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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Wednesday, February 2, 2022
9:30 a.m.
Via Videoconference**

**On the following measure:
S.B. 2877, RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE**

Chair Baker and Members of the Committee:

My name is Stephen Levins, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection (OCP). The Department supports this bill.

The purposes of this bill are to: (1) allow a landlord or landlord's agent to charge an application screening fee at the time a rental application is processed for residential property; (2) cap the amount of an application screening fee at \$25; (3) prohibit fees to be charged for each member of a household; (4) require the landlord or landlord's agent to provide a receipt for payment of the application screening fee and copy of any report obtained, if requested by the applicant, and within ten days of the applicant's request; and (5) require the landlord or landlord's agent to return any unauthorized fee amounts to the applicant.

S.B. 2877 is desirable because current law does not specifically regulate the nature and amount of application fees that landlords may charge prospective tenants.

Over the years, the OCP has received allegations from prospective tenants claiming that the cost of their application fees does not correlate with the costs of background and credit checks. The most troubling reports involve claims from prospective tenants who have been asked to pay \$50 to \$100 for an application screening fee that in actuality costs \$10 to \$25.

The Department appreciates the limit of charging one application screening fee per application in this measure because it will help reduce the abusive practice of charging families multiple application screening fees unnecessarily. If, for example, a family of four adults that includes two college-aged children who do not contribute to the rent applies for a rental unit, that family could potentially be charged a \$100 application screening fee, even if the credit worthiness of the two college students is not considered in the family's ability to pay the rent. In Hawaii's tight housing market, this family may have to submit multiple applications and pay hundreds of dollars in application fees before signing a rental agreement.

Excessive application fees are particularly egregious in circumstances when a landlord or his agent receives scores of applications for one apartment, most of which are not even seriously considered. Instead of engaging in a valid tenant screening process, the landlord or agent is abusing his or her bargaining position to create a supplemental source of income. This bill will deter that conduct by directly addressing this inequity. Subsection (c) on page 2, lines 3 to 7 requires an applicant to be given a copy of his or her credit report upon request, as well as a receipt to confirm that the application screening fee paid to the landlord or the landlord's agent was used for the purposes it was intended. Additionally, subsection (d) on page 2, lines 8 to 10 requires the landlord to return any amount of the application screening fee that was not used for the purposes authorized by this measure.

Thank you for the opportunity to testify on this bill.

PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

TESTIMONY IN SUPPORT OF SB 2877: RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE

TO: Senate Committee on Commerce and Consumer Protection

FROM: Partners In Care (PIC)

Hearing: Wednesday, 2/2/22; 9:30 AM; via videoconference

Chair Baker, Vice Chair Chang, and Members, Committee on Commerce and Consumer Protection:

Thank you for the opportunity to provide testimony in **SUPPORT of SB 2877**, which would allow a landlord to charge an application screening fee at the time a rental application is processed for a rental unit, cap the fee at \$25 per household, and other provisions such as returning any unauthorized fee amounts to the applicant. Partners In Care (PIC), a coalition of more than 60 non-profit homelessness providers and concerned organizations, works on Oahu to end homelessness.

Partners In Care supports this bill since multiple application fees can be a severe burden on lower income people seeking housing. Assistance might be obtained for a fee when it is directly tied to the family being screened for an available unit. At that time, there is a chance for them to obtain housing. However, many times fees are paid upfront with the initial application, and are not returned even if screenings such as credit checks or criminal checks are not done. These multiple fees can dig into the person's savings and make it even harder for them to afford to move. The security deposit and first month's rent are already high. Adding hundreds of dollars of fees for the application process is a great burden.

We support this bill since it would reduce the burden on people desperately seeking housing, and help to prevent homelessness. However, it will also allow the landlord to charge a reasonable fee at the time they would actually be incurring costs for credit checks or other screenings.

Besides building new affordable rental housing, the State must remove barriers to people attempting to access the current stock of available rentals. We urge the State to provide a balance between the tenant and landlords in the application process. We urge your support for this bill as a step forward to removing the financial burden of multiple application fees which limit lower income persons' access to affordable housing.

Aloha.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2877: RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE

TO: Senate Committee on Commerce and Consumer Protection

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

Hearing: **Wednesday, 2/2/22; 9:30 am; via videoconference**

Chair Baker, Vice Chair Chang, and Members, Committee on Commerce and Consumer Protection:

Thank you for the opportunity to provide testimony **in support** of **SB 2877**, which allows a landlord to charge an application fee at the time a rental application is being processed for a rental unit, caps the fee at \$25, and other provisions. I am Rob Van Tassell, with Catholic Charities Hawai'i. We are also a member of Partners In Care (PIC).

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawai'i supports this bill since application screening fees have a direct impact on the ability of lower income people to apply for available rental housing units. Some may feel that no application fees should be charged since screening prospective tenants could be considered a usual business expense. However, we consider this bill a good compromise. It allows the landlord to charge a fee to screen the applicant but only when they are actually being considered for a unit. Too many people apply for a housing unit and pay the application fee, never to hear back from the landlord. Another applicant has been chosen. With the scarcity of rental units, the more applications submitted, the better chance to find a unit. However, there is the financial penalty of multiple application fees. This has an impact on the number of applications that lower income people can afford to submit. It also impacts on the savings of the applicant for the deposit and first month's rent.

If Hawai'i is to end homelessness it must create systems that support both tenants and landlords. This bill is a good step forward to help people in desperate need of housing, yet also to allow landlords to charge a fee when they will actually screen the applicant for credit, criminal checks, etc. We support the \$25 cap on these fees as well as other provisions that level the field for applicants who need rental housing.

We urge your support for this bill. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.

