliance.

CPFED's Consumer Examinations Unit is responsible for conducting fair lending, compliance, and New York Community Reinvestment Act examinations; overseeing the Banking Development District Program; and registering and supervising consumer credit reporting agencies; among other work.

"CEU," as it's known internally, also houses the department's Student Protection Unit, which is a watchdog for New Yorkers.

The SPU licenses and examines student loan servicers; importantly, mediates consumer complaints; and provides clear information to students and their families so they can make informed financial choices around their education.

The Consumer Assistance Unit is the largest of CPFED's units. It investigates and mediates complaints against regulated entities, as well as complaints related to other entities. It also screens external appeal applications, manages the independent dispute resolution process, and conducts

outreach and education to consumers.

To give you a sense of the magnitude of CAU's work, in 2025 alone, CAU received almost 40,000 insurance-related complaints. Its work processing and mediating those complaints resulted in the recovery of more than $121 million for New Yorkers and providers. And, also, they processed more than 5300 non-mortgage-related complaints, which resulted in, roughly, $6 million back to consumers.

A couple more points, and I'll be brief.

The Insurance Fraud Bureau, known as "IFP," is something that I know Acting Superintendent Asrow talked about last week. Its focus is on the detection and investigation of insurance fraud, and referring those matters for prosecution.

We received more than 51,000 reports of suspected insurance fraud last year, mostly from our regulated entities. This resulted in almost 250 investigations, 169 arrests, and numerous referrals to law enforcement agencies for prosecution.

We have rebuilt and modernized IFP in the last year. We brought on new leadership in the top two positions. We have also increased staff by

28 percent. We're doubling down on technological advances as well, to make us more efficient and effective. And we're also really focused on partnering with state police and other law enforcement agencies.

Finally, we have an investigation and intelligence unit within CPFED. They focus on potential violations of New York banks and banking law, but also the New York Penal Code and potential crimes relating to mortgage fraud. They work closely with law enforcement agencies.

And, finally, we have the small but mighty Holocaust Claims Processing Office, which I know you all are aware of. HCPO provides institutional assistance to individuals seeking to recover lost items due to Nazi persecution.

And I just have to note that, to date, HCPO has secured more than $184 million in offers for banks, insurance, and other losses; and has also facilitated the return of 356 cultural objects, to no cost to the recipients and to no cost to the State of New York.

As reflected in the work that I have outlined, the department is dedicated to ensuring that New York insurance banking, virtual currency,

and other non-bank financial services markets are fair and transparent from our competitors and, importantly, for consumers.

I look forward to answering your questions today.

SENATOR MYRIE: Thank you.

LAURA CAMPION: Good morning.

I would like to begin by acknowledging Chairs Myrie and May. Thank you for inviting me to testify today.

SENATOR MYRIE: Apologies. Technical difficulties.

LAURA CAMPION: Five minutes went faster than I expected.

SENATOR MYRIE: Yeah, you have -- that is -- you got more time than that.

Just give us one second.

LAURA CAMPION: Absolutely.

SENATOR MYRIE: Yeah, let's give her the full. Thank you very much.

Thank you for your patience.

LAURA CAMPION: Not a problem.

Once more, from the top: Good morning.

I would like to begin by acknowledging Chairs Myrie and May. Thank you for inviting me to

testify today.

Distinguished members of the committee, thank you for giving me this opportunity to discuss our efforts against wage theft at the department of labor.

I am Laura Campion, deputy general counsel and associate commissioner of the department of labor.

Wage theft negatively impacts the pockets of New York's workers and the bottom lines of businesses, creating a ripple effect that reverberates throughout our entire economy.

Criminals who steal from the pockets of your constituents must be pursued to the fullest extent of the law.

At the department of labor, our investigators, alongside our many partners in law enforcement, labor, advocacy, and more, remain focused on doing just that; utilizing every tool at our disposal.

And we will not rest until stolen funds are back where they belong; in the hands of hard-working New Yorkers who rightfully earned them.

To that end, I am pleased to inform the committee that 2025 was a landmark year in our fight

against wage theft.

Last year alone, our investigations recovered more than $35 million in wages and collected $2.2 million in penalties.

And since 2017, the department has recovered and disbursed more than 243 million in stolen wages.

We attribute part of our success last year to the enhancements to our enforcement capabilities by the governor, in partnership with the legislature.

By giving us the authority to issue warrants and seize financial assets following unpaid wage theft orders, we are better armed to go after bad actors.

This ensures that workers are prioritized, and emphasizes the message that wage theft will not be tolerated here in New York State.

Again, we do not do this important work alone. There is power in partnership, and collaboration has made it difficult for criminals to hide.

Thanks to Governor Hochul's Wage Theft Task Force, the department continues to work closely with law enforcement partners, sharing strategies and information to coordinate our efforts.

The ongoing multiagency effort includes the

New York State Attorney General, district attorneys, the New York State Insurance Fund, and the New York City Department of Investigations.

Together, along with our partners, we leverage criminal and civil laws to achieve justice for workers.

In the spirit of partnership and transparency, we have given all New Yorkers, including the legislature, unprecedented access to our work in this space through the Wage Theft Investigations Dashboard.

This interactive online tool provides comprehensive information on wage violation cases, wages returned to workers, and penalties levied against violators.

What this tool demonstrates, is the most common types of wage theft include failing to pay the minimum wage, failing to pay overtime, and failing to adhere to the Spread of Hours law for service workers.

This is why education is such an important part of our work. We know laws can be confusing for some employers. And in some cases of wage theft, we've learned that employers want to comply. They didn't know that they were breaking the law.

The department regularly communicates about wage theft, rights of workers, and the responsibilities of employers via social media, newsletters, through our business representatives, and more. We work with employers, to educate them about equal pay and pay transparency laws, and proactively provide tools and information about fair and lawful treatment of employees.

Education is key to attacking wage theft at the root, preventing future violations before they even occur.

Again, I want to emphasize that partnership is key in fighting wage theft, and that includes every working New Yorker.

Please encourage our constituents to look at their paychecks. And if anything looks concerning, please report it to us immediately and we will look into it.

In closing, I thank our partners, especially in the legislature, for your continued commitment to fighting wage theft, and for due diligence in making sure that all working New Yorkers receive every cent that they are owed.

Thank you.

SENATOR MYRIE: Senator May.

SENATOR MAY: Yeah, thank you.

Thank you both for your testimony.

I guess, on that -- on the wage theft issue, I'm wondering right now, I assume that these are mostly hourly workers, and that we're talking about people at the lower end of the pay spectrum who don't have a lot of power in the whole process.

And I'm just wondering if you're seeing changes, because so many people are afraid to come forward, in -- given the kind of federal immigration enforcement that we're seeing? If you're seeing changes in the kinds of complaints that you're getting?

LAURA CAMPION: I don't know, off the top of my head, if we're seeing any specific changes or trends.

But what I can say is, the department of labor, anytime anyone comes forward to us, whether it's, you know, with their name or anonymously, to identify that there is wage theft potential, we look into it.

You know, we go into a business. We have the ability to look at their books and records, and open it up, because, oftentimes, it's not a single individual who is being taken advantage of.

There's, you know, multiple employees.

And we take it very seriously, in terms of making sure that employees receive the wages that they are paid regardless of sort of anything else.

SENATOR MAY: Okay, thanks.

And then, Mr. O'Malley, I guess I have a general question about whether your job has gotten harder without having a real federal partner in this, or if you were always completely independent of the CFPB and other consumer protections at the federal level?

GABRIEL O'MALLEY: Well, I worked at the CFPB for 12 years, and was there up until this time last year, and, you know, loved my time there.

What I can say, on a personal note, is that it's been really inspiring to land at DFS, and be a part of an agency that is really focused on doing right by both the economy, but also consumers.

And the purview of CPFED covers consumer protection, and we've continued to be really active there.

And that's been -- it's been wonderful, and I feel lucky to have landed here.

As to what's happening in Washington on the federal front, that's something -- not something

that I can control or DFS can control.

And so what we're doing, in large part, is what we've always done, which is focused on New York State laws and regulations and facts, some of which might result in, you know, federal violations over which we would have authority as well, and taking appropriate action, whether it be through supervisory matters requiring attention or, in many cases, at least in my group, through enforcement action.

SENATOR MAY: Okay, thanks.

So I don't want to complain, but looking at the numbers that you gave, 200,000 complaints, 134 enforcement actions, that's less than a tenth of 1 percent.

Is that because they're just unenforceable?

Or, like, why would hundreds of thousands of complaints not result in enforcement actions?

GABRIEL O'MALLEY: Yeah, that's a great question.

I would say, speaking at a general level, not every complaint touches upon a law violation. There can be misunderstanding that doesn't rise to the level of a law violation.

And that's why it's so key that we have CAU.

In the bureau, before -- you know, when it was more active, had a consumer response group, because mediating those complaints actually gets companies to respond. And, oftentimes, you can work out the difference and get money back to consumers.

What we do do is monitor the complaint trends.

We also have various other ways of assessing the market, including through our supervisory activity, to understand trends, and try to take action in those places where we're seeing significant trends that are either harming consumers or are, for example, in the cybersecurity world. If there's a particular type of trend that's leading to a breach, that's something that we would want to dedicate our resources to because we do have finite resources.

So I would say the large number of complaints indicates that there are problems.

I do think, CAU, our assistance group, is doing a wonderful job, getting almost $130 million back to folks.

For the larger, more systemic issues, we use the enforcement tool.

SENATOR MAY: And do you track what most of

the complaints are about? Do you have a database that says, you know, most people are complaining about this kind of issue? Or --

GABRIEL O'MALLEY: Yeah, well, broadly speaking, most people are complaining about insurance. And within those complaints there are certain, you know, aspects of concern -- insurance that folks are complaining about.

And our CAU unit passes that information on to our insurance division which oversees insurers and producers. And that's used to inform areas of exploration and examinations.

SENATOR MAY: And so I had one other question that was also about the -- again, you had 40,000 complaints just in CAU.

I'm just wondering, like, it would be really helpful for us if you were keeping kind of more granular data about what specific problems people are complaining about, so that we -- you know, if there are ways that we can intervene, you know, we would know what are the most important problems out there.

GABRIEL O'MALLEY: Sure.

SENATOR MAY: We hear from constituents, but you hear a much more comprehensive list of what the

issues are.

So I'm just-- do you keep data?

GABRIEL O'MALLEY: We do.

And I can certainly take that back, and we can get back to you with some more specific trend lines.

As I said, the top line is, the vast majority of complaints are, insurance-related.

And as you all are aware, we oversee the external appeals process, which includes those dramatic decisions, where there's a decision by an insurance company to deny coverage in an emergency moment.

And a consumer is able then to come to us and have a decision made in a very short order, 24 to 72 hours, whether the insurance company has to actually pay.

And that is an essential function that we do, and also takes up, of course, a lot of time --

SENATOR MAY: Yeah.

GABRIEL O'MALLEY: -- and is very important, because it's time-sensitive in --

SENATOR MAY: Are we talking medical insurance?

GABRIEL O'MALLEY: Yes.

SENATOR MAY: Car insurance?

GABRIEL O'MALLEY: Yes.

SENATOR MAY: Homeowners insurance?

GABRIEL O'MALLEY: Medical, yes.

SENATOR MAY: Just medical insurance.

Okay. That's really helpful.

Thank you very much.

SENATOR MYRIE: Thank you, Senator May.

Senator Murray.

SENATOR MURRAY: Thank you, Chairman.

And thank you both for being here.

I would like to start with Mr. O'Malley.

Just, I want to put it on the radar, we were talking off line about this; that I'm glad a lot of the focus is on insurance.

But we have a problem on Long Island right now in regards to mortgages and escrow funds being stolen, to the point of -- let me see -- as far as the number of claims.

So we have the New York State Lawyers Fund for Client Protection, and that's supposed to reimburse anyone that has problems.

80 percent -- 86 percent of those claims paid in 2024 involved real estate escrow funds being stolen.

We're at a point now where they're capping the claims. It's, I think, $400,000, capping how much you can get.

Says only 66 percent of the valid claims are fully reimbursed right now, because we're running out of money because it's happening so much.

So I'm hoping we can put a focus on that. And we'd be more than happy -- I know I've talked to my colleagues. We'd be more than happy to work together on finding some solutions. But I want to put that on the radar.

Is that a focus of yours now, or...?

GABRIEL O'MALLEY: Well, first, I appreciate you raising this. And I would like to hear more outside of this hearing about specific instances and particular attorneys or law firms. And that's something I certainly would take back and consider further.

More generally, I mean, that kind of fraudulent interaction between either company or agent and consumer is something that we're focused on generally, of course, and especially where there's a trend -- a burgeoning trend, and it's causing specific harm to consumers.

So it's something I would certainly like to

hear more about.

SENATOR MURRAY: Okay, great, great, and we'll do that.

Ms. Campion, two quick issues.

One: I noticed, when you were going through the list of some of the things, you had mentioned minimum wage, and things list -- regarding wage theft. But I didn't hear prevailing wage violations.

We have a lot of the labor unions on Long Island who are saying, Look, you've got these guys that are coming in. They're bidding on projects. They're supposed to be paying prevailing wage, and their bid says they are.

But in reality, when you talk to some of the workers, they're playing games, and they're not getting it.

But there doesn't seem to be a lot of investigation into this.

Is that a focus of yours, and what can we do to step it up?

LAURA CAMPION: Our Bureau of Public Work and Prevailing Wage, you know, works extremely hard to investigate these types of complaints and issues that are raised. And it's certainly something our

agency is focusing on, and that we are doing a lot to increase in space -- or, increase our efforts in that space.

I think over the last two years, we've had the certified payroll system start. We've had the contractor registry system go online. And those are efforts that we've been making alongside, you know, the legislature and the governor, to make sure that people are aware, have information, that there's transparency, and that we're getting the information we need to complete investigations.

SENATOR MURRAY: Do have you enough people to do the job in this area?

LAURA CAMPION: That's not something that I would know off the top of my head or be able to speak to specifically. But it's something we can look into and get back to you.

SENATOR MURRAY: I would appreciate that.

And then, finally, the -- Part 191 of labor law, frequency of pay, manual labor, and there is so much confusion.

And, in fact, we've got some small businesses now, unfortunately, going out of business because they've been sued, not knowing they even violated.

Most people don't know, most business owners

don't know, that, under Part 191, if a position is considered manual labor, they must be paid weekly; not bi-weekly, but weekly.

There have been cases where even the department of labor has had inspectors going into a business, looking at their books. They didn't even notice it. It was on something else they were looking at. Didn't call anybody's attention to it, and later the company got sued.

The Governor took steps to limit and protect the businesses a bit, and I applaud that; however, we haven't fixed the problem.

Can we please, please, get a clear definition of "manual labor"?

Now, in our bail reform laws, we go down and there's a checklist of crimes.

We can do the same when it comes to positions that would qualify for manual labor. That would remove all the confusion and protect both the businesses and the workers.

So I'm begging, can we please have the Commissioner, because that's who needs to do this, the Commissioner needs to clearly identify what manual labor -- what qualifies as "manual labor"?

So if could you take that back to the

Commissioner, please. We need that help. Small business is really getting hurt.

LAURA CAMPION: Understood.

SENATOR MURRAY: Thank you.

SENATOR MYRIE: Senator May for a second round.

SENATOR MAY: Oh, sorry.

For Mr. O'Malley.

So in my role in consumer protection, I mostly deal with the attorney general's office. And they have complaints page on their website where people can file issues.

Do you have the same -- do you have a parallel thing? And do you work together with the attorney general's office if a complaint -- where is the overlap? I guess that's the question, because it feels like you're doing similar things.

GABRIEL O'MALLEY: Excuse me.

Sure.

We have our own complaints database. And if you type in "DFS" and "complaint" into Google, it will pop up immediately. It's easy to find on our website, and you can click a button and submit a complaint.

Separately, there is another network that

attorneys generals and banking regulators can use for other complaints.

And then, finally, there's the CFPB complaint network, which is the national database, that focuses on financial products and services.

So there are various databases. We have access to all of them, and we use all of them in setting priorities.

SENATOR MAY: And what should a consumer do who's got a problem?

Should they come to you first?

Should they go to the attorney general's office first?

GABRIEL O'MALLEY: That's a great question.

So if an entity is a regulated entity, the consumer should certainly come to us, and for a couple of reasons.

One: As I said, our CAU office is very effective in mediating complaints and getting money back to consumers.

Two: Allowing us, as the regulator, to get complaints allows to us draw out trends and intelligently focus our resources, going forward.

One never wants to make work for a consumer. But filing complaints with the attorney general's

office also has the same broad benefits for the AG, and ultimate knock-on effects for our ability to catalog trends, going forward.

So I don't want to ask too much of any one person, but would welcome complaints to us on any regulated entity.

SENATOR MAY: And then I know the department of state also has an office that is charged with consumer protection.

Do you all work together; is there a coordination that goes on?

And is there joint messaging that happens?

Because that's one of their things, is to put messages out.

GABRIEL O'MALLEY: Yeah, there's a quarterly consumer protection roundtable that I attend in New York City, that's not only run and chaired by the department of worker and consumer protection, the AG is present there. Other government agencies are present there. Advocates are present there.

And we hear from them about trends that are happening, and talk through those trends, and hear the latest updates on case decisions.

SENATOR MAY: Okay. So I'm glad all of you are doing this work. But I feel very strongly that

there probably should be a one-stop shop for consumers, where, you know, they can put their -- like, you know, one website or one number that they go to, and it will get directed to the right agency; if it's more appropriate in the AG's office or more appropriate in yours. That would make a lot more sense than having parallel processes that they have to navigate.

So I hope we can talk about that in the future.

GABRIEL O'MALLEY: Sure.

SENATOR MAY: Thank you.

SENATOR MYRIE: Thank you, Senator May.

I have questions for both of you.

I'll start with Ms. Campion, and Senator Murray began to touch on this. But I'm hoping you can expound a little bit.

As I understand it, there are, roughly, 235 wage enforcement staff at DOL, responsible for covering all of the workers and employers in the state.

And I'm hoping you can talk to us about what that caseload looks like, how that operates in practice.

This is not a budget hearing. But we are in

the midst of the budget, where the legislature makes decisions around where resources are allocated.

So hoping to gain some more insight into how many resources DOL has now currently to enforce wage theft -- or, the prevention of wage theft, rather; and whether there might be room for more resources to help you accomplish that.

LAURA CAMPION: Thank you.

I don't have any sort of specific numbers, and I wouldn't be able to confirm any numbers, if the number of staffing you identified is specific to our Labor Standards Unit or includes our public work and prevailing wage investigators as well.

But I can certainly bring some of that back and have us follow up.

What I will say is that, you know, we do everything that we can, and work extremely hard with the resources that we have. I think our commissioner had her budget testimony last week -- I think it was only last week.

It's been a long week.

And, you know, I think she generally will say that we're never going to say no to resources. But we also recognize that there's a lot of work that has to get done amongst all of the state agencies; a

lot of important work from my colleagues at DFS, from the other state agencies that have been mentioned today.

And we'll continue to work hard and use our resources as effectively as we can.

SENATOR MYRIE: And thank you for that.

Are there any high-risk industries for wage theft or particular patterns that you have seen emerge, whether it be on the income band or whether it is the type of industry?

LAURA CAMPION: Sure.

I know, off the top of my head, the service industries are, you know, generally a challenge.

And you can go on to our -- the dashboard that I mentioned in my remarks, and narrow to see things by different industries and whatnot.

I wouldn't be able to give you a full accounting off the top of my head. But we can certainly follow up with some more specifics.

SENATOR MYRIE: Great. Thank you.

I think that would be helpful for the committees, certainly as we're trying to craft prevention efforts by statute, to see if there are particular industries that need some tailored focus, and who are more susceptible to taking advantage of

workers.

And to Mr. O'Malley, I'm going to turn the focus a little bit to virtual currency.

And the conversation around the market structure and all of the things happening on the federal level is complicated and fraught, like many things, with politics.

But here in the state, I think the DFS has been on the forefront from many years ago, and under previous and current leadership, in trying to establish some regulatory framework, to allow for both accountability in the industry, but also to have the market continue to do what the market does.

You issued last November -- I think you were already there, but maybe not -- okay, last September, rather, guidance on blockchain analysis for entities.

Can you talk to me, one, about how that has gone from a compliance side?

And, also, what challenges remain in folks being able to comply with doing this type of analysis and safety, and what -- where there might be room for improvement?

GABRIEL O'MALLEY: Sure. Thank you.

So on the "how is it going?" analysis front,

the Research and Innovation Division houses a virtual currency unit that performs examinations of all of our licensees on a periodic basis.

I'm not able to comment on specific examination findings.

But what I can say is very important to DFS in assessing current licensees and other -- and applicants is redeemability of assets.

So if a consumer wants to get his or her assets back, are they able to do so immediately; or, if not so, in a timely manner? And, also, the ability to freeze funds.

And that really is important for especially criminal and civil actions, where, once you find out something has happened, the wheels of justice sometimes move slowly for the ultimate result. But it's important to be able to move quickly to freeze funds.

And so that's an important aspect of what we look at when we're reviewing various companies.

SENATOR MYRIE: And I know you can't comment on specific examinations, and whether or not they may or may not be investigations.

Can you say, more broadly, whether you have found, specifically for bit licensees, whether there

has been compliance on this guidance?

GABRIEL O'MALLEY: I'm going to have to come back to you on that, and I'm happy to provide more information. But I want to make sure that what I provide you is correct.

So I'll pause on that and come back to you on it.

SENATOR MYRIE: Okay, and I appreciate it.

I'm certainly not attempting to shame any particular actor. The hope is, you know, whether we need to go further than regulatory, and whether we should consider statutory requirements. And it would be helpful to know, given you guys's proximity to the industry, to see what may be needed.

On the student loan front, and you spent a significant amount of your testimony, and certainly given your position in DFS, talking about the work that is done on that front.

Can you -- for the everyday New Yorker who does not tune in at 10 a.m. in the morning on Tuesday to a public protection and consumer protection hearing, if I'm a student loan borrower, and right now I am, you know, paying, and I'm -- I feel overburdened or I feel like something is awry, what do I do?

And how would DFS be helpful in that instance where I feel like, my servicer, I can't reach them or I feel like I'm being overcharged, and this is someone that is under regulation by DFS?

GABRIEL O'MALLEY: Sure.

Well, first of all, just to harken back to something you said at the outset, about folks being held captive in relationships and being potentially exploited.

I think the servicing relationship is an example of how that can happen, because consumers don't choose their servicers, in most instances, relating to mortgages or their student loans.

And so you don't have the equality of relationship, where you're able to make an informed choice, after the transaction happens, to move to another provider the way you would, for example, with a cell phone.

And so servicing is really an area where folks are held captive by whoever it is that's servicing the loans.

Our SPU unit does public outreach.

I believe in the budget negotiations there are some discussions about getting us more resources; and also more resources for EDCAP which

does a fantastic job in communicating with consumers.

Candidly, now, there have been so many changes on the federal front, that it is confusing for folks about what their rights are for federal student loans and what the best decision is for them to make.

One thing that we have seen is that, as a result of the One Big Beautiful Act Bill, there have been and will be changes to federal student lending. And that might, I would say, is likely to push some number of consumers into private student loans, to bridge the gap in the amount of money that they need to get for their education and what they can actually get through federal loans.

The Governor has highlighted her interest in ensuring that consumers understand their rights when they're refinancing federal loans into private student loans, because, as I think you're alluding to, under the federal loan structure, there are certain benefits that consumers can take advantage of. Income-driven repayment plan is one. The public student loan forgiveness plan is another.

But once you consolidate those loans and turn them private, that's an irrevocable act, and you may

lose certain rights. And it's particularly confusing now because the landscape is in flux on the federal front.

And so the Governor has rightly proposed requiring private student loan lenders to give consumers an understanding of what rights they might be losing if they do consolidate loans into private loans.

SENATOR MYRIE: Thank you.

And my last question, and thank you for your patience again: What is DFS's current understanding of your authority as it relates to prediction market platforms, if any?

I know this is a newer thing, and we're all trying to respond and figure things out.

And I'm wondering if you have thoughts on whether there should be some space for conversation?

These are -- these markets -- and this is something Chair May has also been looking into -- that are not inherently financial, but there are many financial transactions that end up taking place.

And wondering if DFS has any thoughts on that?

GABRIEL O'MALLEY: Well, I'm aware it's a

complex issue, and it presents some really fraught issues.

The CFTC has historically had authority over futures contracts, and there has been some litigation over whether or not State action is preempted. I'm aware of that.

I would say, ultimately, whether or not New York is going to take some form of action in connection with prediction markets is a really important policy decision that the Governor and the legislature will have to work through.

And we can provide technical advice, given our understanding of the various markets that we regulate.

SENATOR MYRIE: Thank you.

There are no further questions.

Thank you both for taking the time to testify today.

GABRIEL O'MALLEY: Thank you. Appreciate it very much.

LAURA CAMPION: Yes, thank you.

SENATOR MYRIE: Okay. We are next going to hear from the office of the attorney general.

Good morning, and thank you for testifying today. Take it away when you're ready.

STEPHANIE J. SWENTON: Good morning, Chairs Myrie and May, Senator Murray.

Thank you for convening this important hearing, and for giving our office, the attorney general's office, an opportunity to share our experiences, feedback, and insight.

Attorney General James continues to appreciate the strong and constructive relationship between our office and the legislature. And we appreciate your consideration of legislative reforms that will enable prosecutors to more effectively combat white-collar crime schemes in New York State.

My name is Stephanie Swenton, and I have served as chief of the attorney general's Criminal Enforcement and Financial Crimes Bureau for over eight years, and as a criminal prosecutor in New York State for over 25 years.

I am joined by my colleague, Shamiso Maswoswe, who serves as chief of the attorney general's Investor Protection Bureau.

SHAMISO MASWOSWE: I began my career as prosecutor 10 years ago with the Department of Justice Criminal Division, and joined OAG 7 years ago, and began serving as chief of IPB for the last 4 years, where I help lead our office's securities

and commodities investigations, enforcement actions, and litigations.

STEPHANIE J. SWENTON: The attorney general's Financial Crimes Bureau conducts investigations and prosecutions of complex financial fraud schemes across the state, including criminal securities fraud prosecutions, and supplements the valuable work done by the 62 county district attorneys in this space.

The attorney general's Public Integrity Bureau, Medicaid Fraud Control Unit, and Labor Bureau are also active in the white-collar space, prosecuting crimes based either on statutory grants of authority or referrals from state executive agencies.

Prosecution of white-collar crime cases is very time-consuming. It's document-intensive, and it involves testimony from dozens of witnesses.

However, a few simple reforms would greatly enhance our ability to prosecute white-collar crimes.

The first is simplifying the introduction of business records in the grand jury.

Under New York law, with few exceptions, a witness must testify in person in the grand jury to

admit testimony or even documentary evidence.

This means that a witness who has no other relevant testimony to offer must travel to the grand jury merely to be asked a few questions to show that a document is part of their business records.

In most states and federal districts, this type of personal appearance by a records custodian is not required in the grand jury, nor even often at trial.

The New York Legislature has already recognized an exception for certain phone and banking records, which can be introduced by certification in the grand jury. These certifications safeguard the reliability of the records by requiring a business representative to sign a written statement under oath, attesting to their authenticity.

If this already-accepted certification process were extended to all business records, it would greatly streamline our grand jury process.

The second proposed reform to grand jury practice is improving victim access to grand jury.

Large-scale fraud schemes typically target victims across the state and across the country, particularly now in the digital era, as well as

vulnerable victims such as the elderly.

Permitting witnesses who reside more than 100 miles from the grand jury, or whose mobility issues substantially impair their ability to appear in person before a grand jury, to instead testify by simultaneous video testimony would enhance our ability to prosecute white-collar crimes.

Such live videotaped testimony would still maintain the integrity of the proceedings because jurors would have the ability to observe the witness, ask questions, and a certified recording would be retained for future review.

The third reform is adding increased felony levels to the "scheme to defraud" statute.

Most areas of the New York State Penal Law hold the most egregious offenders accountable by establishing increase in felony levels based on the scope of the crime. For example, the larceny statutes, someone who steals less than $1,000 is guilty of a misdemeanor; more than $1,000, an E felony; and so forth, with a theft of over $1,000,000 constituting a B felony.

In New York, however, thefts must be charged separately as to each victim. This means that a stock broker who steals $1.1 million from a single

wealthy client can be held accountable on a Class B felony. However, if a stock broker steals $1.1 million by taking $1,000 each from 1,100 lower-income investors, that conduct is only punishable in New York as a series of A misdemeanors and an E felony scheme to defraud.

An example of this is the attorney general's recent indictment of a tax preparer in Madison County who was charged with operating a massive Ponzi scheme over three decades, by which he stole over $50 million from 988 investors.

Because he did not steal more than $1,000,000 from any one of those investors, the top counts charged are only C felonies.

Adding increased felony levels to the "scheme to defraud" statute would allow us to hold the most egregious offenders accountable, and ensure that offenders who target low- and middle-income victims are equally accountable as those who target wealthy New Yorkers.

Lastly, I would like to note the exceptional partnership that the attorney general has had with the legislature, particularly Senator Myrie in combating deed theft.

Preventing deed theft has long been a

priority of Attorney General James.

The attorney general's office created a dedicated Real Estate Enforcement Unit to investigate and prosecute deed theft schemes, and since 2019, has chaired the Deed Theft Fraud Task Force.

The attorney general remains deeply committed to rooting out deed theft in all of its forms, and we look forwarded to continuing to work with the legislature to develop criminal and civil tools to guard against these crimes.

Thank you again for the opportunity to share input on this important topic.

And you will next hear testimony from my colleague Shamiso.

SHAMISO MASWOSWE: As part of our role as the a state's chief law enforcement officer, the OAG is a state securities and commodities regulator.

Through IPB, the OAG investigates and brings enforcement actions against those who offer or sell securities or commodities, including cryptocurrencies, fraudulently or without registration.

The OAG has regulated securities and commodities for over a century, and has been on the

crypto beat for a decade.

Many of the fraudulent investment secure -- investment schemes that our office prosecutes today involved -- involve cryptocurrencies.

As some of you know, Senator Myrie hosted a roundtable on white-collar crime, which our office attended, along with several DAs, the department of financial services, and the New York State Police.

It was striking how many offices reported the way that traditional financial crimes and other forms of criminal conduct were generated or facilitated using crypto.

Whether a scheme to defraud investors through a crypto-based investment scam or using crypto to hide money stolen through an elder fraud scam, it is impossible to ignore crypto's connection to criminal conduct, including white-collar crime.

This growth in crypto-related crime makes sense.

When criminals want to lie, cheat, and steal, they often choose cryptocurrency for a few reasons.

When they break the law, it's good to be anonymous.

Second: In crypto, there is no bank or centralized authority that's tasked with identifying

suspicious transactions or wallets or for rooting out fraud before it happens, or even detecting it afterwards.

And unlike in traditional securities industry, no one is tasked with the visibilty -- no one has visibilty into the trading activity occurring across the marketplace.

And, third: In crypto, there's, largely, no do-overs on the blockchain.

Chainalysis, an -- a blockchain analytics firm, who I understand you'll be hearing from a bit later, conservatively reports that crimes involving cryptocurrency back in 2020 involved crypto in the amount of about 11 billion. It more than doubled the next year to 26.5 billion, and reached an all-time high in 2022, at 54.3 billion. In 2024, it estimates that it will reach -- that it reached $51.3 billion.

In January of this year, our office, along with several local district attorneys' offices from across the state, joined District Attorney Bragg in a letter to Senator Schumer, Gillibrand, and Woerner about the two largest stablecoin issuers, Circle and Tether, and their failures to cooperate with law enforcement to stop fraud, and return assets to

victims.

Everyone agrees that this is a problem.

Congress has begun to draft legislation to resolve it. But it expressly does not include a requirement that digital asset service providers, like Circle and Tether, cooperate with state and local law enforcement, like OAG and local district attorneys' offices, which is why your help is needed.

We would like to bring your attention to four ways that crypto entities facilitate crime, which we believe could be addressed through legislation.

First: Not all crypto companies comply with law enforcement requests to freeze assets temporarily, pending court action.

At least one stablecoin issuer, Circle, routinely refuses administrative requests to temporarily freeze assets that would allow -- that law enforcement believes were involved in fraudulent conduct. Instead, Circle directs law enforcement to go to court and secure a court order even if there may not be time to do so.

Second: Even once a court order is obtained, requiring that assets be frozen, some cryptocurrency

firms will not comply with those orders or will unreasonably delay compliance.

In one instance, our office and the Queens District Attorney's Office asked Circle to voluntarily freeze assets. And when we were told no, and to get a judicial court order, we did so, and Circle was directed to freeze those assets. But it took the company three days to do so, which allowed the crypto to be transferred out and converted.

OAG has also been informed that platforms, such as OKX and Binance, will not honor court orders obtained by victims directly unless law enforcement is involved or unless victims choose to indemnify these companies.

Third: Even in the face of a court order, requiring cryptocurrency firms to return the proceeds of fraud, some entities have refused orders to return these ill-gotten gains, failed to cooperate with law enforcement to secure those orders, or declined to cooperate unless law enforcement jumps through numerous difficult and unreasonable hoops.

The status quo is untenable and leaves law enforcement, particularly state and local law

enforcement, and the victims of crypto schemes, at the mercy of these entities who derive immense financial benefit from underregulation and the opacity of the crypto industry.

Even those crypto law firms -- even those crypto firms that have provided voluntary compliance in the past can, at any moment, decide to stop cooperating with law enforcement to freeze and seize defrauded crypto assets.

Finally, while the anonymity associated with stablecoins is considered one of its prime benefits for users -- it is in fact a feature, not a bug -- the opacity still applies even when law enforcement is trying to investigate criminal conduct.

This seems difficult to justify when it's clear that crypto has become a prime vector to enable and facilitate criminal conduct.

OAG thanks the committees and Chairs Myrie and May for providing the opportunity to share input on this important topic.

We look forward to continuing to work together, moving forward to address these issues, and are now able to answer any questions that you might have.

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SENATOR MYRIE: Thank you both.

Senator May.

SENATOR MAY: Thank you.

So let me start with you and talk about crypto, because one of the things we heard from Ms. Swenton is that there are very different penalties, depending on the amount of money concerned.

But, with crypto, the actual valuation of the stablecoin fluctuates.

Does it even make sense to have monetary levels on penalties, or, you know, assign penalties according to the amount of money that is being defrauded if you're in the crypto world?

Or how do you deal with that?

SHAMISO MASWOSWE: So IPB is a civil enforcement. And so, for us, our goal is always to just fully return assets to the victims, and then, also, to pursue penalties and disgorgement where we can.

The beauty of stablecoin, or the supposed beauty of stablecoin, is that the value of stablecoin isn't supposed to fluctuate. Stablecoins are supposed to be pegged one-to-one with fiat currency, so that one stablecoin is supposed to

equal one dollar.

And that's why it's often the tool of choice and the currency of choice for criminals because they don't like that other cryptocurrencies will fluctuate so much in value.

So, for instance, on last Friday, Bitcoin was valued at $65. But five months ago it was at $126 -- at an all-time high of $126.

And so, often, it will go into stablecoin.

So because it changes value so often, and many of the different tokens, criminals, and most people, prefer to put it in stablecoin, which is why creating legislation that focuses on stablecoin, and requires compliance from Circle and Tether and other stablecoin issuers, is so important.

SENATOR MAY: Okay. Thank you.

And on that same example that you gave, Ms. Swenton, about, you know, where a stock broker could take over $1,000,000 from one person or over $1,000,000 from a lot of people and the penalties would be different, I'm just wondering about, always thinking from the consumer side, if you -- does each one of those consumers have to file a complaint? Does it have to be a class-action?

Like, it feels like it would be -- even if

the penalties were the same, the process would be a lot harder.

And I just -- I'm not being a lawyer. I would love to get your advice about how we help those people for whom losing $1,000 may be more consequential in some ways than someone else losing a million.

What processes are in place to help them get, you know, what they deserve?

STEPHANIE J. SWENTON: Thank you, Senator.

Before turning to the processes, and how some of the reforms I've discussed I believe would facilitate that process, I -- the example I provided was related to monetary thresholds.

However, I will note that the current Senate bill, 8594, imposes multiple levels of scheme to defraud.

One of the ways to elevate the levels of scheme to defraud is certain monetary thresholds.

Another way is the number of victims.

So in the incidents that you've suggested, where there could be a counterargument regarding valuation of a particular asset where there was a fraud committed or a theft, that alternate provision in the elevation of felony levels for more than

50 victims, more than 100 victims, more than 1,000 victims, so long as, you know, property is obtained, is an alternate provision to target that conduct, where not only the individual losses may be smaller, but may be more difficult to quantify.

That being said, going back to the general non-hearsay presumption in the grand jury meeting, there is a presumption of in-person testimony.

The hurdles to bringing a B felony case, where would you have to call over 1,000 victims, would likely be insurmountable. Even over 100 would be quite difficult.

You know, an additional amendment that I did not discuss is that, potentially, permitting certain testimony to be via affidavit rather than by live testimony.

For example, in the context of stolen property, stolen credit card numbers, there is a provision in the New York State statute that allows victims to -- where they're only testifying as to lack of permission and authority, to provide an affidavit as opposed to testimony, which would allow prosecutors to effectively encompass a larger scope of the scheme.

I think in a fraud scheme where there is

inducement and there is a narrative to be told, I don't know that an affidavit would be appropriate.

But one particular gap in the law is related to identity theft. There is clearly not an exception for victims of identity theft to testify via affidavit, simply to the fact that they did not allow their personal identifying information to be used by anyone.

And that is one way to attempt to, again, attack these schemes that can be very broad in scope, where a victim might have a limited scope of testimony, which would be to consider what type of testimony might be acceptable via affidavit.

But I also believe that the virtual testimony provision could help to greatly increase the ability of prosecutors to call more witnesses in a grand jury to demonstrate the scope of a scheme, where the individual losses for each person might be small, but, collectively, they are quite large.

SENATOR MAY: Thank you.

I know, in discussing this in our conference, people came down on either side of that.

Would you imagine putting guardrails on if it was a case of a large number of victims, for example, who presumably would all be giving similar

testimony?

Or, you know -- or would you think that that person who was defrauded of over $1,000,000 would -- could -- should be allowed to testify remotely?

What are you thinking, that there should be guardrails?

STEPHANIE J. SWENTON: I think the remote testimony provision, I mean, in the draft legislation we have reviewed, is based on their physical ability to appear before a grand jury and the distance to be traveled.

I do think there is an interest to the grand jury hearing the narrative.

So I would never want to say that there is a monetary threshold to whether a victim would be able to testify via affidavit or via virtual testimony versus live testimony.

I think there are other considerations, if implemented, that could help to achieve the same goals, which are the ones in the proposed legislation.

SENATOR MAY: Okay. Thank you.

SENATOR MYRIE: Thank you.

Senator Murray.

SENATOR MURRAY: Thank you, Chairman.

I'm going to kind of piggyback -- and thank you both for being here.

I'm going to piggyback on something Senator May brought up in the last panel, and that is, kind of, the one-stop-shopping aspect; and I want to bring up the issue that I brought up, and that is the escrow funds being stolen.

So is that DFS? Would that be the attorney general?

I know there are licensing issues when it comes to attorneys. I know there are things like this.

But when you're stealing the amount that appears to be being stolen now, it continues to grow, this continues to be a problem.

Is that something you, the AG's office, would take on directly, or would it be DFS, or a combination of both?

How would that work?

STEPHANIE J. SWENTON: The attorney general's office, our criminal jurisdiction is unique. There are certain statutes that provide us direct jurisdiction over certain subject matter areas.

The Martin Act, related to securities and commodities fraud, is one. It has both civil and

criminal provisions.

Certain provisions of the labor law is another, that give the attorney general direct jurisdiction for civil and criminal enforcement in that space.

Related to other types of crimes, the 62 county district attorneys, you know, obviously have power to enforce those.

But that being said, we regularly partner with state executive agencies who provide us with referrals under the state Executive Law, Section 63(3), to activate our jurisdiction for areas of priority enforcement.

So if this is an area of priority enforcement, obviously, we welcome complaints related to all financial fraud schemes.

We do have an online portal that receives an incredible breadth of financial fraud complaints, and those are discussions we're happy to have.

SENATOR MURRAY: Okay. Thank you.

SENATOR MYRIE: Thank you.

And thank you both for the testimony.

For Ms. Swenton, first, I want to focus for a second on elder fraud.

And, you know, we have in our laws the

definition of what would bump up consequence and penalty for someone who has, you know, allegedly, taken advantage of an older individual.

But we -- currently, the "vulnerable elderly person" standard is something that, you know, I think, in some cases, is a high standard to achieve.

And I'm hoping you can maybe talk to us about whether this is a workable standard for older adults who we wouldn't, sort of, commonly consider them vulnerable just because they are old. They still remain sharp, et cetera, but they were still a victim of a scheme or fraud.

And I'm hoping you can talk to us about whether we need to reexamine that.

STEPHANIE J. SWENTON: I think there are opportunities to expand the definition of a "vulnerable elderly person" besides sort of an arbitrary number related to age. There are multiple issues that play into that in terms of capacity.

But, you know, those are definitely discussions that we would welcome.

And, again, yet another aspect of what I think would be incredibly powerful amendments to the "scheme to defraud" statute is elevating levels

when one of the persons defrauded -- at least one of the persons is a vulnerably -- vulnerable elderly individual.

Just, in my role, in particular, we've recently prosecuted fraud schemes in both Queens County and Suffolk County, where elderly victims were defrauded by trusted former investment advisers of their entire life savings, leaving them to have to return to work, sell their homes.

This is a particularly vulnerable pool, and I do think it's a fruitful area of discussion, to make sure that that definition is fully capturing the scope of those individuals who are often both of means because they have significant retirement savings and subject to being preyed upon by white-collar criminals.

SENATOR MYRIE: Thank you.

And to Ms. Maswoswe -- excuse me -- we're steeped in the cryptocurrency stuff, where we know the lingo, we know the acronyms, we know [indiscernible].

Most people are not.

And part of what makes them more susceptible to being taken advantage of is this knowledge disparity.

And so I'm hoping you can talk to us, and sort of say it as plainly as you can, what the problem is as it relates to people being taken advantage of.

If you are a person that has seen an ad or you got a message that said, "I have a real great opportunity for you to make a lot of money in crypto," turns out that that is not true, you get taken advantage of, what recourse do you have as the law stands right now?

SHAMISO MASWOSWE: So I think that there certainly is an information gap. There is a lot of lingo surrounding crypto that makes it sound very sophisticated and very fancy and very -- like, there's a lot of "FOMO" around it; a lot of fear of missing out. Like, this is your chance.

But what we have found and what studies have found, that -- is that there's a lot of predatory inclusion around this as well. There's a lot of targeting of communities of color, of young people, of, like, this is your chance to achieve the American dream of, to get out of poverty, of gambling, really.

And that is really taking advantage of vulnerable populations, and is of great concern to

us.

And so -- and so -- and so that -- and I think that also makes it a much more dangerous -- a much more dangerous kind of product to peddle; and much more dangerous when you have celebrities that are out and influencers that are out peddling this as well, without the appropriate risks.

So, you know, when you're -- when they're securities or they're bonds or they're much more regulated products, there are warnings and there are disclosures, and you get a lot more information. When there's conflicts of interest, there's a lot more information that consumers and investors will get.

And you just don't get that with crypto.

So what are your remedies?

Your remedies are to report it.

Your remedies are to try and do your due diligence, and to make sure that folks are registered; that they're registered with the attorney general's office, that they are bit-licensed.

That you do searches to see if they are -- have -- that they are -- that they -- whether or not they've been accused of being a scam. See what

other people are saying about them.

And that you, you know, are not pressured when someone is saying "that you have to do it right now." And that's a red flag.

The attorney general has done a number of investor alerts and consumer alerts. I think we did one just a couple weeks ago about pig butchering. That that is a really big way that New Yorkers are really being pick-pocketed by international organizations -- criminal organizations from around the world, that are coming and just picking the pockets of everyday New Yorkers, when -- you know, from romance scams and from other kinds of scams that people are falling victim to.

And so your recourses are to do your homework, do your diligence. And if you don't understand it, if it sounds too good to be true, then it probably is.

SENATOR MYRIE: Thank you.

And then, lastly, back to you, Ms. Swenton, you made the comparison between the different scales of consequence and penalties in the stockbroker example, and I'm hoping to expand on that a little bit.

If you can tell us what your office is

currently able to do within the confines of the law now, and what you might be able to do should we improve on the "scheme to defraud" statute, and what types of activity do you think you would be able to capture?

STEPHANIE J. SWENTON: Yes. So, you know, under the current tools we have, we are able to bring charges against individuals who defraud a tremendous number of investors of lower amounts, sort of in the thousands rather than the millions.

But the tools we have, in terms of holding those offenders accountable, are quite limited under the sentencing structures and speedy-trial structures.

So the hypothetical that I provided, if it's less than $1,000, which does happen in some very pervasive schemes, that is a Class A misdemeanor, which is a summons, it's a summons ticket, that would have to be brought to trial within 90 days.

And a case of this kind of complexity would, pretty much, be an insurmountable hurdle.

If -- even though there is an E felony scheme to defraud that might encompass multiple of those petty larcenies, that is a desk-appearance-ticket offense. It's not a bail-eligible offense.

And any white-collar-crime penalty in New York, except for a Class B felony, there is no mandatory minimum sentence of incarceration. Those are all probation-eligible offenses.

You know, obviously, incarceration is not the only deterrent, and restitution is always a priority for us as well.

But where we are able to bring charges that most wholly reflect the scope of the criminal conduct, we are able to achieve better resolutions.

Whether it is millions of dollars of restitution, whether it is a deterrence of a repeat offender who is cycling through and committing frauds on different vulnerable populations, the sentencing tools and the charging tools and -- that are allowed to us over higher-level felonies are quite different.

And, in particular, the example I think that is now falling through the cracks is those crimes where the thefts are less than $1,001, because they're not even felony offenses, and typically not presented to a grand jury on very accelerated time frame.

And those cases, I believe, are probably completely falling through the cracks,

unfortunately.

And I give the examples of the securities fraud context, but those kinds of frauds span the gamut.

The attorney general has done a lot of enforcement in residential contractor fraud cases. For some individuals, that may only be several thousand dollars, but it may be everything they had, and they're left with a home in ruins.

And those are the kinds of cases that are very impactful that, unfortunately, present hurdles under the current statute.

SENATOR MYRIE: Thank you very much.

And Senator May on a second round.

SENATOR MAY: Just for [indiscernible] -- because of your answer before, I'm curious.

You basically said, if people -- the remedy for crypto fraud is for people to do their due diligence and do their research, which we always want people to do.

But it made me wonder if there's room for the State to actually have a seal of approval on some options that might -- you know, where people could feel more confident of them.

Is that something that we do, or that you

think about doing, with vetting some of these schemes?

SHAMISO MASWOSWE: Yes.

So, you know, I don't want to put, you know, the burden on the victim. You certainly never want to blame the victim. But, you know, everyone has to protect themselves because, you know, ultimately, you have to.

But, you know, making sure that folks are registered is important. And so a lot of our work around crypto has been going after folks that have not -- that are not registered with our office.

Making sure that folks have a bit license is also important, because, you know, when someone chooses to operate in the shadows, that often is the first sort of harbinger of fraud because, why are you doing that?

Get registered, get a bit license. And if you choose not to do that, then that's the first single -- the first sign of fraud.

And so when we have pursued these registration cases, then what we ultimately end up finding is fraud.

So an example is our Coinseed case. We brought that under our registration statute. And

then once we filed it as a registration case, then we were hit with 200 complaints from the public that said that they had been defrauded.

And so then we ended up going and getting a TRO, getting a receivership, and it turned out to be a massive fraud.

The same with KuCoin.

KuCoin is a major crypto platform. And we filed a crypto registration, that they failed to register a case with us.

And then it turned out that the feds were also looking at them for anti-money laundering and fraud. And that they contacted us -- DOJ contacted us and said, Hey, you filed a registration case. Are they going to talk to us if we contact them?

And we said, Yeah. We can give you their number.

And so that's what we're fighting, is that, if you're not willing to get registered, then there's something wrong, and that's the first sign of fraud.

Which is why, at the federal level, it's so important to make sure that we are not preempted at the federal level from registration, and certainly not from fraud.

SENATOR MAY: And that registration, is that something that's evident to the consumer who might be contemplating a transaction?

Is that public and transparent information for them?

SHAMISO MASWOSWE: Yes.

Whether they are registered with the AG and have a bit license with DFS, that's all public information.

Also, whether they are licensed with the SEC or the CFTC, all of that is public -- publicly available information.

SENATOR MAY: Okay. Great. Thank you.

SENATOR MYRIE: Sure, go ahead.

Senator Murray.

SENATOR MURRAY: Thank you, Chairman.

I just have one follow-up.

Earlier you had mentioned that young -- the younger generation is the target a lot of times. And you had mentioned celebrities, influencers.

Are they in any way responsible or held accountable if they are pushing a product like this and it ends up being fraudulent? Are they in anyway held responsible?

SHAMISO MASWOSWE: Absolutely, absolutely.

They have been held responsible at the federal level and they've been held responsible by our office.

Just this last year, one of our larger cases involved a large fund who was headed up by a very popular person who used his credentials in the financial -- in the traditional financial world. And he was involved in Luna/Terra. And at that point, Luna/Terra was trading at 33 cents -- 33 cents.

And he made a secret deal with Do Kwan and brought it over to the Western world. And, you know, went around on Twitter, saying, This is the next big thing. This is the -- it's -- it's going to go up in value.

And he's a holder, and that their firm is a holder, of this; all the while he was selling, he was selling, he was selling. And it went up from 33 to a dollar. He said he was going to get a tattoo if it went up to 100. It went up to 100. It went higher than a 100, and then it crashed.

And they made hundreds of millions of dollars and everyone else lost.

And so we went after them, and we got $200 million from them. And we got also reforms

from them, because that's also important.

It's important that, in addition to getting restitution and getting money, that we try to also get reforms from these companies as well.

And -- yeah.

So, yes, it's important that we also go after the people that are going and shilling on the Internet and deceiving people.

SENATOR MURRAY: Okay, great. Thank you.

SENATOR MYRIE: Thank you both.

And thank you for the work that the office continues to do.

Thank you.

SHAMISO MASWOSWE: Thank you.

STEPHANIE J. SWENTON: Thank you.

SENATOR MYRIE: We will next hear from a number of district attorney offices.

I believe that we are joined by DA Alvin Bragg who is the Manhattan District Attorney; we are joined by the Albany District Attorney, DA Lee Kindlon; and on behalf of the Brooklyn District Attorney, Eric Gonzales, the head of the virtual currency unit, Alona Katz.

So make your way down.

Okay, take it away.

DA ALVIN BRAGG: Good morning, Chair Myrie, Chair May, Senator Murray.

Thank you for the opportunity to testify today.

As you know, New Yorkers lose millions -- billions, excuse me, to frauds and scams.

My office is investigating and prosecuting a wide variety of white-collar conduct, from investment scams, securities fraud, wage theft, tenant harassment, cryptocurrency that's being used to do terror financing, and all other kinds of crimes that are being underwritten.

We submitted written testimony, but I in particular wanted to highlight three proposals today that would really, really help our investigative work.

The first, the Scam Act, proposed by Senator Myrie/sponsored by Senator Myrie.

And I heard my colleague from the attorney general's office already talk about the scheme to defraud, so I won't belabor it.

But I want to add to her comments, our support from the Manhattan District Attorney's Office.

You know, currently, as she said, if someone

engaged in conduct with the intent to defraud at least 10 people, and succeeds in defrauding at least one person or obtains at least 1,000 through fraud, they're charged with a Class E felony.

But if the same person attempted a fraud, fill in the number, 50, 100, 1,000, they face the same charge.

And so we're facing the same issues that the attorney general's office is in terms of accountability, a stratified penalty system, in deterrence.

And so conduct that causes more widespread and severe harm should be eligible for more severe charges.

And I want to just underscore, in our docket, the complexity.

You know, we are not talking about, you know, if it's a grand larceny or petit larceny, we'll prosecute it that way.

The schemes to defrauds that we're prosecuting generally are complex actors who we believe, in many cases, are pricing in. And deterrence would be really, really garnered by having more penalties.

There's some actors, obviously, that are

acting impulsively, and added penalties might not be a deterrent.

But in our docket what we see, is the people that we're charging with scheme to defraud generally are actors that we think would be deferred -- deterred by heightened penalties.

The second bill that I want to highlight in my oral testimony, again, sponsored by Senator Myrie, is the CRYPTO Act. It would criminalize the operation of a virtual currency business without a license.

And I'm sitting, listening to the testimony and the colloquy about registration.

And registration is great, but there needs to be a consequence if you're not licensed.

And, currently, an operator of an unlicensed virtual currency business in New York faces only civil penalties.

That's not true in a number of other states, and it's not true in the federal system where a criminal conviction carries -- can carry five years in prison.

We would like to have that tool in our toolbox.

And given the pervasiveness that we're seeing

with money-laundering, underwrite all types of crimes, from identity theft and types of scams we're talking about here today, but also violent crimes.

And, you know, we tried a crypto-terror financing case within the last few years.

And so the scope of the conduct that this would touch, the CRYPTO Act would establish criminal penalties for these unlicensed operators, and, again, gets to the steam of increasing the severity based on the value of the currency and the duration of the conduct: Unlicensed crypto transactions amount to $1 million or more. Within one year or less would amount to a C Felony, carrying a maximum of 5 to 15 years' incarceration.

And, again, I would underscore the types of actors that we're talking about here.

These are people who are availing themselves of shadowy corners of our markets.

We have traditional brick-and-mortar banking systems that have requirements, like Know Your Customer Rights.

These are people who are seeking out the shadowy corners, using the anonymity to prey on individual victims. And whether it's identity theft, or even we're seeing in more violent crime.

And so having these enhanced penalties for not having the license, and having it be criminal, is really, really paramount.

The third, and I heard my colleague AG Swenton talking about, but -- and I know it seems maybe wonky, but I want to underscore the provision of the SCAM Act that aims to modernize the process for introducing routine business records in the grand jury.

We're just behind the times on this.

New York is the only state in the nation that requires an in-person custodial witness rather than a sworn affidavit to authenticate certain routine business records.

And, here, I would just underscore really how routine. We are talking about the same set of boilerplate questions over and over to the witnesses.

I hear my time is gone.

You have my written testimony, and you also have two phenomenal colleagues that -- to hear from; so I'll stop there.

Thank you.

SENATOR MYRIE: Thank you.

DA LEE C. KINDLON: Good morning, everyone.

Chairman Myrie, distinguished members of the committee.

My name is Lee Kindlon. I'm the Albany County District Attorney.

I am grateful for the opportunity to appear before you today, and to go on the record in strong support of the SCAM Act.

As the chief law enforcement officer of Albany County, I see every day what happens when the laws fail to keep pace with the ingenuity of those who seek to defraud our communities.

And when I talk about communities, I talk especially about our vulnerable populations: Our seniors, you know, those who might not have access to lawyers who will take their phone call right away; and also our immigrant population who have always been susceptible to scams.

New York's white-collar crime and fraud statutes have not been substantially updated for decades. In that time, the landscape has transformed beyond recognition. The criminals have adapted and our laws have not.

Your bill, this bill, seeks to correct that imbalance, which is why we are strong proponents of it.

Just a few months ago, in December, my office, in conjunction with the attorney general's office, prosecuted one of the first deed cases in the area, and we were successful.

But let me tell you, us getting to that point was far harder than it needed to be.

We were able to secure a conviction, the sentence is still pending.

But just to get from Point A to Point B, you know, such things should not take herculean efforts. It should be a very routine thing because this is something that, obviously, we want to be able to prosecute, because you find more and more scam artists are, again, attacking the elderly when it comes to, you know, the security of their home.

And, you know, the other thing -- and, again, I have written testimony that highlights this -- but the other thing we're finding with, you know, the vulnerable population, especially seniors, is these are very proud people who don't like to admit that they may have been conned.

You know, and there are seniors in my life who, educated, experienced, but they get the phone calls, they get the visits at the front door, and they are afraid to call, you know, me; they're

afraid to call people who could say, "no, that's a scam," because they don't want to admit that this happened to them.

So what this law does is, we are able to more effectively prosecute cases, prosecute cases far easier, going forward.

And it allows us to spread that message out into the community that, Hey, you know, your government is out there working for you, your government is out there looking to protect you, and prosecute these people who would try and take your home.

I also want to highlight the wage theft provisions.

I've now been district attorney for just about 14 months. And when I came into office, I was excited to be able to prosecute wage theft. This was one of my big things, because, you know, you find those shady contractors who are always looking to undercut, especially our unions and our labor force with cheap labor, out-of-state labor.

But what we found, as a practical matter, when we really dug into it, was that there are so many layers and shell companies and labor brokers and, you know, systems set up to get around these

outdated laws that, again, as a practical matter, especially for an office that -- you know, I have a midsized office, I have resources, but I don't have as much as I want.

Right?

But these laws make it easier for smaller offices like mine to be able to go out and prosecute wage theft.

And as Albany is looking at, and we're very grateful for the State to give us the money to rebuild our downtown. But we are looking at, potentially, you know, a lot of renovations coming to Albany. And I want to make sure that that money goes to the right place.

And so, again, this is the sign on the front door, that wage theft won't be allowed as we rebuild downtown Albany.

So the wage theft provisions, especially, are things that I look for, and I look to be able to use those tools to cut through a lot of these shell companies, a lot of these labor brokers, to get to the heart of the matter, and make sure we can prosecute those individuals who would defraud and undercut the labor market.

I always have so much to say.

So I'll cut to the end because, again, I have submitted written testimony.

Members of the committee, the people of Albany County, like New Yorkers across the state, deserve a legal system equipped to confront twenty-first century fraud.

The SCAM Act is a serious and overdue step in that direction.

It updates our statutes, closes loopholes, and introduces proportionate new tools, and sends a clear message that New York will not tolerate those who exploit its residents for financial gain.

So I'm proud to add the Albany County District Attorney's Office to the record in support of this bill.

Thank you.

ALONA KATZ: Thank you.

Thank you, Chairperson Myrie, the Senate Codes Committee, for inviting me to speak today, and for your leadership in this matter.

Brooklyn District Attorney Eric Gonzales strongly supports Senate Bill 8594, the Rip-Off Act, and urges the legislature to pass this bill without delay.

So my name is Alona Katz. I am a lifelong

New Yorker, and I am currently chief of the Virtual Currency Unit at the Kings County District Attorney's Office.

I want to share with everyone what it is like to be on the front lines of fighting to protect New Yorkers, including some of Brooklyn's most vulnerable residents -- seniors, immigrants, and non-English speakers -- from a tsunami of online and cryptocurrency scams.

With just a phone and an Internet connection, international scammers are in the ears of New Yorkers, targeting bank accounts, life savings, and generational wealth that parents had planned to leave their children.

Each year, scammers grow more adept at stealing and laundering cryptocurrency, increasingly using AI, a new technology, to exploit victims.

I spend most of my days talking to victims of these scams.

Not a week goes by that I don't find myself on the phone with a community member, struggling to accept that every cent they have, and every dream and goal they spent their whole life savings for, is gone. They tell me they feel broken.

I have heard from a retired New York City

schoolteacher who lost her entire pension.

I've struggled to answer a senior citizen who asked me how he would pay his rent next month, after he invested everything in what turned out to be a fraudulent cryptocurrency platform.

I've listened to the story of how a scammer preyed on a New Yorker who tried to invest in cryptocurrency because she was desperate to earn more money so that she could spare her family the burden of medical bills for her terminal illness.

In the fall of 2023, District Attorney Gonzales established the Virtual Currency Unit after hearing about the rise of Brooklyn residents asking for help after being victimized by these types of scams.

The unit's mission is to fight back to aggressively investigate and [indiscernible] those behind these devastating schemes, to arm our community with the knowledge needed to protect themselves, and to try and claw back stolen funds.

I have been an assistant district attorney for about 15 years, and I am here to tell you we need better tools, laws, and support to carry out this mission.

The Rip-Off Act has answers and solutions.

Since the creation of the Virtual Currency Unit, we have shut down hundreds of websites that look like real cryptocurrency investment platforms, replacing the fraud platform with a law enforcement warning.

We've disrupted scam operations and alerted victims.

We've expanded outreach efforts to warn Brooklyn residents about staying safe online.

We've even managed to see some stolen cryptocurrency. But because of the speed at which cryptocurrency moves and legal limitations, it was only a small portion of what was taken.

There is so much more that we could be doing for our victims through a modernization of New York State laws.

That's why we're urging the legislature to pass Senator Myrie's bill, which provides much-needed updates so that law enforcement can more effectively and prosecute the crimes, and return stolen cryptocurrency to victims.

And I just want to highlight some key provisions of the bill that would be particularly helpful.

It explicitly includes virtual currency as

property for the purpose of larceny crimes.

It defines a virtual currency transaction for the purpose of money-laundering crimes.

It would allow for the admission of cryptocurrency exchange business records as evidence in the grand jury with a business record affidavit, as traditional bank records already do.

And it would establish a procedure and legal process for the return of stolen cryptocurrency of fraudulent schemes to victims, including notice, hearing, and evidentiary requirements.

If enacted, these modernizations will help ensure that victims of cryptocurrency and online crimes are treated no differently than victims of more traditional crimes.

The urgency and need for this modernization at the state level is growing, worsened by the federal government's recent shift in priorities and retreat from cryptocurrency enforcement.

As District Attorney Gonzales testified recently at the city council, federal agencies are losing resources to focus on investigating cryptocurrency scams.

So what that means for most New York victims of cryptocurrency fraud, this often leaves them only

with their local district attorneys' offices as a meaningful defense and resource.

We simply can't afford to fail our victims and residents by being ill-equipped to handle these types of cases.

So once again, thank you.

SENATOR MYRIE: Thank you very much.

And I'm aware that Senator Murray wants to ask some questions. May have to step out for a committee meeting.

And so if you don't get the exchange that you need, we'll try to get you on the second round hopefully with the panel still being here.

SENATOR MURRAY: Thank you, Chairman.

I, literally, have to be at a committee meeting in three minutes.

So I'm just going to throw a question out, and I know I can't even listen to the answer, but I want to make sure I get it on the record.

In particular, I want to talk about just SNAP-benefit fraud and being stolen.

Is this becoming, especially in New York City, it's prevalent there -- but, first off, let me say this: That's on us; that's on New York State. We have not moved as quickly as we should to get the

chip technology. We are behind.

Thank God, the Governor's put money in the budget this time to at least start moving.

But we are 12 to 18 months away from them being there, and that's being generous.

So are you seeing that this is more of a -- an organized scam, if you will?

This isn't just somebody, you know, stealing one thing. But this is putting skimmers on things.

Is this more organized; is that what we're seeing?

DA ALVIN BRAGG: So I really appreciate the question. It's something that we've been focused on in the office.

I would say it's a nationwide issue, is what we're seeing. We are closely examining it.

There are someone one-offs. But, certainly, from what we're seeing, it appears to be that there are organized, complex networks.

And so we are in the process of investigating a number of matters in this space.

SENATOR MURRAY: And do you have the tools you need to do that?

DA ALVIN BRAGG: I think from an investigative standpoint we do.

And I don't want to prejudge an investigation before it ends.

But I think this could be one where the "scheme to defraud" statute change would be particularly helpful.

You know, if it turns out -- and, again, I don't know, since it's a hypothetical, because we haven't, you know, reached conclusions.

But you could see in this space, you know, someone who is organizing across county lines, across jurisdiction lines, where, again, the "scheme to defraud" statute can also be helpful.

And taking amounts, you know, 500, 900, you know, increments that add up, and so the -- both the numerical victim change that's in the scheme to defraud, and also the dollar amount, could very well -- this could very well be an instance where that change would be remarkably helpful.

SENATOR MURRAY: That's a great point.

Thank you.

SENATOR MYRIE: Thank you, Senator Murray.

Okay. So I've got a number of questions.

And I'll start first, with gratitude, to New York City DAs who made the trip up here.

Thank you.

Our Albany DA had, you know, not too far a distance to get here, but we're still very grateful for your attendance.

So to DA Bragg, and thank you for your leadership and work on the CRYPTO Act, and a number of other issues.

You know, you've spoken about, in other forums, our need to turn our attention to our white-collar statutes.

And, you know, my position has been -- you know, I chair the Codes Committee. A lot of very important criminal justice issues make their way through this committee. We have had to grapple with a lot of things as a legislature.

But we have made a lot of investments as a state and as a system in tackling, sort of, colloquially called "street crime," and investments in that direction.

And I don't think that we have done the same thing on this front.

And I'm wondering, given your jurisdiction, and being the financial capital of the world, what value you see in us pursuing, sort of, more attention to our white-collar crime statutes?

DA ALVIN BRAGG: And I thank you for your

leadership. I think we were all here together for your convening. And so we thank you for -- I thank you for your leadership.

Look, I think New York, in general, is extraordinarily special.

Manhattan is the financial capital of the world, and many of these provisions interact, you know, with that.

We -- whether it's the virtual appearance.

We've got many victims who come for tourism, tourist capital of the world we would also suggest. And then they go back home, and reaching them and getting them back. They are victims. And someone who preyed upon them may also then prey upon someone who lives here.

The CRYPTO Act with a banking center. And as people shift away from the brick-and-mortar banks, there's still networks here, and so we see incredible activity.

I mentioned some of the matters we've done, which we were able to do, much like my colleague in Albany, we're able to do it, but it takes more work because of the structures.

You know, we -- we've -- within the last few years, have prosecuted a, you know, $5 million

unregistered Bitcoin ATA business that was marketing to all sorts of criminal actors; a peer-to-peer trader who laundered millions in drug proceeds; a dark web drug-trafficking ring, all able to, sort of, do the work. Sometimes, because these actors take a foot out of the shadows and use the traditional banking structure, and then we're able to follow them. Sometimes it's old-fashioned surveillance. Sometimes it's puffery on their part, where they're bragging, you know, on some social media app.

But that's what we've been able to do.

We know there is so much more. This market is huge.

And so the licensing in particular, having criminal penalties for not having a license.

They don't have a license, so they don't have to know their customers, they don't have to do suspicious activity reports.

And so I would say, particularly, you know, what we see on our docket, having drawn in, over generations, people who are engaged in all sorts of financial transactions, they're here, they're used to being in Manhattan. And now they see another way to do it where they don't have to do this reporting,

and they're pivoting, and they're laundering, you know, millions and millions of dollars.

And so, you know, all the changes, you know, in the written testimony are particularly important.

But I would say the licensing regime.

And given the volume of our work, and this is, I would say, both street crimes and white-collar crimes, the grand jury business record. It would just -- it would allow, you know, one, from a fiscal standpoint, the amount of money that is spent, but also the amount of grand jury time.

Grand jury time is precious.

We have to go to the people and get an indictment, and the use of that time is precious.

And so even though that seems sort of wonky, and I know you appreciate it, but I spend time on it, because that time allows us to do more cases, do more complicated cases. Save money for the state.

And, you know, all we contend, without prejudice to any due process rights, because we're only talking about the grand jury process.

As you know, I was a federal prosecutor before this. You know, hearsay is allowed in the federal grand jury.

We're not proposing that. We're not -- you

know, this is sort of a very, I would say, a small step, but one that would be so impactful on both our white-collar and our street-crime practices.

SENATOR MYRIE: And if you can, DA, the bifurcation of white-collar and street crime is something, as I have spent more time on this issue, have realized, particularly in the crypto case, that they are actually becoming increasingly, if not wholly, related now, because of the mechanisms that are being used by organized crime rings.

So I'm wondering if you could speak to that as well.

DA ALVIN BRAGG: 100 percent.

I mean, you know, we tried a crypto case that sounds white-collar. But thing that we alleged and we proved and got a conviction, was using that money to send it overseas to finance terrorism.

You know, closer to home, you know, we see everything from supporting, you know, drug trafficking, and other things that are sort of traditional street crimes.

I mean, generally, we see, with some organized, you know, crime rings, they want to make money, and then they want to hide the money.

And you see this real intersection that --

you know, I became a prosecutor for the first time in 2003. And increasingly, this is anecdotal, but, increasingly, really, this intersection. And we see it in our docket, where -- you know, I'll give just one vignette:

There was, you know, someone who we suspected was engaged in gun trafficking, but we couldn't prove it.

He was much more open about his fraud which he was advertising on a social media channel.

And so we did the fraud investigation. We said, all things being equal, you know, let's do the fraud investigation on the person we think is gun trafficking.

And then when we brought that case down, we did a search warrant, we found a gun as a part of the search. Did a ballistics match and were able to solve a shooting.

We are -- we're -- you know, that's one example. But what we are seeing is sort of an overlap, in effect, with staffing, also really having more dialogue within our office between our white-collar and our street-crimes practice.

SENATOR MYRIE: Thank you, DA.

Alona, I thought the testimony on sort of

your day-to-day practice and what you're seeing in Brooklyn, and I'm not just saying this because I'm from Brooklyn, but I think makes it very real for people listening, to understand what the actual implications are.

And so I'm hoping you can spend a little bit more time talking about just the regular examples of how illicit activity in the cryptocurrency space is impacting regular New Yorkers.

This is not tech bros or, you know, people; just everyday folks, what the implications are?

ALONA KATZ: Absolutely.

There is no such thing as a typical victim in these scams.

When people ask me, "What can I do to protect myself?" I tell them, You should think of yourself as a potential victim.

Once you have the mentality of, "I can never fall for that," you're vulnerable.

We have an action center, the Brooklyn District Attorney's Office, that we regularly get calls from. And we're also looking at NYPD statistics and other federal databases to find our victims.

It is, the harm that occurs is irreparable.

When I say "generational wealth," you know, I've spoken to people that emphasized, I don't want to be thought of as "I fell for this because I was greedy."

I was trying to earn money in what I thought was a viable, safe alternative to traditional savings account, and that was money I was going to give to my children and grandchildren.

Or, I thought that I was going to increase my savings account so that I could actually retire safely.

And I want to stress that the scam entities that I'm talking about, they are not actual cryptocurrency exchange that -- exchanges that are operating and not registered.

They are simply a Telegram phone number, a website, and advertising on Facebook.

No entity ever existed, no cryptocurrency exchange ever existed. It was fraud from the onset.

What I've seen, particularly in Brooklyn that has immigrant communities or communities where a particular language is spoken, is that fraudsters are finding them in an increasingly targeted way by running advertisements on Facebook in a specific language to target that specific community.

That helps to build trust, which also lends to the betrayal that comes when the scam is unraveled.

A large part of my day-to-day is not actually going into the grand jury and arresting people because these scammers are almost exclusively overseas.

A large part of my day is spent talking to victims, and explaining why I am so sorry, but there's nothing that I can do as a state and local prosecutor.

I try to give them information because information is closure and protection.

I try to explain how their money, you know, disappeared, you know, within five seconds of the first send.

I try to offer them the resources of the Victim Services Unit of the Brooklyn DA's Office, and I try to help them protect themselves against what we call, "secondary," or "follow-up scam," where there are scammers, knowing that this victim has already been a target. They follow up a short time later and they say that they're from a recovery service.

So I tell them, like clockwork, you will get

a call in two weeks from a recovery service. It's a scam. If you have any doubts, just call me back and I can tell you again.

So there's a huge social services, I would say, component to my work as well.

SENATOR MYRIE: Thank you.

Senator May, I don't know if you have --

SENATOR MAY: No, I don't.

SENATOR MYRIE: Okay.

SENATOR MAY: Sorry that I missed a lot of your testimony.

SENATOR MYRIE: Well, let me thank all of you for your testimony, and thank you for your continued work.

And we appreciate the feedback, and we'll be taking it all into consideration.

Thank you again.

DA LEE C. KINDLON: Thank you.

SENATOR MYRIE: Okay, the next panel.

Just before you testify, just say who you are and your organization, and then take it away.

RICHARD BOURAS: Thank you very much, Chairmans Murray and May.

My name is Richard Bouras. I'm part of the Investigations and Intelligence Solutions team for

Chainalysis Government Solutions, where we harness transparency of blockchains for, like, governments, banks, and businesses, to have the data they need for this new digital economy to thrive.

We track cryptocurrency used by illicit actors, such as those carrying out investment impersonation scams; provide data on their financial activity to private and public-sector customers, including the U.S. public sector.

In each of the past five years, scam operators have received over $12 billion in cryptocurrency payments, and 2025 is estimated to have been a record year for these scam revenues.

Our data shows at least $14 billion where the cryptocurrency was scammed globally. We actually expect that figure to exceed $17 billion as we continue to retroactively identify more scams.

Overall scam inflows have also surged, particularly through impersonation techniques that saw a staggering 1400 percent year-over-year growth as fraudsters leverage AI to target victims more effectively than ever before.

Our analysis reveals that, on average, scams with on-chain links to AI vendors extract $3.2 million per operation, compared to $719,000 per

operation without those on-chain AI links. That's 4 1/2 times more revenue per a scam.

This suggests both higher operational efficiency and, potentially, broader victim reach.

This increased transaction volume indicates that AI is enabling scammers to reach and manage more victims simultaneously, but also making the larger industrialized scams more persuasive.

Cryptocurrencies are the financial rails of choice for scammers for the same reasons legitimate users use them. Transactions are cross-borders and instantaneous.

But I'm here today to emphasize that fraudsters use of cryptocurrency should place them at a fundamental disadvantage, given the traceability and freezability of many of these assets.

At Chainalysis we analyze the transaction data from blockchain networks to provide clear visual representation of scam networks and laundering activities, a level of transparency that isn't possible in traditional forms of value transfer.

With this blockchain intelligence, law enforcement and regulatory bodies can disrupt these

networks, cut them off from the global financial system, with sanctions and asset seizures.

Blockchain analytics offers unique opportunities to trace proceeds of crimes, identify additional victims, and partner with the private sector to disrupt illicit networks and pursue restitution rather than relying on those one-off criminal investigations.

However, despite the potential for disruption, scammers are exploiting the disjointed and reactive nature of how the public and private sectors respond to scams.

This crisis requires a unified and technology-enabled response, preventing New Yorkers from engaging with scams altogether, and identifying and dismantling the groups responsible for perpetrating these scams.

As such, we have two recommendations. These include:

One: Leveraging advanced technology as to combat scammers' growing sophistication and prevent remediate -- and remediate scams.

Too often, scam victims are turned away from local authorities who are ill-equipped to properly assist crytpo-enabled crimes.

Addressing the challenge also demands a paradigm shift from reactive enforcement to proactive disruption through AI-powered fraud-prevention technology to identify scammers before they meet their victims.

Tools like Chainalysis's Alterya provides realtime proactive fraud protection for exchanges, blockchains, and wallet providers.

Alterya has already helped top crypto exchanges decrease fraud by up to 60 percent, reduced scam-related disputes, and improved the efficiency of manual operations.

Alterya utilizes artificial technology and other advanced techniques to identify scam activities across various online sources, enabling large-scale early upstream detection of these scams.

Over the past year, Alterya has prevented more than $300 million in losses by supporting customers and proactively reducing fraud.

This is what the future of combating scams looks like.

Our adversaries are leveraging AI to rob Americans of their life savings, and we must leverage that technology to beat them at their own game.

Second: Provide legislation and guidance to financial institutions and crypto businesses to help them intervene when identifying a potential scam.

New York's DFS has, for years, been at the forefront of regulating digital asset and cryptocurrency businesses.

Continuing their leadership in this space by providing clear and consistent guidelines could help firms navigate when and how they can slow, block, or scrutinize suspicious scam transactions, and what forms of friction are appropriate without overreaching.

Further, crypto ATMs continue to remain a critical input for scammers who often instruct victims to convert cash into cryptocurrency at these kiosks before funds are quickly transferred.

Increased penalties like the ones recently proposed in the CRYPTO Act would provide victims and law enforcement agencies greater recourse to shut down and prosecute unlicensed ATM operators and other virtual asset service providers not complying with the New York bit license requirements.

Again, thank you for this opportunity to provide testimony on this important topic.

We look forward to partnering with you on the

initiatives to better protect New Yorkers.

ARI REDBORD: Chair Myrie, Chair May, members of the committee, thank you for the opportunity to testify today on an issue directly impacting families, retirees, and small businesses across New York.

My name is Ari Redbord. I'm the global head of policy at TRM Labs, where we work with federal, state, and local law enforcement, regulators, financial institutions, and national security agencies in New York, and globally, to detect, investigate, and disrupt illicit activity in the digital asset ecosystem and beyond.

Before joining TRM, I served for more than a decade as a federal prosecutor at the Department of Justice, and later as a senior treasury official at the U.S. Department of Treasury's Office of Terrorism and Financial Intelligence, confronting terrorist financiers, sanctions evaders, narcotics traffickers, and transnational criminal enterprises.

I do not say this lightly: The industrialization of scam networks, so-called "pig butchering" schemes, targeting New Yorkers is the most pervasive and economically destructive financial crime threat I have encountered in my

career.

New York sits at the center of global finance, and that centrality brings exposure.

What we face is not simply more fraud, but a structural shift in how exploitation is engineered and scaled.

Organized scam networks now operate with the discipline and reach of multinational corporations.

The consequence -- the consequences are immediate and they are deeply personal.

Retirees lose their life savings.

Families absorb devastating losses.

Small businesses see operating capital vanish.

This is economic violence at scale.

The numbers underscore the urgency.

TRM's 2026 crypto crime report estimates that approximately $35 billion float into cryptocurrency-related fraud schemes in 2025 with only about 15 percent of victims reporting.

The true impact is far higher.

In New York alone, TRM data shows more than 100 million in crypto-related fraud in 2025, meaning the real damage across the state is significantly greater given chronic underreporting.

Artificial intelligence is accelerating these schemes.

Through Chainabuse, TRM's global scam reporting platform, we have documented a more than 500 percent increase in AI-linked scam activity over the past year.

Deep-fake impersonations, AI-generated financial advisers, and automated engagement tools expand scale and credibility.

AI also compresses laundering timelines, moving funds across chains within days.

Although these networks are global, enforcement begins at the precinct.

When a victim walks into an NYPD station house with screenshots and transaction confirmations, the investigative clock is already running.

A wallet address and transaction hash anchor tracing on a public ledger.

If those identifiers are not captured and escalated immediately to investigators equipped with blockchain intelligence tools, like TRM, recovery prospects decline rapidly.

Meeting the moment requires tools and it requires training.

Blockchain intelligence capabilities must be deployed across NYPD and district attorney offices statewide.

Digital asset literacy should be mandatory in the NYPD academy so every officer can identify and preserve blockchain-based evidence.

Detectives and assistant district attorneys must be trained to translate on-chain tracing into admissible courtroom-ready evidence.

New York has shown already what specialized capacity can achieve.

Under Brooklyn District Attorney Eric Gonzales, prosecutors have built meaningful blockchain investigative capability with leaders, such as Assistant District Attorney Alona Katz, integrating victim narratives, and on-chain analysis into cohesive prosecutions.

That expertise must be scaled statewide.

The Rip-Off Act strengthens this response by aligning criminal penalties with the scale of AI-enabled fraud, and ensuring blockchain-derived records can be effectively presented in grand jury proceedings.

New York has always met evolving financial threats with innovation and resolve.

We must use technology for good, equipping our officers and prosecutors with the tools to match the speed and sophistication of this threat.

At TRM, we are here to support that mission.

Thank you, and I look forward to your questions.

SENATOR MYRIE: Thank you.

Senator May?

SENATOR MAY: Yeah, thank you.

Thank you, both.

I feel like I'm learning so much here.

Mr. Bouras, I wanted to talk about the crypto ATM issue that you raised.

As the Consumer Protection Chair, I'm always thinking from the consumer's viewpoint.

Like, what signals are there?

I mean, I honestly am nervous about using ATMs in general, because I know there are ways to, you know, scam people with that technology in general.

But with crypto ATMs, I've never used one.

But I'm wondering, what sign posts or guidelines are there for the consumer to be able to check if it's a legitimate one?

RICHARD BOURAS: Thank you.

So there's a number of posts.

One is just going to be, signs can be up on the legitimate licensed ATM, saying, like: Please watch out. Is this a scam? Do you know who you are sending to? Have you ever even spoken to this person before?

You know, and so they kind of have those warnings, both in signs on them, as well as while you're going through the operations themselves.

Other things to look at, too, is going to be, just with, you know, the registration and licensing, what sort of verifications do you need when you're using that ATM?

If they're telling you that you can send thousands of dollars without ever having to provide any sort of, you know, license or registration, and, just, you don't even need to provide an e-mail, sort of thing, [indiscernible] -- then it is -- it should kind of like raise those alarm bells with them, that this isn't normal.

You have to give some sort of ID. Even to a traditional ATM, you're putting in your debit card, you're putting in something, that has been checked before.

And if these aren't asking you for anything,

it's likely unlicensed, then.

SENATOR MAY: So is there -- is it just up to whoever put the ATM there, to put this signage on there, or is there -- are there any kind of requirements? Should there be?

Is there something we should be doing?

RICHARD BOURAS: Yes, there should definitely be requirements. And part of that is part of DFS's registration.

And I think a lot of that, too, will now come from, when we talk about the CRYPTO Act, of giving that, you know, those legal teeth to it, of really saying, like, now it is a criminal issue as well.

Different states have different regulations, both to the limit that can be done per transaction, as well as the type of KYC requirements.

You can also look at things then that can be registered on the websites as well.

SENATOR MAY: Okay. Thanks.

ARI REDBORD: If I may just, sort of really quickly, on that question, because it's a great one?

At TRM we see about double the amount of illicit activity associated with ATMs as we do to the broader ecosystem.

So there is no question it's a problem and it

should be a focus.

I think the challenge is, how do you allow -- ensure that lawful users have access to this technology and stop bad actors?

And I think with these machines in particular, what's so important is to ensure that they have the licensing which really comes with all the compliance controls. Right?

You are required to be using blockchain intelligence tools today as a New York DFS-licensed entity; that you are -- you know, that you have the policies and procedures in place, that you are doing compliance.

So I think so much of this comes down to that sort of initial licensing determination, and are these entities you should be transacting with.

SENATOR MAY: Right.

Thank you.

And, Mr. Redbord, I appreciated your term, "economic violence."

I feel like that's -- we don't think about it that much, but that really is what it feels like when you get scammed.

ARI REDBORD: One thing quickly on that point, if you don't mind, and that is, I think one

thing that's been missed to some extent in the conversations today, is that these are truly global organizations. This is organized crime.

Much of it is in Southeast Asia; but, now, more and more all over the world, in the Middle East, in Africa. And they are attacking, in many cases, U.S. persons and New Yorkers at scale.

This is very different than any question to me around licensing determinations or the great work that New York DFS is doing around the bit license.

There is a growing lawful ecosystem.

These are just scammers.

SENATOR MAY: Yeah.

ARI REDBORD: And we need to target them not just with crypto tracing. We need to put all the tools in NYPD hands and prosecutors, as I mentioned. But this is a national and global security moment.

And when we have this conversation in front of the federal government, money -- much of it is asking to ensure that we have the national security tools and capabilities in place to actually go after these bad actors globally.

SENATOR MAY: Right. I don't disagree.

But I'm more focused on, like, what happens at the personal level.

So one thing you mentioned was training for -- digital asset literacy training for police.

Did you have in mind for all, like, rank-and-file police, or detectives, or, like, you know, what level do you think --

ARI REDBORD: It's a great question.

And it can certainly be triaged I think for everyone.

Look, if every crime is a financial crime, and cryptocurrencies are going to be used in more and more crimes, to include scams and other types of activity, then that means the second you walk in that precinct door with those screenshots, with those transaction hashes, the person that you're talking to, that intake officer, should know, have a sense, of what you're talking about.

Hopefully, they were trained at the academy on it.

But then, hopefully, they can get you right away to someone who has access to the tools, who has deep training, who can jump into TRM's platform and start to track and trace the flow of funds.

So I would say, in a perfect world, it would be a mandatory training across NYPD, but understanding, like, we're in a triage moment with

resourcing. But as many as possible.

SENATOR MAY: And I represent upstate, so, you know, it -- yeah, the resources aren't there for -- necessarily.

But I hear you.

On the other side of things, you talked about only 15 percent of victims reporting.

Like, how do we raise that number?

And I will say, as someone who was victimized, you're embarrassed, you feel like an idiot. It's, like, hard to bring yourself to go and report something where you've been scammed.

But what kind of tools are there out there?

And how can we, as a state government, be making sure that those are available to people, to really make sure that --

ARI REDBORD: It's really the most --

SENATOR MAY: -- more people report?

ARI REDBORD: It's really the most important question.

And I thought Alona's testimony was actually some of the most beautifully I've ever heard articulated on this topic and working with victims.

I would say that a massive public campaign around scams is something that we've been talking

about at a federal level, but certainly at a state level makes sense.

People should be able to, as quickly as possible, identify themselves as a victim, because I think part of the lack of reporting comes from, sort of, not knowing exactly what's happening to you in that moment.

SENATOR MAY: Right.

ARI REDBORD: But there's that other piece, the shame piece, and it is very, very real.

And my feeling is that part of that training would be for officers to understand more and more, sort of, what a victim is going through.

We want to meet people where they are.

When I was a prosecutor, for a long time I did domestic violence cases, and we talked about victim-centered approach.

It's as important to take in these cases.

So I think it's a massive public awareness campaign, as well as ensuring that when you are engaging with law enforcement, that it's a good experience.

I mentioned we run a website called Chainabuse.com, which is just open source. We encourage people to make sure that they are

reporting there. There's a portal to report directly to law enforcement through there.

So there's all kinds of things that can be done, but I think a lot of this is awareness.

SENATOR MAY: Yeah, okay. Thank you.

RICHARD BOURAS: I would also --

SENATOR MAY: We will be hearing from AARP next --

RICHARD BOURAS: I would also like to add --

SENATOR MAY: -- and I know they are very involved in that, too.

RICHARD BOURAS: -- that -- [indiscernible] to that, there are also the parts that people don't report because they simply do not realize yet, with some of these scams being long-term scams, that they're actually victims yet.

We've seen in, you know, what we call "pig butchering," where we'll -- they might even get payouts, you know, initially, where it looks like they are making money. So then they start to, you know, contribute more and more money, and they might think everything is okay.

There's plenty of, you know, fraudulent AI images of them showing, you know, different balance transfers, and different accounting, "This

is your account balance now," on these entire websites, where they think they're actually looking at their accounts, when nothing is there.

So I think also working with the private sector, too, when we're identifying these frauds. Work with public and private to identify that these are -- this is now a known and identified scam.

We're working with them so they can reach out to their -- like, their clients that might be utilizing this, and say, Hey, by the way, this -- you might actually be a scam here.

And getting that victim knowledge out there that way as well.

SENATOR MAY: All right.

Thank you.

SENATOR MYRIE: Thank you, Senator May.

Senator Murray.

SENATOR MURRAY: Thank you, Chair.

And I apologize for scooting in in between.

But I had the same thing written down, 15 percent, I mean, and why so low?

But I think we know.

But with that said, is there a particular target?

And is it because, maybe, are we targeting

seniors more, because they're embarrassed, or don't want to? Or are they targeting younger because maybe they don't realize it?

Is there a particular target?

ARI REDBORD: There's really an extraordinary range, and it's interesting.

I think we think of this, there's an elder-fraud component to it.

But in these specific, sort of, pig butchering scams start out as a romance scam and ultimately end up as an investment scam.

It is just a wide array of different types of people.

So in my view, the way we would need to do this is to meet all of those different demographics where they are, whether it is our elderly population. But young people, who are more crypto-savvy, have that sort of FOMO that the attorney general's office talked about earlier in the hearing.

Right?

So it is really a mix of people, which makes this even more dangerous, because that's when you can get to that 35 billion globally, the 100 million in New York.

It is not a subset. It is a large group.

SENATOR MURRAY: And that was my other question.

As you had mentioned, this is global.

But is New York one of the top targets?

ARI REDBORD: So New York is always a top target when it comes to the fact that it's a financial center, and just population-wise.

We see New York as one of the -- sort of the top states, along with Massachusetts and others, when it comes to really targeted -- these targeted pig butchering types of outreach.

I think the 100 million is extraordinary. But when you think about the fact that that only accounts for 15 percent or so of reports, that's when you get to some really dangerous territory.

SENATOR MURRAY: Wow, yeah, good point.

Thank you.

SENATOR MYRIE: Thank you, Senator Murray.

So if we can, just to step back for a second, I mentioned this at an earlier panel, about those of us who are somewhat familiar with the cryptocurrency space, who sort of speak fluently about it. But some of the -- what we feel are intuitive things can be lost on it.

So if we can -- I know we have said what "pig butchering" is. It's kind of a stark term that I don't think most people are aware what that is.

So to either of you, just for the record, to explain what that type of scheme is.

ARI REDBORD: Yeah, happy to do it.

It really is that sort of mix of romance and an investment fraud.

Oftentimes, a bad actor will reach out -- we all get these every day; right? -- "Hey, how you doing?" to your text message or social media, and we'll start a conversation. And, ultimately, that conversation will end up romantic in nature.

It could take weeks to grow, but then ultimately ends up with some kind of question around investment: I made a great investment. Would you be interested in this?

The person makes that investment. Oftentimes there's a larger return sent back, to start to really create that believability. Oftentimes the platform looks very legitimate. Maybe it's actually a fake platform based on a real one.

And then, ultimately, after the victim sends larger and larger amounts of funds, that's when -- as horrible of a term as it is, that's when the

"butchering" takes place; steal all the funds and they're gone.

And I thought a great point earlier, about the fact that, oftentimes, the victim doesn't know for some time, because you really can't wrap your head around it.

And there's just been a proliferation of these types of cases. And so many of them are coming from, you know, places in Southeast Asia; Cambodia, Laos, Viet Nam, Myanmar.

And what this has turned into is wealth transfer from lawful Americans to criminal networks in Southeast Asia and beyond.

RICHARD BOURAS: Yeah, that's a great point.

And to add to that, too: When we're talking about those victims, and how long this has gone on, and how realistic it seems, you will even get to the point where, when they are notified that this might be, you know, a potential pig butchering scam, like, you will get pushback, where they're, like, No.

They are fully still invested in this. They -- again, it could be romantic. It could be just be the investment. They've may have gotten actual, you know, funds back initially and they've seen this.

And so it's almost, you know, trying to convince them.

That is part of the fight initially, is really trying to get them to understand that this -- they are a part of this victim.

SENATOR MYRIE: And we've been talking and focusing on the illicit activity in this space.

And, you know, I think that there is -- anytime, when we are proposing either increased regulation or proposing new legislation, to any industry, there is, I think, natural pushback on what that should look like, and are we going too far? Are we interfering in sort of the natural occurrence of what that industry is doing?

And I'm hoping that you can clarify for us whether your role in this ecosystem interferes with sort of the inherently good things that happen in cryptocurrency?

And what, if anything, we should be mindful of, as we're stepping into this space, to try to protect victims?

RICHARD BOURAS: Yeah, I'd say, not at all.

You know, our goal is to remove this illicit finance, this fear of, you know, crypto being just, you know, for, essentially, any sort of illicit

means. So that way, more people feel comfortable with it, and it broadens it out.

Again, we work with both U.S. public sector and private sector, because we want -- we want, you know, the regulatory agencies, we want the law enforcement agencies, to have this data so that they can effectively go after the bad guys here.

And at the same time, we also want the private sector to know, that if you're going to be held to these standards, you also have this data so that you can do the proper compliance, you can meet those regulators, and understand exactly what it's going to do to protect your clients, so you can thrive in this.

You know, banks have had, you know, plenty of regulation over the years, and they have grown plenty. They have not seen any, you know, issues with this.

And we see the same thing going from the cryptocurrency industry as well.

ARI REDBORD: If I may just add: We put out a report recently that said it was a record-setting year for crypto-related crime, about 158 billion.

That still accounts for about 1.2 percent of overall activity.

But that 1.2 percent is what keeps me up at night because it's about people losing their life savings.

So I think the challenge for this panel, and beyond, is how do we ensure that lawful users have access to truly transformative technology?

Right?

Cross-border value transfer at the speed of the Internet, for remittances, for humanitarian aid, for payments at scale, and yet at the same time, stop bad actors.

And to me that means a couple things.

One, it means ensuring that law enforcement have the tools and the training they need to go after that -- those bad actors.

And to ensure that lawful entities are not overregulated, but are required to act like any regulated entity is. Have deep compliance controls in place.

So I think that that is the challenge, is how do we sort of walk that line?

But I think it's primarily going after the bad actors in the ecosystem who make up this illicit underbelly that still is a relatively small percentage of overall illicit activity -- of overall

activity.

SENATOR MYRIE: Thank you, and I appreciate that.

And I will lastly ask, and, again, this is for the edification of the public and for the record, so that we can know:

Can you talk about the mechanics of the blockchain, and what makes it different than traditional financial institutions.

You are able to see every transaction, literally, every transaction, on the chain. But people are still able to get away with fraudulent activity.

And I think both of those things happening at the same time is a little hard for the public to understand.

So if you can give us just some insight into that, and what we need to do.

ARI REDBORD: Happy to kick that one off.

So, look, the -- every transaction that occurs in cryptocurrency is on a traceable, trackable, immutable public ledger.

When I was a prosecutor, I was investigating cases involving both cash smuggling and networks; the hawalas and shell companies and high-value art.

There were no TRM to trace and track the flow of those funds.

The challenge, though, is bad actors can now move larger amounts of funds faster than ever before. And so much of this comes down to speed.

And that is why it's so important, when you have that intake at the precinct, that that officer there is moving fast to that detective and beyond.

That's why the importance of public-private partnerships; that we are able to move as fast as these bad actors. That we're integrating AI into the tools that we're using because bad actors are using AI to move faster and faster.

So the promise of the technology, this idea of it, you can now move larger amounts of funds cross-border faster than ever before, is also why bad actors are taking advantage of it.

But as you know, bad actors are always early adopters of transformative technology.

And it's, like, how do we stop them to allow lawful users to really have the promise of it?

RICHARD BOURAS: And to add to your point about how the blockchain really works, it really goes down into that -- not the anonymity of it, but the pseudonymity of it.

So every -- so we said every transaction is recorded publicly; however, it won't just be necessarily, like, my name going to Ari, or any of that. It will just be a lot of, you know, numbers and letters in these long strings of digits, you know, going back and it shows that.

Where the real work comes from is how we now can identify it, how we work to attribute who those belong to.

So, you know, we have, you know, intelligence teams that are going out and trying to find everything; whether it be from, you know, those private partnerships telling us, like, These are all of our addresses on the blockchains.

So we now know this is, you know, the legitimate exchange, this is the Coinbase of the world, and every like that.

So our intelligence team is going out and trying to find these bad actors. They are going onto the dark-end markets, on a Telegraph, trying to see, Oh, this is a fentanyl dealership right here. This is someone trying to sell fraudulent paperwork. This is something, this is a scam.

And now that they've given us these addresses here, so we can now connect those right now to

[indiscernible]. So, that way, when we're looking in the tools, you know, law enforcement, regulatory agencies, aren't just seeing this long string of digits that really doesn't mean anything to them at that point.

They can say, Oh, wait. This belongs to Illicit Actor A. This is how we know it.

SENATOR MYRIE: Great.

Thank you both very much for your time, and for your expertise.

And I'm sure the committee will be in contact with further questions.

ARI REDBORD: Looking forward to it.

Thank you so much.

RICHARD BOURAS: Thank you.

SENATOR MYRIE: Thank you.

Okay. We will next hear from AARP.

Whenever you're ready.

KRISTEN McMANUS: Thank you.

So thank you, Senator Myrie, Senator May, Senator Murray.

I'm Kristen McManus. I'm the director of government affairs and advocacy with AARP New York.

If you're not familiar with AARP, we are a social mission organization that prioritizes the

needs of the 50-plus.

And I appreciate the opportunity to testify today because elder financial exploitation and scams and fraud that impact older adults is a very serious and growing concern.

We have data from the latest FBI report that shows that elder fraud saw a reported increase in about 50 percent, and the associated losses also increased around that same number, I think it's 43 percent.

This is the equivalent of older New Yorkers losing about $30,000 an hour to scams and fraud.

And, also, this is really just the tip of the iceberg. There are so many reports, about half, that don't include the age of the victim.

And also we know that some people are too embarrassed to report, or they have no idea that they should be reporting that they were a victim, or really don't see the point in doing it.

So this is like really just the tip of the iceberg.

We -- New York currently ranks sixth among all top states in elder fraud. Not a good list to be at the top of.

And we know that people can be victims of

scams at any age. But it's particularly harmful when it happens to older adults, because they have spent their whole lives building their nest egg or they have home equity that these thieves are trying to tap into. And it's much more difficult for them to find the financial recourse to make themselves whole.

You know, an 85-year-old who loses all of her life savings really has very limited ability to go back to work and try to make that money back.

We have a number of recommendations.

I first want to just give thanks to Senator Myrie for both the SCAM Act and your efforts on deed theft, particularly with the focus on how these impact older adults, and how we know that they can be sometimes specifically targeted in these scams.

But we think one of the most effective ways to make sure that older adults don't fall victim to scams is to stop the money from leaving their accounts in the first place.

Senator Cleare has a bill that would require training for bank tellers, broker-dealers, investment advisers, to recognize the signs of elder financial exploitation, and then allow those

financial institution employees to place a hold on a specific transaction. This gives time for it to be reported to law enforcement and/or adult protective services. And sometimes that hold is just enough time for the older adult to realize, like, "Something was off with this in my gut. This is a scam." And make sure that money doesn't leave in the first place.

And we've seen 40 other states have this for broker-dealers and investment advisers, and about 26 for bank tellers.

And we've seen this be successful in intercepting some of the most egregious forms of fraud and scams, because we know that sometimes it's somebody that they know, a caregiver or a loved one, who is trying to coax them into giving them money.

Sometimes people come into the bank and they're on the phone with the scammer who's walking them through what to say and what to do, to be able to get this cash.

We also have growing concerns around crypto fraud, and we've heard a lot about that today.

Sometimes it's the fraudulent crypto investments, but, also, sometimes it's just the vehicle for the scam.

So we hear of people who are taking money out and putting it -- you know, handing it over to a courier.

I think the crypto kiosk is now the new vehicle for that. We see some people putting in tens of thousands of dollars, like their entire life savings, into these crypto kiosks. And it's happening around country.

So we have some recommendations around that.

Making sure that we're imposing daily transaction limits at the crypto kiosks. And, perhaps, even finding a way to let somebody get that money back within a certain amount of time, because the money is in the machine; so if it's within a certain time frame.

I see that I'm running out of time, so I have just a few more that I want to quickly mention.

We also are really grateful for the legislature for updating the General Business Law around unfair, deceptive, and abusive acts and practices.

But we do think that consumers -- individual consumers need a private right of action or some sort of mechanism where they can go after these bad actors.

And I just want to quickly plug that AARP has an entirely free resource. You do not need to be a member; anybody can use it. It's called the Fraud Watch Network. It keeps you up to date on all the latest frauds and scams. It gives you tips on what to do if you or somebody that you know has been scammed; tells you how to report them.

And it just has a ton of good information to keep people educated.

Thank you.

SENATOR MYRIE: Thank you.

Senator May?

SENATOR MAY: Thank you.

I have to run.

But I just want to thank you and AARP for everything you do in this space, because I just know that you all are always thinking.

I mean, the scams change day by day by day, and you guys are on top of that, and really helping people feel comfortable about reporting, and recognizing what the problems are.

And I just want to thank you for that.

And, yeah, the private right of action, I agree with you about that.

I think we haggled about that last year. But

we'll keep working on it, trying to make sure that that's available for consumers, because we need it.

KRISTEN McMANUS: Thank you.

SENATOR MAY: Thank you.

KRISTEN McMANUS: Thanks, Senator.

SENATOR MYRIE: Thank you, Senator May.

Senator Murray?

SENATOR MURRAY: Thank you, Chair.

And thank you for coming.

And, yeah, this is -- obviously, it's a huge issue.

And thank you for the fraud watch network tip. I'd like to share, because I think education is the key. I think it's getting information out there and getting people informed.

As far as the limitations, I will -- I like the idea, but I also have concerns, and I'd like your thoughts on this.

So, recently, I had an issue, where my bank had changed the debit cards they were using, and they had the chip technology and all this.

But I went to take money out and it was denied.

I went to pay something in a store, it was denied.

I went to another store, it was denied.

A vet bill, denied.

I went, wait a minute, wait a minute. It's not that there's not money in there. What's the problem?

I called the bank and they said, well, it's fraud. We're concerned about fraud, so we're protecting you.

And I said, But you're going too far. You're keeping me, preventing me, from getting my own money.

Is there a danger there; can we go too far?

Because I agree with you, maybe a pause is not a bad idea on investments, or something like this.

But could it possibly go too far is my concern?

What are your thoughts?

KRISTEN McMANUS: What I'll say is, that we've worked on this bill across the country, and have not seen widespread problems like that.

I think part of the issue here, and what the bill requires, is that you have to be notified. They have to tell you that they are holding that transaction. And, again, it's just the transaction,

it's not the entire account.

So the older adults who are impacted still have access to all of their finances. It's just that one suspicious transaction is not allowed to move forward.

And I think if there are family members or somebody who is also on the account, like a trusted contact, they get that notification, also.

So I think the notification here really is key so the people understand why this specific transaction is being held.

And we know a lot of that conversation happens at the counter. It's just that the teller doesn't have any real ability to intervene when they see something that is egregiously, obviously wrong.

SENATOR MURRAY: And I think maybe education on the bank levels, too, because what ended up happening was, I got a hold of someone, and they kept using the excuse that it was fraud.

It ended up, there was a problem with the chip.

So they ended up sending a new card, and everything's working fine now.

But they were using this excuse that it's fraud protection, it's fraud protection, which

really got me concerned about, could that possibly go too far?

So maybe even an educational thing with the bank as well, on how to respond when you get these inquiries might be helpful.

KRISTEN McMANUS: Yeah, I think that's a great idea.

SENATOR MURRAY: Good. Thank you.

SENATOR MYRIE: Thank you, Senator Murray.

And I would echo Senator May's thanks for the work that AARP does.

They do a lot of work in my district, we do a lot of work together. And so thank you for that.

We've heard a lot today about the reluctance to come forward, and some of the -- what we've heard from previous panels, just such small percentages of people that report this.

Is there something specific about our older adult population that might make them less likely to come forward?

What have you heard?

What do people come to you to tell you?

Are there folks that come to you and don't come to law enforcement, and say, you know, You're a trusted entity and organization. I trust the

members?

And if so, are there things you think we can do about that?

KRISTEN McMANUS: Yeah, I think there's education that's certainly needed so that people understand the importance of reporting.

And I totally get it. I mean, anybody can be a scam victim, truly.

Like, we have somebody who does these fraud education presentations for us, and almost fell victim to a grandparent scam, who only realized at the last minute, like, actually, I think something here is wrong.

So it can happen to the experts.

And I think part of it is letting people know that there could be recourse for them; not just in catching the criminal, but there may be funds available that can try to make them whole. Or, how just important it is to have all of the information possible for law enforcement to be able to follow the leads, and to prevent other people from being scammed by the same bad actors.

SENATOR MYRIE: Okay. Thank you; thank you for that.

And the low percentages and the difficulty

right now in trying to get restitution, I think, sort of as obstacle, as you mentioned.

And you put forward as a recommendation, the Senator Cleare bill, on having other actors in the system.

Are there any other entities in the system that you think should play a larger role; i.e., are there our family courts or other parts of our courts that could be helpful?

Are there law enforcement things?

Are there social service things?

And anybody else that you think we should say, Hey, you should be doing more to protect our older adults?

KRISTEN McMANUS: Yeah, thank you for that question.

And I would actually say everybody.

New York is like the only state that does not mandate reporting of elder abuse.

Every other state has some statute that reports it. The lists of professions vary state by state. But in our statute it's a "may," not a "shall."

So I think that that's really important, looking at who is going to be reporting this and

making sure that they know that they have to do it.

And, obviously, we can always use more funding for adult protective services, to make sure that they're able to do this work and intervene where appropriate.

SENATOR MYRIE: Great.

Thank you very much for your patience and your testimony.

KRISTEN McMANUS: Thank you.

SENATOR MYRIE: We're going to keep rolling. We've got a couple of panels left.

But I think we have the next panel with us here: Mark Anderson and Charles Johnson.

Do we want to bring the pastor -- we're going to bring the pastor up, or no?

OFF-CAMERA SPEAKER: Yeah, sure.

SENATOR MYRIE: Pastor, do you want to come down?

That's quite the tie you have there, Pastor.

[Laughter.]

That's how you come testify in Albany.

Okay. Whenever you're ready, take it away.

CHARLES JOHNSON: Chair Myrie, Ranking Members, and members of the Senate, thank you for the opportunity to testify.

My name is Charles Johnson. I serve as the political action chair for the New York State NAACP Conference, and also under the leadership of Madam President LJoy Williams.

Deed theft is a white-collar crime with devastating real-life consequences. It involves fraudulent or coerced transfers of real-property title, often through forgery, misrepresentation, or falsified documents, and it has stripped families, especially elderly homeowners, of homes and generational wealth across New York.

This is not isolated.

More than 6,000 deed theft complaints have been filed statewide since 2014, disproportionately impacting seniors and disabled homeowners.

For many victims, the first sign is not a warning. It's an eviction notice, a foreclosure action, or an unexpected ownership dispute. And once title is compromised, restoration is often slowed and costly, creating a pipeline of displacement.

Now, New York has taken important steps recently.

In 2023, the State enacted a civil deed theft protection, authorizing prosecutors and the office

of the attorney general to stay evictions and foreclosures, filing notice to warn the market, void fraudulent instruments, apply civil tools to address fraud after relevant convictions, and extend remedies under the Home Equity Theft and Prevention Act.

In 2024, the State criminalized deed theft as grand larceny, extending the statute of limitations, and granted the attorney general concurrent criminal jurisdiction statewide.

Now, those reforms matter, but the NAACP's position is clear: The State must continue to respond with a stronger, more coordinated approach, focused on prevention, protection, and enforcement.

Specifically, we urge the Governor and legislators to:

Prioritize deed theft enforcement in historically targeted communities because where the harm is concentrated and the impact is intergenerational;

Strengthen elder-focused safeguards, because seniors and disabled homeowners remain the most frequently targeted and least equipped to fight back quickly;

Increase funding to the homeowners protection

program so victims can access legal help early before displacement becomes inevitable;

Early warning systems and brief administrative holds. So county clerks should provide free recording alerts, either e-mails, text messages, voice plus mail notices, whenever there's a deed, mortgage, or power of attorney is filed, paired with the authority for brief administrative recording, hold when there's -- clear red flags appear;

LLC transparency and beneficial ownership, to ensure that the LLCs cannot be hidden behind shell entities, because we're noticing that, with LLCs, they're masking as fraud, and are used to launder ownership of stolen homes;

Engage in greater due diligence around lien sales, where notice, fees, process gaps can accelerate loss of homes and increase vulnerability to fraudulent transfers;

And, finally, enforcement must be paired with a broad awareness and education, so homeowners know the warning signs, where to seek help before damage is irreversible.

Thank you for your leadership on the issue, and the NAACP New York State Conference stands ready

to support continued reform and coordinated enforcement.

Deed theft is not just theft. It's also displacement and the destruction of intergenerational stability.

I'm happy to answer any questions.

Thank you.

MARK ANDERSON: Good morning, Senators.

Thanks so much for having me.

My name is Mark Anderson. I'm the managing partner of a firm called Anderson Bowman, which is based in Kew Gardens, Queens.

We're real estate and consumer litigators.

One of the reasons that I believe I was invited to testify here today is because we're at the forefront of a massive class-action lawsuit involving manipulation of interest rates on foreclosures across the state.

There's been reporting that's been done by both Gothamist and New York Focus, that piggy-backed on top of our litigation, that found that over 10,000 auctions that had occurred across the state had manipulated the surplus monies that were available in foreclosures.

I'm joined today by my client, Dr. Bond,

from the Cathedral -- Citadel Cathedral in South Brooklyn. He is one of the victims of one of these crimes. And we intend to continue on with this class-action lawsuit.

Procedurally, it's not worth going into; it's too boring.

But for right now, it's a very, very hot-button issue that I really do appreciate you taking the attention to.

I can go through kind of the crux of the case or we can just talk about it.

But what it boils down to is, the amount that banks are allowed to charge in interest on foreclosure cases is being miscalculated, and they're doing it on a systematic basis and they're hiding it behind the color of law.

And so, right now, although I do believe that the law is very clear on not being able to charge cumulative interest against residential foreclosures, I do think that it should be more clear that what they're doing is illegal.

So right now, the lawsuit is -- it's going against the banks, the servicers, and their attorneys. And I'm looking forward to getting to the bottom of all this, and I do appreciate you all

taking the attention.

I did provide some prepared remarks which kind of further explains the issue, which Senator Myrie and I have talked about --

And thank you so much for the attention you've been giving it.

-- because we do want to bring some clarity and some justice to individuals, and churches like Dr. Bond's.

SENATOR MYRIE: Thank you, Mark.

Dr. Bond, if you want to say a few words?

DR. MARK BOND: I'm so glad to be here today, to have this space to say something, because it's even more egregious for -- in my case, because my church is Citadel Cathedral, and the Lutheran Synod has been adding thousands of dollars on to a pay-off amount, that we couldn't even get a chance to pay it off because the numbers kept shifting.

And then on top of all of that, after the auction, they even took the surplus of $140,000.

So it's theft, theft of property, because it's ours.

We have a 30-year-old congregation that will be homeless unless we can do something about this.

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SENATOR MYRIE: Thank you.

And thank you for sharing the experience.

Senator Murray, I don't know if you have questions?

SENATOR MURRAY: Thank you, Chair.

So for the novice, give me the elevator pitch on how does it happen?

First the deed theft. But then, on top of that, obviously the banks, I mean -- well, let's go to the deed theft first.

MARK ANDERSON: So I should back up by saying, I appreciate the testimony provided, because we also litigate issues involving deed theft.

And we also appreciate the Foreclosure Abuse Prevention Act, because it's been extremely helpful in my practice area, because it has cleared up a lot of what I didn't view as very vague law. I think it was actually very clear before. But now it is absolutely clear, what is and what is not a time-barred mortgage.

So I do appreciate all the work that you guys have been putting into that.

I'm -- let me -- let me speed back up, and then -- I'm sorry, could I ask what the question was again?

SENATOR MURRAY: So deed theft, now, you see commercials.

And the reason I bring it up is because I'm wondering, and maybe some folks at home are wondering, you see the TV commercials all the time now, the radio commercials: We'll protect you against that.

And I -- and my first thought, call me a skeptic, is, is this fraud? Like, are they -- is this company real, or are they asking for money for protection that I really don't need?

So how does it work?

MARK ANDERSON: The deed theft itself?

SENATOR MURRAY: First the deed theft, yes.

MARK ANDERSON: Right.

So deed theft itself can take on many forms.

And so it could be just as simple as, someone that comes to the door of an elderly individual -- it doesn't have to be elderly, but it happens a lot -- and -- or they don't speak English, or they just don't understand the law very well.

And what they'll be told is: Oh, I see you're behind on your mortgage. Let me help you get a modification on your mortgage.

And amidst those documents that they'll be

signing, there's a deed, and it transfers it over to a new individual. And they have no idea that it happened.

It's as simple as that.

SENATOR MURRAY: That's the one. But then there's also --

MARK ANDERSON: But there's other issues, yeah.

CHARLES JOHNSON: There's another way, too, though.

There's the situation where someone can pass away, an older person could pass away. And what they will do is, there's companies that will find like this long-lost relative that will come into play.

Another thing that we're noticing, too, is that, because there's a lack of information and education about it, you will have elderly people, or even migrants, or -- yeah, migrants in The Bronx area, who are not reporting -- because I remember you had mentioned that earlier -- they're not reporting because there's a language barrier. These people are coming to them, speaking fast. You know, telling them, Hey, we can help you with this.

Other pieces, that they could actually have

paid off their mortgage. But then there's this a -- there's a notification saying that they owe $800,000, or something to that extent.

And because they're elderly, they're not as quick on their feet as, you know, most people would be; so they just kind of sit on it, and not being educated in the law.

So then, that's that way.

But, again, there's a multitude of different ways. But, it's -- yeah, it's unfortunate, but, yeah.

SENATOR MURRAY: But I've heard of, like, even online theft, where they don't even talk to you. You just -- you get a notice that, by the way, you're being foreclosed on because you haven't paid your mortgage on this -- this house.

How does that happen?

MARK ANDERSON: I mean, if -- if people are going to -- it's -- it's really -- I mean, if there's a drain, there's going to be water that goes through it.

So, I mean, in this situation, I mean, it's as simple as, if somebody is going to commit a crime, there's nothing preventing them from submitting a fraudulent deed to the clerk's office.

It's very hard to detect because the, you know, signatures look authentic. Perhaps they forged the notary that was on it.

Any number of things could happen.

But, I mean, if -- if something does get recorded, then the clerk's office and a title company are going to look at it and say, Well, how are we to know that it's not authentic?

The goal I think is --

[Simultaneous speaking.]

MARK ANDERSON: I'm sorry.

CHARLES JOHNSON: No, no, no.

MARK ANDERSON: The goal is to, when it is spotted, that there should be severe consequences for it --

CHARLES JOHNSON: Right.

MARK ANDERSON: -- to deter people from doing these things.

But it's, also, from the judiciary and from law enforcement, which I've talked to many times, from the DA's office, the police office, and the courts themselves, is it's really a lack of knowledge about how this actually works and how title is actually transferred, because it's not actually that complicated.

But it can -- but when you're looking at it, it does. I mean, a deed is sometimes 8 to 15 pages. What am I looking at.

SENATOR MURRAY: Right.

CHARLES JOHNSON: Just to add on to that: I think the other thing, that goes back to just financial literacy in the community.

And I say that because what I notice is that they're targeting -- they're targeting people who are asset rich but cash poor, or they just have 100 percent equity.

And a lot of communities of color don't recognize and understand how to utilize equity so they can have a home in Brooklyn where there's $3 million in equity. And they don't realize that they could be utilizing that. And they're just -- literally, there's people that are just salivating at the mouth to try to approach that.

I think another issue is this, too --

And I think back to my mom, because my mom just learned how to text not too -- a few years back.

MARK ANDERSON: [Indiscernible.]

CHARLES JOHNSON: Yeah, you know, it's the first time.

-- but with AI, with all these other things or whatnot, with scamming when it comes to the e-mails and [indiscernible], like, they'll publish and making it seem like it's from a government -- governmental agency. But when you actually click on the address, it's some Gmail account. A lot of elderly people, they're not, you know, tech-savvy.

And, again, they're taking advantage of that.

But I think it goes back to what he was mentioning before about just the education piece, because I don't think our communities actually understand that, okay, well, once you own a home, then you're now susceptible for someone to try to steal from you.

They just think, that, hey, I own this home, I paid this off, and that's just what it is.

But, again, criminals are going to do what they're going to do. And I think now, with technology advancements, they have, you know, utilized some of those things.

SENATOR MURRAY: And the reason I ask, it is complicated.

CHARLES JOHNSON: Yes.

SENATOR MURRAY: And so when we talk about education, it's, where's the right spot for that

education?

To your point, is it:

You're about to pay off the loan on your mortgage, you're just about to own it outright.

Is that the point where we say, "You need this information," and we send it? Or is it when you're buying the home?

Like, when's the sweet spot?

CHARLES JOHNSON: I honestly think it's both.

I think that you have to start off.

And I was just talking to some friends who now own homes, but they didn't realize that there were different tax breaks, things of that nature, until 10 years in.

And I think, also, when you're talking about just elderly, you need to -- we have to have community outreach, whether it's governmental or whether we have particular coalitions going out, including NAACP, where we're having these conversations with them, having public hearings in the local communities with them.

Hearing stories like the reverend here, you know, so they can actually see this.

But I think you have to approach it from two angles, because, yes, you have the older generation

that's being impacted, but then you also have a group of younger folks that don't necessarily understand what -- this could happen to them later on down the road.

SENATOR MURRAY: Right.

MARK ANDERSON: Now, with that said, you know, if we get out of the forest and we go into the trees, there are some things that I do think that the State could implement that would create a little more transparency in a lot of this process.

And so, as an example, and one of your questions was: Well, how does the scheme actually work, let's say, in our class action?

It's something that no one would ever detect unless they know exactly what they're looking at. And even if they do know what they're looking at, very few do.

And so the problem is, is that there is a situation where there's surplus monies that are being taken at a closing, that no one attends, and it's a bank representative, a referee from the court, and checks just get transferred, and later on we find out what happened.

And on that document that summarizes what exactly happened, it looks good. It looks like they

did the right calculations.

But when you do the actual math, you find out that every single time, out of 14 to 15 firms that we looked at, they're all doing them wrong.

And so in one of the situations, we found out that -- through the reporting of Gothamist and New York Focus, we found out that one -- that the servicers are actually dictating to their attorneys how they should be doing the calculations; not the reverse.

Their attorneys should actually be guiding them, and not the other way around.

And so one way that I think, and I've, you know, been thinking about this since we first spoke, Senator Myrie, is one way to actually systematize the calculation method would be to actually just create --

And I am not on the budget committee or anything else, and I don't understand what it would cost.

-- but I think it would be a very simple calculation and a very simple computer program, which is that the court requires them to just input the information into a computer program that actually dictates what actually they get from a

residential foreclosure, because every calculation is the same for a residential foreclosure.

Commercial, you get what you signed up for. I mean, everyone knows it's a little more complicated, people are considered to be a little more sophisticated.

But if the judiciary actually just said, You know what? Put it into the State calculator, and this is what comes up. That's what you get.

And if they end up taking more then that, then they've committed a crime, and then they lied to the court.

And it's as simple as that.

Now, the law is very simple already, and it has been for over a century, about what the law is that I'm arguing in this class action.

It's, just, I've been litigating with banks and servicers and their attorneys for my entire career. And they will make everything seem like everything is just fine. Everything's just fine.

And they'll find some judge in some county outside that agrees with them. They'll cite to it in their papers. And once it's adopted, it becomes gospel.

CHARLES JOHNSON: Yep.

MARK ANDERSON: And then it will go to the Second Department or the First Department, the Third Department, Fourth Department, maybe someone will agree with them there.

And then, all of a sudden, we have a disconnect between the departments.

And then, all of a sudden, we have judge- and lawyer-created law.

And that's exactly what I'm dealing with right here.

And I'm sure you deal with it yourself.

CHARLES JOHNSON: Yeah, yeah.

SENATOR MURRAY: Okay.

MARK ANDERSON: So they will -- my class action, if you look it up, you will -- they will come up with all sorts of creative arguments. But the one thing they do not say is that I'm wrong.

SENATOR MURRAY: Right, right.

If you have any suggestions, if you could submit them.

MARK ANDERSON: So the last page of my remarks, I can read through it if you'd like right now.

SENATOR MURRAY: No.

MARK ANDERSON: But I do have them on the

back page, and I look forward to any comment.

I've practiced in all these areas, and I do have some input that I would love to give you guys; but I obviously don't have the time for it today.

But I do appreciate the interest, and I look forward to helping out as best as I can.

SENATOR MURRAY: Thank you.

SENATOR MYRIE: Thank you.

MARK ANDERSON: Just one quick --

SENATOR MYRIE: Thank you, Senator Murray.

CHARLES JOHNSON: Oh.

SENATOR MYRIE: Go ahead.

MARK ANDERSON: I would just say, because it ties into the educational thing, but education is a preventative tool.

But I do think that if we look at free record alerts and brief administrative holds for clear red flags, I believe that that also helps. It stops, you know, the early fraud -- early fraud detection early, and then also avoids, you know, the expensive litigation pieces.

But, again, it's about actually reaching -- meeting people where they are and letting them know exactly what's going on.

So -- yeah. That's all I want to say.

SENATOR MYRIE: Thank you.

Thank you very much.

And thank you, Senator Murray.

We've been joined by Senator Brisport who has a couple of questions.

SENATOR BRISPORT: Thank you, Senator Myrie.

And thank you all for being here.

To Mr. Johnson from the NAACP, thank you for your testimony on deed theft, an incredible scourge in our communities.

And, you know, in my office we have introduced a suite of legislation to build off of a lot of the great work that's been done by Senator Myrie and the AG.

I just -- I did notice in your written testimony -- I'm sorry for missing your verbal testimony -- one of your recommendations was to increase funding for HOPP.

And I was just curious if the NAACP had put forward a dollar amount that you thought would be good?

CHARLES JOHNSON: Not right at this moment. But we can definitely get back to you with a dollar amount. That's not a problem.

SENATOR BRISPORT: Okay. The budget is due

April 1st. So --

CHARLES JOHNSON: No, no. We can get it to you this week.

SENATOR BRISPORT: Thank you.

That was it. Thank you.

SENATOR MYRIE: Great. Thank you.

And I'll just say: This is an issue that I care very deeply about.

In anticipation of this hearing, I wrote a similar letter of inquiry, that I had directed to the student loan industry, to a number of law firms that conduct foreclosure proceedings.

Most of them ignored and flat-out did not respond.

And I did get a response from one particular firm, who referred to me as Senator Mylie [ph.], misspelled the name. And also said --

OFF-CAMERA SPEAKER: Can I guess?

SENATOR MYRIE: -- and said, on the advice of counsel, that they were going to refuse to answer any questions.

Which I think speaks to the condition that we find ourselves in, where regular New Yorkers who do not have State Senate letterhead, who do not chair the Codes Committee, who are not elected to office,

have no shot at getting any accountability if we don't get even a bare response.

So thank you for the work that all of you are doing, and continue to do. And we look forward to continuing the engagement.

Thank you.

MARK ANDERSON: Thank you, Senators.

CHARLES JOHNSON: Thank you.

SENATOR MYRIE: We will next hear from Mr. Scott Buchanan.

Whenever you're ready.

SCOTT BUCHANAN: All right. Thank you very much.

Chair Myrie and Chair May, and committee members, thank you for the invitation to testify today about areas of fraud concern, especially in the student lending market.

I am Scott Buchanan, the executive director of the Student Loan Servicing Alliance, which represent more than 95 percent of all student loan servicing in the country, including New York State.

We are the designated customer service operations of private lenders, as well as the federal government who itself originates more than 90 percent of all student loans to 40 million

consumers.

Given that role, we are on the front lines everyday, often dealing with our impact when fraud is committed.

Today we see three main areas of actual fraud that are similar to what you've heard before today, that can and should be the focus of enforcement by the State.

The first major area of concern today is schemes to apply for and take out new student loans or refinancing them by using false identities.

These scammers apply for and take a loan online with a lender or school using stolen or synthetic borrower information, like SSNs, and then unenroll and leave the school, and then taking the cash and leaving the school, the lender, and the government on the hook.

And the borrower's identity who was stolen is left to deal with undoing the harm on credit reports and disputing the loan.

Lenders and schools use proprietary strategies to try to identify the fraud before the loan is made. But the fraudsters, too, have become more sophisticated today despite our best efforts.

The second area of fraud from the past is

likely to reemerge with some vigor, as Congress recently made material changes to the federal student loan program.

This other scheme is offering independent counseling for an up-front fee, or offering things like the ability to lower their payment below what their servicer will offer them, or access to or priority consideration for secret loan forgiveness.

All of these are false claims.

They then pocket the fee, and often lie to the servicer, to skim part of the payment the borrower thinks that they are making.

Months later, the borrower will often discover that the harm has been done in bad credit reporting or increased loan balances.

These scammers prey on borrowers when confusion or large change happens in the loan programs, as will occur this year, and are abetted by so-called "borrower advocates" who scare borrowers from talking to their actual loan servicer, the only who can offer any of these loan-forgiveness programs or better repayment options and does not charge borrowers to do so.

Great work has been done by the FTC, with the support of my members, to reduce this issue

nationally, but it continues to be a problem.

The final area of fraud that should be carefully overseen is deceptive or misleading claims by institutions of education themselves.

The vast majority do great work in educating consumers on the realities and risks and costs of getting a post-secondary education or certificate. But some in the past have made promises in marketing materials to induce students to attend, spend their money, and borrow.

Often these have been claims of guaranteed employment or specific salary increases that graduates of their program or school will get, knowing full well those claims are unfounded.

It is certainly much better today, but we must be vigilant for New Yorker consumers, to try and improve their economic prospects.

I know my time is limited, so I'll address what changes can reduce this kind of fraud.

Better focused enforcement of existing laws.

Today, in New York, all of these activities are illegal, especially under new authority this legislature gave, effective last month, that, essentially, expands UDAP authority.

Providing additional resources to the AG and

other agencies to root out these clearly bad actors and enforce the laws on the books is the most effective step you can take today.

And while I'm not sure needed, any further legislation really must ensure standards of materiality of consumer impact and intentionality to not drive out good actors; to wit: in my example of counseling services, there are many good nonprofit firms or others who are doing this work today and charging maybe a small fee. And they often can make bona fide mistakes, trying to navigate the labyrinthian system of repayment options created by the federal government.

Not making allowance in law or regulation for reasonable standards will likely only make the situation worse, as good-scaled and regulated actors feel for -- fear for fear -- flee for fear, if I could speak, of unintentionally making any error with little to know borrower harm.

This will create a vacuum in New York, filled with those who really don't care about compliance anyway and ignore licensing requirements.

And by the time you find who they are, they will have vanished.

So I urge you really to be thoughtful about

unintentional impacts.

You know, I think we want to continue to work with you all on the sort of opportunities here, share stories that we're hearing on the front lines, and continue to work with you on legislation to improve the situation, and make sure we can continue to reduce fraud and harm that's happening in the state of New York.

Thank you.

And I'm happy to take any questions.

SENATOR MYRIE: Thank you.

Senator Brisport?

SENATOR BRISPORT: Not yet.

SENATOR MYRIE: Senator Murray?

SENATOR MURRAY: Thank you, Chairman.

To be honest, I didn't realize, you brought up the first example, and that is, you know, identity fraud and people stealing from false student loans. I didn't realize it was as big as it is.

What percentage would you say that is of this?

SCOTT BUCHANAN: I would not characterize it as a huge marketplace. Right?

I think it is more disruptive, though,

because it's harder to root out, because when you take out a student loan, for example, most of those loans go into a grace period for a certain period of time.

So it can be many months before a consumer would know that a loan had even been taken out on their behalf, as opposed to other credit products that show up relatively instantly, right, sort of, if you pull your credit report or something like that.

So I would not characterize it as a huge marketplace, but it is growing, especially as synthetic identity theft continues to expand, as you heard about earlier today.

SENATOR MURRAY: And what's the best protection against that?

SCOTT BUCHANAN: Yeah, well, I mean, I think, from an average consumer perspective, there's not much you can do up front -- right? -- because, if someone steals your identity and has gotten it, there's not -- I mean, obviously, there are ways to make sure that you reduce the amount of personally identifiable information that's available for you on the Internet.

That's difficult to do these days.

But when people get synthetic demographic information or real demographic information, it's hard to do.

So I think being vigilant. Monitoring your credit report, monitoring your credit score, that's the one thing you can do.

Now, you may not be able to stop it, but you can catch it early.

SENATOR MURRAY: Okay.

Thank you.

SENATOR MYRIE: Thank you.

And thank you for your testimony.

I think the portion of it directed at some of the ancillary activity that happens outside of legitimate servicers I think is really concerning, and I think it's important for us to keep our eye on the ball there.

I just want some clarity because, as I mentioned in my opening, when I reached out to some of the servicers, they -- many of them referred me to MOHELA, and then MOHELA referred us to you.

And so I just want to clarify that you do represent MOHELA?

SCOTT BUCHANAN: Yeah -- yes. MOHELA is what [simultaneous speaking] --

SENATOR MYRIE: MOHELA. I'm sorry. Okay.

SCOTT BUCHANAN: Yes, they're a member of my trade association.

SENATOR MYRIE: And MOHELA suggested to me in the letter, having not answered any of the questions, that we should go through you.

And so I guess my question to you is: On issues of previous penalties on any of the actions that were brought to light by litigation or any of the CFPB actions, whether MOHELA and other servicers would be willing to answer this committee's questions?

SCOTT BUCHANAN: Well, I think one of the challenges, especially for MOHELA, is that they are a federal contractor. Right?

So the bulk of the student loan servicing work they do today is with the department of education data. And so they are under contractual obligations not to share that with third parties.

So I think there's an opportunity, though, to, you know, perhaps open a line of dialogue with the department of education whose data it is, so we can share more of what the oversight is that is conducted pretty regularly by, as you highlight, not only the department of education, the CFPB, state

regulators, DEEP. New York DFS oversees and regulates and licenses and examines servicers like MOHELA.

SENATOR MYRIE: Okay. So we should go through the department of education and not the servicers?

SCOTT BUCHANAN: So I -- on the federal student loan program, we are contractually obligated to refer you to the department of education. So...

SENATOR MYRIE: Okay. You know, I just wanted to be clear, because we have, of course, the responsibility to New Yorkers, and those are our constituents, and those are the ones that are having to shoulder the burden of the student loan payments.

And when there are issues, when someone comes into my office, I often don't have the luxury of saying, well, this is really not my thing, and you can go speak to someone else.

And so we just have to get, I think, absolute clarity on whether there's going to be any sort of dialogue with the servicer themselves who are under contract, as you mentioned, by way of taxpayer dollar, to service these loans.

And if you are, as I understand it, to the tune of billions of taxpayer dollars, have the

contract to service the loans, and are not willing to answer those questions to that public, but, instead, refer us to the department of education, I think a lot of us would find that problematic.

And when it's time to come collect that loan payment, there isn't a conversation about, well, you should go here or you should go there, you should go to another place.

The demand is, pay the amount.

And I think that that should work in two directions if we have questions about what those service practices are.

But I do appreciate you coming to testify today.

SCOTT BUCHANAN: Yeah, and if I might just say, that I look forward to working with you and your staff as well.

We do annual reports to DFS today that has a ton of data about, sort of, performance standards, delinquency, what interaction looks like with borrowers, as well as the examinations that the State does to actually go in and verify that what we're doing, and from a customer service level, whether that's looking at call reportings, checking sort of, you know, audit trails, all that sort of

stuff.

I know DFS has a lot of that data today. So maybe there's an opportunity for us to work together, to get them to share some of that with you.

SENATOR MYRIE: Thank you.

Senator Brisport.

SENATOR BRISPORT: [Inaudible.]

SENATOR MYRIE: Thank you very much for your patience and your testimony today.

SCOTT BUCHANAN: Thank you.

We are next going to hear from Winston and Andy if they are here.

Whenever you're ready.

WINSTON BERKMAN-BREEN: All right. Can you hear me.

SENATOR MYRIE: (Nods head.)

WINSTON BERKMAN-BREEN: All right, great.

Thank you, Chair Myrie, members of the committee.

My name is Winston Berkman-Breen, and I'm the legal director of Protect Borrowers, a nonprofit policy organization focused on household credit and debt.

Previously I was a financial regulator at

DFS, where I was the student loan ombudsman and the director of consumer advocacy, and was legal services attorney before that in New York and Long Island.

I've submitted more detailed written testimony, and so I will focus my time today on conveying a few important points.

Specifically, I want to stress that, for our existing consumer protection laws to have any meaningful effect, there has to be meaningful enforcement which requires a strong private right of action alongside government enforcement.

And I will say, a little off-script, most of what I've heard today would be addressed by a strong private right of action: crypto, deed theft, fintech, student loan servicing, et cetera.

Back to script.

So, first, I want to acknowledge the abuses that New Yorkers are facing today.

Just a few examples from our legal services colleagues:

A company persuaded a 73-year-old social security benefit recipient to charge $22,000 on her credit card for a bogus entrepreneurial workshop;

A fraudulent debt-settlement company

charged -- or, pressured a 79-year-old woman to stop paying her credit cards and to mail them her payments instead;

A mortgage loan servicer charged an unauthorized convenience fee for homeowners to pay their mortgage online, rather than by mail;

And, again, as we've heard, deed theft remains a huge issue in the state.

With sky-high prices and stagnant wages, households across the state, literally, cannot afford to be price-gouged or taken advantage of like this. And with the right consumer protection law, they wouldn't have to be.

Unfortunately, New York's General Consumer Protection Law, GBL 349, is out of sync with the majority of the country.

The bedrock of consumer protection in this country is the prohibition against unfair, deceptive, or abusive acts and practices, called "UDAPs."

My written testimony provides more information about UDAP and its well-established history in the country, as New York's UDAP, GBL 349, is one of the weakest in the country because it does not completely prohibit unfair, deceptive, or

abusive conduct. Until last year, it didn't prohibit unfair or abusive conduct at all.

You may recall the FAIR Act which was enacted last year and took effect a few weeks ago, and increased the attorney general's authority to prosecute unfair or abusive practices. It did not, however, extend those authorities to the existing private right of action which still only applies to deception.

For this reason, New York's law is weaker than 42 other jurisdictions which allows for -- these other jurisdictions allow for private enforcement of all of their rights.

As a New Yorker, I feel lucky to have a strong prosecutor in Attorney General James, who we heard from earlier. But her office cannot address every wrong that every New Yorker experiences everywhere in the state, nor should that be the objective of government enforcement.

The Attorney General may be the people's lawyer, but she cannot be every person's lawyer.

The UDAP standard is not new. But without private enforcement, there cannot be meaningful accountability.

For this reason, industry opposition to a

private right of action should be met with great skepticism.

Another point I'd like to make is that improving New York's law is necessary in light of what we're seeing at the federal level and their complete abdication of consumer protection.

The FTC and CFPB are the primary agencies responsible for enforcing federal UDAPs, but neither of them are doing that today.

For example: The Trump Administration is gutting the CFPB. They fired nearly all the staff, terminated most of their enforcement actions, and stopped complying with at least 87 statutory responsibilities.

My organization estimates that this has cost households over $18 billion already.

This federal abdication is also affecting New Yorkers.

Based on analysis of CFPB complaint data that we've done, complaints filed by New Yorkers nearly doubled from 2024 to '25, from 180,000 complaints to over 300,000.

The largest percent increases were in the Fingers Lakes, Mohawk Valley, Capital Region, and Western New York, with the largest absolute increase

in New York City.

At the same time that the number of complaints coming from New Yorkers has increased by nearly 70 percent, the number of complaints closed with consumer relief has decreased by 10 percentage points, from 51 percent to 41 percent of closed complaints.

Put differently, while the number of complaints is increasing, the relief is decreasing.

It's clear that New Yorkers cannot count on the federal government to help them.

I'll conclude by noting that enacting a stronger UDAP now is also a sound investment in New York's future.

If the recent years have showed us anything, it's that we cannot say with any certainty what the next few years will bring.

A strong UDAP has the flexibility to address whatever issue may arise; whether that's price gouging during a future crisis or surveillance by tech and AI firms.

There's no need to run back to the legislature every time a new harm emerges.

Let me make clear: That unfair, deceptive, or abusive contact is never permitted in the state.

Thank you.

ANDY MORRISON: Okay. Thank you.

Good afternoon, and thank you Senators Myrie, May, Murray, and Brisport.

I'm Andy Morrison. I'm the associate director of New Economy Project, a New York City-based economic justice organization.

We are working with community groups across the city and state to build an economy that works for all, based on cooperation, racial justice, neighborhood equity, and ecological sustainability.

My testimony today focuses on financial technology, or "fintech," schemes that are structured to evade New York's longstanding usury and consumer protection laws.

As the committee members know, payday lending is categorically illegal in New York State.

Our civil usury law caps interest at 16 percent, and it's a felony to charge more than 25 percent interest on a loan; yet fintech companies operating under the label of "earned-wage access" have -- are conducting business right here in our state.

They're making loans with average interest rates -- average interest rates -- that exceed

330 percent APR.

We estimate that this industry has extracted more than half a billion dollars from working New Yorkers' paychecks since 2019.

That is, effectively, forcing workers to pay to get paid.

So how does an industry that charges effective interest rates so far above the usury cap that we set as a matter of public policy in this state operate here?

The answer is, that fintech companies falsely claim that their loans -- excuse me -- that their products are not loans in order to circumvent our robust and longstanding consumer protection laws.

How do they do this?

Well, they aggressively market their products on social media, in workplace break rooms, even on the New York City subway, only -- and that they lure New Yorkers in who are struggling to make ends meet, only to impose high and hidden fees that trap them in cycles of repeat borrowing. These are expedited transfer fees, subscription charges, and even tips.

They feed user data into proprietary AI underwriting systems so that they can monitor workers' accounts, so that they can ensure that they

get paid as soon as that worker gets paid.

And that -- those predictions are often inaccurate, and that leads to cascading financial harm, like overdraft fees.

At every step, EWA companies design their products to evade enforcement of laws that prohibit high-cost lending.

The industry seeks to nullify state usury protections by claiming its products are not loans, an argument that relies on strained interpretations of legal concepts, such as recourse.

This is regulatory arbitrage, designing a business model to exploit loopholes and sidestep laws meant to bar high-cost lending.

It's targeting working people and communities of color.

The government accountability office found that these apps are mostly used by people earning less than $50,000 a year.

The Community Service Society of New York did a survey, and found that New Yorkers under 30 are using these payday loan apps frequently, or all the time in many cases.

Black and Latino workers were significantly more likely to report frequent use than White

respondents, underscoring the industry's disproportionate impact on communities of color.

So New York bans payday lending for a reason.

Our usury laws reflect longstanding public policy to protect New Yorkers from exploitative high-cost loans that strip wealth from communities and trap people in cycles of debt.

Fortunately, the attorney general has taken enforcement action against two leading EWA companies, finding: Gross and systematic misconduct. APR's as high as 750 percent. People borrowing multiple times a week from these apps.

One worker took out hundreds of advances over a two-year period, paying nearly $1400 in fees.

This is part of the business model.

And so what we are asking for this -- demanding, really, this session is that the Governor and the legislature step up and protect working people from widespread financial predation and wealth extraction.

We can't rely on enforcement alone.

It's important what the attorney general is doing, but the legislature needs to step up. And it can do that by passing the Stop Taking Our Pay Act sponsored by Senator Brouk. That's 8939. And that

would clarify existing law that EWA advances are loans, and that New York's usury laws and the interest rate caps apply to this industry.

So thank you very much for inviting us to testify today.

SENATOR MYRIE: Thank you, both.

Senator May.

SENATOR MAY: Thank you.

Thank you for your testimony.

I wanted to ask -- sorry -- Mr. Berkman-Breen, a question.

I really appreciate the data in your written testimony that shows how the -- effectively, the closure of the CFPB is affecting New York.

And I'm wondering if you have an analysis of why, basically, my district, or the Finger Lakes, Mohawk Valley, Central New York, would be dramatically higher than other areas of state?

Like, what would be driving these regional differences, in your opinion?

WINSTON BERKMAN-BREEN: Thank you, Senator, for that question.

I should follow up and say, too, that happy to follow up with the committee or any member on district-specific. I just need your ZIP Codes, and

then we can go from there.

You know, it's hard to say, because there's a lot of factors that go into our lives. You know, we sometimes bucket these things into different terms or committees.

But, ultimately, we're all living as sort of holistic people who have different experiences.

And it could be anything from fewer cops on the beat. Right? The federal government isn't doing its job. And maybe your region doesn't have as strong of a local consumer protection.

I'm a New York City resident. The department of consumer and worker protections is phenomenal. We are so lucky to have them.

We also have a very holistic 311 system in New York City.

So that, you know, local resources filling the gap can be one a reason.

There could also be larger macroeconomic considerations. Maybe your region has had more layoffs. People are just having, you know, tighter budgets in their household than other parts of the state.

So it really varies, and it's going to vary probably between regions, why they're experiencing

it. I don't think there's any one.

But I do think, having just said that, there are blanket things the State can do.

I completely endorse my colleague Andy's testimony about these products that -- like EWA, like buy now, pay later, which the State has already regulated -- and thank you for that -- that go in and take advantage of them. I mean, I did this, so can industry. Right?

And so they can go in and say, Hey, this part of the state, this part of city, people are hurting. Let's go offer them free money and then charge them for it.

So there's -- it's hard to diagnose the cause, but I think we can still arrive at some solutions.

SENATOR MAY: Okay, thank you.

And I just have to ask about this line on page 6, where it says that the exam -- "CFPB is making its examiners make a humility pledge" --

WINSTON BERKMAN-BREEN: Yes.

SENATOR MAY: -- "to each company before commencing an exam."

Can you just tell me what that is?

WINSTON BERKMAN-BREEN: Yes. So that is the

current Trump Administration, CFPB, led by Russ Vought, again, which is trying to kill itself off, like very explicitly. I'm not hyperbolizing.

The exams -- just so we're on the same page, and DFS does exams as well; as does DCWP, the local and New York City equivalent: An exam is just an audit for compliance with financial laws. Whether that's a sort of safety and soundness prudential, anti-money laundering, or whether that's a sort of consumer protection market conduct, "how are you treating people?" compliance.

But it's just compliance with state, federal, and local laws, depending on the jurisdiction.

So an examiner will go on-site, look at books and records. We heard from Scott Buchanan, maybe audit some calls, et cetera.

And, normally, they do that, and maybe that would be force of being a government regulator. You know, they -- I don't want to be crude, but they say "jump." Regulated and [indiscernible] are supposed say, "how high?"

And there's is a good-faith relationship there. But there can -- there has to be candor; you have to open your books and records.

We've seen a very robust -- under the

Rohit Chopra CFPBM [sic], the President Biden's Administration, a very robust, not inappropriately so, but a robust consumer protection agency out of the CFPB.

The response to that, in addition to rolling back, is that now examiners, when they go on-site, have to, literally, read a one-page humility pledge out loud to the industry that they're about to examine, which talks --

I could have appended it, and I should have. But I'll follow up with you, and send it as a link.

-- which, as the title suggests, basically says, you know, I am not here to overstep. And, you know, I'm not going to be aggressive like our predecessors.

And it is very much in the, you know, ilk of what we're seeing under this administration, really demonizing previous appropriate law enforcement; but also just, literally, putting industry up on a pedestal when it should be the reverse relationship.

SENATOR MAY: Okay. Unbelievable.

WINSTON BERKMAN-BREEN: Yeah, you can't really make this stuff up.

SENATOR MAY: Yeah, right.

And, Mr. Morrison, just following up to --

looking at the data in the other testimony, I'm wondering about the payday loans and some of the oversteps that you talked about.

Do you have regional data on that?

Is that something that -- where we can find out how this is affecting my district or my region of the state?

ANDY MORRISON: Definitely. It's linked in an end note of our testimony.

We put out a report last year called "$500 million and counting." I think it's the second end note.

And if you take a look at that report, we broke out the wealth extraction that these companies are engaging in by region. I can't remember the regions off the top of my head, but we looked across the state, and found -- yeah, that -- you know, all over state we have a deepening affordability crisis.

So where people are living paycheck to paycheck, they're looking for solutions. And these companies are preying on that sort of vulnerability.

And so we're seeing it across the state, and it is draining money right out of people's paychecks.

SENATOR MAY: Thank you.

Yeah, I mean, I chair the Commission on Rural Resources, and I represent a district that has the city of Syracuse. But it has a lot of rural communities in it as well.

And what we know about smaller municipalities is they don't have the resources to fight back against a lot of these things, and so the people feel helpless, too.

So the more that we have kind of centralized information, and potentially centralized solutions, the better for their -- our consumers.

ANDY MORRISON: Oh, sure.

I mean, to your point, regular working New Yorkers are outmatched by an industry that's backed by Silicon Valley venture capitalists.

It's -- the industry is increasingly getting investment from Wall Street, banks, and investment houses. And they're spending huge amounts of sums on lobbying and campaign contributions, to normalize and entrench this business model.

And that is very concerning to us because, unless this legislature and Governor act, this can become just a normal part of every day life for working people.

And we can't accept that in New York, where

people have to pay to just get the paychecks that they've earned through their labor.

SENATOR MAY: Thank you.

SENATOR MYRIE: Thank you.

Senator Brisport?

SENATOR BRISPORT: Thank you, Mr. Chair.

Thank you both for being here today, your testimony.

Mr. Berkman-Breen, great to see you made it up here safely from Brooklyn.

I just --

WINSTON BERKMAN-BREEN: Senator, thank you.

SENATOR BRISPORT: Of course.

-- I had a few questions.

Looking at some of your recommendations for policy, I was just -- just a general-question curious: If you have identified existing legislation you wanted to uplift, or if you figured these policies would best be served by a new legislation?

WINSTON BERKMAN-BREEN: Thank you for the question, Senator.

I think there will be new legislation introduced, and that's in large part because existing legislation, such as the Community and

Small Business Protection Act (CSBPA), is somewhat mooted because the FAIR Act did pass. And so there's contradictory parts of what that bill would have done, that's already been accomplished, and what still needs to be done.

So I do think that, as a single vehicle or a sub-bill, there needs to be new legislation, even if it's just taking piecemeal parts of existing legislation and reentering them.

SENATOR BRISPORT: Amazing. Thank you.

And then I know you said New York is well behind a lot of the country on these issues.

Do you know if there's a state-by-state breakdown anywhere of what practices are being used in other states or not?

WINSTON BERKMAN-BREEN: There is.

So one of the footnotes is to the National Consumer Law Center's "50 State Guide."

But, also, I'll be able to follow up with the committee with my colleagues from -- Immobilization for Justice created a very simple 50-state color graph. And you see the 8 states in red, of which we're one, and you see the 42 other states in green where there are stronger laws.

SENATOR BRISPORT: Thank you so much.

WINSTON BERKMAN-BREEN: Sure.

SENATOR MYRIE: Senator Murray.

SENATOR MURRAY: Thank you, Chairman.

Thank you both for being here.

And, Mr. Berkman-Breen, you had mentioned -- well, let's say this: We can put the laws in place, we can even get the enforcement in place. But if there is no bite to it, if there is no punishment to it.

I know there are some that believe that punishment is not a deterrent.

I disagree, I think it is. I think most agree that it is.

I'm reading your testimony.

It says, "Finally, New York's law has severely outdated damages provisions. The current statutory damages are $50, which is meaningless deterrent for bad actors."

You even went on to say, "New York's UDAP law is" -- "basically, it's toothless even with some of the improvements that were made."

So how do we step it up?

I mean, you know, is punishment, is the actual punishment, is that lacking? And if so, how much; I mean, how much should it be?

You mentioned the $50, what should it be?

WINSTON BERKMAN-BREEN: Right.

So in recent legislation, we proposed $2,000. I think, candidly, anywhere in the one to two thousand dollars, and this, again, where there is a finding of the legality. Right? This is not the threat of. This is a judge that's made a determination that someone broke the law. And per violation, there should be a meaningful penalty.

You can step it up for protected classes as we have often done. If it's a senior citizen, if it's a combat veteran or their family or a service member, et cetera.

There's plenty of, you know, trebling you can do there.

But I think it's meaningful penalties -- right? -- in addition to actual damages. Make the person whole, and then add a deterrent factor on top of it.

But then, also, and I don't want to overlook my main point, which is, this needs to be privately doable. Right?

We have the private deception component now. But we know that's been failing us because it's been failing us for the last 50 years.

The whole point of the FAIR Act was to get everyone on board with the tools we need. And it is, again, a necessary but insufficient fix that we've given to the Attorney General because her office, we even heard from, and there's testimony, is doing such great work. We're so lucky to live in this state with her at the helm, the department of law.

But we need, as the legislature recognized in 1980s when it added a private right of action to a law that did not have one, [indiscernible], did not start with a private right of action, and you all added it in, your predecessors, that you need to have that private partnership across the state.

In parts of the state where there are -- I mean, I work with attorneys in the Syracuse area. They are there. This is not a sort of, you know, if you build it, they won't come. If you build it, this will get used, but the economics have to make sense for it.

SENATOR MURRAY: Okay. Thank you.

SENATOR MYRIE: Thank you, Senator Murray.

And thank you again, to Winston and Andy, for your testimony. Thank you for your patience, for waiting, and we look forward to continuing to

engage.

Thank you.

WINSTON BERKMAN-BREEN: Thank you.

ANDY MORRISON: Thank you all.

SENATOR MYRIE: And our last panel for the day, and we thank them for their patience, Emma and Christopher, who are making their way down.

EMMA KREYCHE: Shall I jump right in?

SENATOR MYRIE: (Nods head.)

EMMA KREYCHE: First of all, thank you for having me today.

My name is Emma Kreyche. I'm the director of advocacy, outreach, and education at the Worker Justice Center of New York. We are a legal services and advocacy organization serving low-wage workers across New York State, with a primary focus on immigrant workers.

So the people we serve include farm workers, day laborers, hospitality industry workers, domestic workers, and many others who labor in industry where wage theft and other forms of labor abuse are, unfortunately, quite widespread.

The crime of wage theft takes many forms. And exploitative employers can get remarkably creative with their schemes to defraud employers

of -- employees of their pay.

So we've seen it all: Paying workers off the books to avoid paying the proper overtime rate. Unlawful deductions. Misclassification of workers. Requiring people to perform preparations before they clock in. It kind of runs the gamut; the list goes on and on.

It's really hard to overestimate or overstate -- I'm sorry.

It's hard to overstate the scale of wage theft that occurs routinely in our communities or its devastating impact on working people.

Estimates of stolen wages and benefits range from 1 billion to upwards of 3 billion dollars annually in New York State, with the DOL only able to recover a very tiny fraction of that sum, as little as 1 percent as we heard earlier today.

We're talking about billions of dollars each year that workers can't use to pay their rent or feed their families at a time when the rising cost of living has already far outpaced wage increases.

One of the reasons it's difficult to get precise data on wage theft is because so many cases go unreported due to victims' well-founded fear of retaliation. And this is particularly true of many

immigrant workers who fear that any sort of complaint against their employer could prompt a call to ICE.

We've even been contacted about suspected schemes involving employers purposely contracting immigrant workers, and then reporting them to immigration authorities to avoid payment of wages.

In most cases, however, I will say the implied threat of possible immigration consequences is sufficient to prevent workers from coming forward. We receive so many calls that never result in official complaints because workers conclude that the risk is simply too great when weighed against the likelihood of recovering their stolen wages.

And unscrupulous employers are making the same calculation: Building wage theft into their business model as a routine practice, thereby gaining a competitive advantage over law-abiding employers.

And wage theft, of course, is not a new problem. And as lawmakers, some of you have of course sought to address this crisis through the legislative process. You know, we have the Wage Theft Prevention Act in 2011; amendments to the penal code to allow criminal prosecution for both

wage theft and immigration-related threats; and then, more recently, the DOL's expanded authority to collect on judgments.

So these are all steps in the right direction. But good lawmaking does not automatically translate into effective enforcement.

Criminal prosecution of wage theft is relatively rare, especially outside of New York City where we work.

Meanwhile, DOL's capacity for civil enforcement is woefully insufficient due to chronic underfunding and well-documented staffing challenges, with a federal government that has drastically scaled back worker protections, and continues to escalate attacks on immigrant communities.

New York absolutely must do better.

The Empire Worker Protection Act is a necessary part of the solution to New York's ongoing wage theft crisis. Modeled after a successful California law that's been on the books for over two decades, the Empire Act would expand public enforcement of the labor law by creating a mechanism that allows workers, whistleblowers, and labor unions to bring claims on behalf of the State only

if and when the department of labor and the office of attorney general declined to investigate the matter.

Empire actions would allow for recovery of civil penalties, generating a projected $211 million annually for the State to reinvest in public enforcement, compared with the $2.2 million that was stated earlier as the total penalties collected last year. This would enable the DOL to hire more staff, raise salaries for investigators, and more effectively combat wage theft.

All of this has borne out in California under the PAGA law.

The whistleblower component of Empire is particularly important for protecting vulnerable immigrant workers, as it would allow actions to be brought without naming the workers affected by the violations in the complaint.

And just before concluding, I would like to acknowledge that Governor Hochul has included funding in her budget for district attorneys in rural communities to take on new criminal wage theft investigations.

And while this initiative may be well intended, we know from experience that most

vulnerable workers in New York's rural communities simply do not feel safe coming forward to law enforcement officials in their regions.

Without clear prohibitions on the collusion of local enforcement agencies with federal immigration authorities, immigrant workers are unlikely to come forward to report the crime of wage theft.

And this is just one of the many reasons why criminal prosecution of wage theft is just not a practical way to fill that gap in enforcement.

And while there's a place for law enforcement in combating wage theft, strengthening civil enforcement, and properly resourcing the DOL by passing the Empire Act will have a far greater impact.

Thank you.

CHRISTOPHER MARLBOROUGH: I want to thank the Senators for inviting me.

My name is Chris Marlborough. I am a board member of NELA New York, the National Employment Lawyers Association's New York affiliate.

I am a practicing attorney, with -- where I represent low-wage workers against white-collar wage thieves. And I want to tell you a little bit

more about the scope of the problems and things that might not be -- every legislator may not be aware of as to what workers are dealing with; not only how they're getting ripped off of 3 billion -- up to $3 billion a year in the state of New York alone, but also how the deck is stacked against these workers from the day they start working, in many, many circumstances.

To start with, I will tell you that there is several categories of wage theft, but one of the biggest ones is independent contractor fraud, where people are totally misclassified as an independent contractor. Nothing independent about what they do whatsoever.

You could be sitting in an office all day; you could be a cheerleader -- right? -- who is lined are up to move your fingers in unison with everybody else, nothing independent about you, and they'll say you're an independent contractor, and they'll say you're not entitled to protections in the labor law, and they'll say you're not entitled to contributions to unemployment insurance, contributions to workers' compensation, social security contributions from the employer.

There are companies that will sell a package

of how to make you cut your labor costs by 30 percent by reclassifying your actual employees as independent contractors. And those middlemen will often stay involved during the course of litigation -- right? -- to provide those services, when, eventually, those people get sued.

And let me tell you some ways that employers will stack the deck against workers even before they start.

They will start in the independent contractor case with an independent contractor agreement. Oh, it's not an employment agreement; it's an independent contractor agreement. But in that agreement it will say things, like:

You can only bring your case in arbitration. You cannot -- you waive your right to bring your case in a court of law;

You can -- must waive any multiple-plaintiff actions. So you can't bring in your case in court and you can't bring a class-action effectively in state court, or three plaintiffs have to bring three separate arbitrations together in the arbitration proceeding;

And you can be required to waive your statute of limitations, from six years under the New York

labor law, where New York labor has a great statute of limitations. Very few states can compete with that;

But as a condition of your employment, you can't start working here until you sign this. And even if you don't sign it, the fact that you're working here says that you consented enough for us to say that this can be held against you;

Six years, to six months, statute of limitations, losing a huge amount, more than 90 percent of your potential damages.

And courts will say those are enforceable.

So those issues come up both in the independent contractor misclassification and in standard wage theft cases, where people are subject to forced arbitration class-action waivers in -- more than half of New York workers are subject to that. And it disproportionately affects minorities and women, the largest two demographic groups affected by these agreements.

And when we're dealing with this, you know, we have a concept that, you know, the labor law will favor workers. But they don't look at it in the context of the labor law. They look at it in the context of contract law; and, look, you agreed to

this contract.

And it doesn't matter that you can't speak English or read the contract that's written in English, or that you didn't understand the legalese of the contract. Right?

None of that matters once you get on to the concept of following the contract laws.

And who's writing these laws?

The wage-theft lawyers are writing these agreements to make them -- to enable employers to get away with this -- right? -- to -- particularly in the context of misclassification, where they know this is a misclassification case.

The only thing they don't know is if -- the only thing that they are worried about, not that they're doing something illegal, but not getting caught.

So the department of labor can't handle the number of cases here. Independent contractor cases are very difficult to prove because there's many, many factors to an independent contractor misclassification. No matter how obvious it is, you still got to go through all of those factors. Right? A lot more work for the department of labor. Maybe they'll just take the guy who doesn't get paid

for his overtime.

And I will end there, but there is a lot more to tell you about the subject, and I'm happy to speak with any of you individually on this.

SENATOR MYRIE: Thank you very much, and thank you both for your testimony.

Senator May.

SENATOR MAY: Thank you.

I wanted to follow up on the forced arbitration piece.

CHRISTOPHER MARLBOROUGH: Please do.

SENATOR MAY: There is a bill in my committee that's just a sunshine bill, basically, that we need to know how arbitrators -- how the decisions come about, because there's a lot of evidence that the arbitration companies are associated with a lot of the companies that are -- they're arbitrating about, and they tend to decide in favor of the corporate side and against the consumers or the workers. And nobody knows who they're working for or how -- how the -- what the outcomes are. They may, you know, 99.9 percent of the time be deciding in favor of the big guys.

And so I'm just wondering if you have proposals for how to make that whole process more

fair and more transparent, so that we can -- or are you aware of this bill and do you support that bill?

CHRISTOPHER MARLBOROUGH: I'm not aware of the particular bill you're talking about.

I do know that there -- that outcomes in arbitration are much less favorable than outcomes in court.

I also am aware of a lot of the barriers to, once you get into that arbitration world, you're no longer in a courtroom world.

So just as you want to have statistics, you know, I would like that, when a wage thief, when someone misclassifies -- 12 employers who bring 12 arbitrations and get 12 separate rulings against them because their misclassification is so obvious, that information is not -- is private. That information is not shared. You don't have any precedential value to say, Look, this guy just did this to 12 different people. And now, look, he's doing it to Number 13.

I want to use that evidence, but you don't are have access to that evidence because it's a private proceeding, unlike a case in court.

I will also add that some issues -- some ways to work -- deal with the arbitration issue is the

Empire Bill that Emma just discussed. Those private attorney general actions are not subject to arbitration or class-action waivers because they -- you're taking on the shoes of the attorney general who is also not subject to that. That's agreement between the employee and the employer; or sometimes not even in the employer. Sometimes it's just another company, and the employer says, Well, that should count for me, too.

And the courts, guess what they say?

Yeah, okay, it counts for you, too.

It doesn't matter that you didn't sign it. None of that matters.

Getting out of this rubric where the deck is so heavily stacked against workers, and getting into an opportunity where their claims could be heard and the criminal exploitation can be made public.

EMMA KREYCHE: The Empire Act would bring -- essentially, take the -- the -- bring the action back into the public enforcements sphere out of this privatized venue.

So that is why the Empire Act is one of the solutions to the issue of forced arbitration.

CHRISTOPHER MARLBOROUGH: I will add that I am admitted in the state of California, and I have

seen the transformation of this forced arbitration scenario in California, where it is a completely different world. And employers are rightfully afraid of violating the law.

And I don't believe that that's the case in New York.

SENATOR MAY: Okay. Good to know.

Thank you.

Thank you, Chair.

I've got to go, but I really appreciate everybody who has testified, and all that I have learned today.

SENATOR MYRIE: Thank you.

Thank you, Senator May.

Senator Murray, I don't know if you have any questions.

SENATOR MURRAY: No.

SENATOR MYRIE: Great.

Let me express my thanks to both of you.

And I will incorporate my closing comments for the entire hearing.

The point was very well taken, Emma.

How do you pronounce your last name?

EMMA KREYCHE: Kreyche.

SENATOR MYRIE: Kreyche. I want to make sure

I got that right for the record.

Thank you for making the point that the ability for us to prevent bad things from happening to workers and wage theft from happening is not the sole province of our criminal law. And that there are many really good reasons why workers would not feel comfortable communicating with law enforcement or pursuing a law enforcement solution.

So we have to also have pretty strong civil enforcement.

It's part of the reason why we wanted to do this as two committees, the Codes and the Consumer Protection, so that we could bring both of those views to bear.

I think, ultimately, whether it is wage theft or fraud in any other industry, we have a responsibility as a legislature to respond because this is as pocketbook an issue as it gets. People are, literally, having money taken from them.

And if we do not address that part, we are leaving a lot to be desired in way of protecting New Yorkers.

So I want to thank you again for the work that you do, for your testimony, for being patient throughout the entire day.

And I want to thank my colleagues that have joined and have been in and out.

And let me also thank my staff who did an excellent job putting all of this together.

I am very grateful for Cody and Zach and Anslem [ph.] and Liza [ph.] and Godfre and Matt, and everyone for all of the work that you did; and Rachel May's staff who helped us put this hearing together.

We look forward to continued engagement.

We are hoping to put forward some responses to this hearing, and, hopefully, we'll get to the right solution to protect New Yorkers.

So thank you again.

And thank you, everyone, for watching.

EMMA KREYCHE: Thank you.

(Whereupon, at approximately 1:26 p.m., the public hearing of the joint committees concluded, and adjourned.)

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