

STAND. COM. REP. NO.

984

Honolulu, Hawaii

March 3

, 2017

RE: H.B. No. 223  
H.D. 2

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 223, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Allow a landlord or landlord's agent to charge an application screening fee as part of the applicant screening process for renting residential property;
- (2) Establish limits on the amount of the application screening fee and require the landlord or landlord's agent to return any unauthorized fee amounts to the applicant;
- (3) Require a landlord or landlord's agent to provide, upon request, a receipt to the applicant for payment of the application screening fee and a copy of any report obtained by the landlord or agent; and
- (4) Authorize a landlord or landlord's agent to charge an applicant an administrative fee and postage based on the



actual expenses incurred in providing a copy of a report to the applicant.

The Office of Consumer Protection of the Department of Commerce and Consumer Affairs, Office of Hawaiian Affairs, Legal Aid Society of Hawaii, Catholic Charities Hawaii, YWCA Oahu, and an individual testified in support of this measure. The Hawaii Association of Realtors testified in opposition to this measure. The Governor's Coordinator on Homelessness, Consumer Data Industry Association, and Housing Now! provided comments.

Your Committee finds that though credit reporting fees usually range from \$10 to \$16, there are administrative costs associated with the screening of applicants and thus, a landowner may actually incur higher applicant screening costs. However, according to the Office of Consumer Protection, there are landlords who charge high screening fees yet never actually rent out the residential unit because the landlord can acquire close to what can be earned through rental income by merely screening potential tenants, particularly due to the high demand for rentals in the State. Your Committee further finds that while capping the allowable charge for application screening fees may not halt this practice, it may lessen the incentive to endlessly screen people while still enabling a reasonable recoupment of administrative costs by landlords and property managers. Your Committee recognizes that adding a reporting requirement to this measure will enable the Legislature to ascertain the effects of imposing a cap for application screening fees.

Your Committee has amended this measure by:

- (1) Capping the allowable charge for an application screening fee at \$25;
- (2) Deleting language allowing a landlord or agent to charge administrative and postage fees for providing a copy of a credit report to an applicant;
- (3) Requiring the Department of Commerce and Consumer Affairs to submit a report to the Legislature on application screening fees charged by a landlord or the landlord's agent;
- (4) Inserting a sunset date of June 30, 2018; and



- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 223, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 223, H.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Consumer  
Protection & Commerce,



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ANGUS L.K. MCKELVEY, Chair



