



EXECUTIVE CHAMBERS  
HONOLULU

February 15, 2022

TO: The Honorable Senator Stanley Chang, Chair  
Senate Committee on Housing

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **SB 3107 – RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE.**

Hearing: Tuesday, February 15, 2022, 1:00 p.m.  
VIA VIDEO CONFERENCE

**POSITION:** The Governor's Coordinator supports this administration measure.

**PURPOSE:** The purpose of the bill is to allow a landlord or landlord's agent to charge an application screening fee at the time a rental application is processed for residential property. The bill also caps the amount of an application screening fee at \$25 and prohibits fees to be charged for each member of a household; requires 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 application, within ten days of the applicant's request; and requires the landlord or landlord's agent to return any unauthorized fee amounts to the applicant.

In December 2021, the Hawaii Interagency Council on Homelessness (HICH) – a 27-member advisory council chaired by the Coordinator – adopted policy priorities for the 2022 legislative session, including adopting policies to address upfront barriers to accessing rental housing. One upfront barrier is the lack of regulation for application screening fees for rental housing, which adds to the cost of housing search for low-income renters, including individuals and families experiencing homelessness

Homelessness service providers have shared that homeless individuals seeking housing often pay multiple application fees for potential units, with application screening fees ranging from \$25 to \$50. In many cases, the applicant may pay a screening fee even if no applicant

screening, such as a credit report, is conducted. In addition, while some landlords charge a single screening fee per household, others may charge a fee per adult member of the household who will be added to the rental agreement.

On its surface, a \$25 fee may seem small, but this can be a significant amount to an individual who is low-income and homeless, and these fees can add up substantially over time. By setting limits on the application screening fees and requiring the landlord to return unauthorized or unused fees, this bill adds protection for homeless individuals seeking housing; it ensures they will receive their money back if the landlord does not conduct a credit or other background check.

The need for regulation of application screening fees and other upfront barriers to accessing rental housing is especially critical given the ongoing COVID-19 pandemic and its impacts on low-income households. In January 2021, the Economic Roundtable released a report that projected the pandemic recession would increase chronic homelessness in the United States by 49% over the next four years. Similarly, historical data for the statewide homeless Point in Time (PIT) count also indicates that demand for homeless services is likely to increase in the wake of the current economic recession. Following the last significant downturn in 2009, the statewide PIT count increased 37% between 2009 and 2016. Reducing barriers to housing access will assist in mitigating future upward trends in homelessness.

The Coordinator understands that regulating application screening fees is just one piece of a more comprehensive effort to address homelessness and housing instability. In addition to reducing upfront housing barriers, the HICH prioritizes low-income housing development for individuals transitioning out of homelessness, supports landlord incentive programs, and expansion of programs that assist key homeless sub-populations (e.g., unsheltered youth, adults with severe mental illness, etc.). For more information about the 2022 HICH policy priorities, visit: <https://homelessness.hawaii.gov/advocacy>.

Thank you for the opportunity to testify on this bill.



DAVID Y. IGE  
GOVERNOR

JOSH GREEN  
LT. GOVERNOR

**STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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**Testimony of the Department of Commerce and Consumer Affairs**

**Senate Committee on Housing  
Thursday, February 15, 2022  
1:00 p.m.  
Via Videoconference**

**On the following measure:  
S.B. 3107, RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE**

Chair Chang 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, when processing an application to rent residential property, to charge an application screening fee up to a maximum of \$25 for the cost of requesting tenant report or credit report for a potential tenant; (2) require landlords to refund any unused amount of the application screening fee; and, (3) upon request, provide a receipt of the fee and a copy of any report obtained via the screening process to the applicant.

S.B. 3107 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

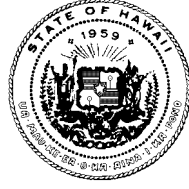
and credit checks. The most troubling reports involve claims from prospective tenants who have been asked to pay \$50 to \$100 for an application screening fee that in actuality costs \$10 to \$25.

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 3, lines 10 to 15 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 3, lines 16 to 18 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.

DAVID Y. IGE  
GOVERNOR



CATHY BETTS  
DIRECTOR

JOSEPH CAMPOS II  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 13, 2022

TO: The Honorable Senator Stanley Chang, Chair  
Senate Committee on Housing

FROM: Cathy Betts, Director

SUBJECT: **SB 3107 – RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE.**

February 15, 2022, at 1:00 p.m.  
Via Videoconference, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this administration measure.

**PURPOSE:** The purpose of the bill will allow a landlord when processing an application to rent residential property, to charge an application screening fee up to a maximum of \$25 for the cost of requesting a tenant report or credit report for a potential tenant. Requires landlords to refund any unused amount of the application screening fee and, upon request, provide a receipt of the fee and a copy of any report obtained via the screening process to the applicant.

In Hawaii's tight and expensive housing environment, fixed- and low-income residents do not have the financial wherewithal to pay multiple fees, especially if the landlord does not run a background check or take the application seriously. In Hawaii's large multigenerational households, the fees could be several hundred dollars. Therefore, requiring landlords to refund any unused screening fee, including any unused balance, will give applicants the needed financial resources to apply for another rental or use it on necessities.

Thank you for the opportunity to provide comments on this measure.

# PARTNERS IN CARE

*Oahu's Continuum of Care*

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

## **TESTIMONY IN SUPPORT OF SB 3107: RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE**

TO: Senate Committee on Housing

FROM: Partners In Care (PIC)

**Hearing: Tuesday, 2/15/22; 1:00 PM; via videoconference**

Chair Chang and Members of the Senate Committee on Housing:

Thank you for the opportunity to provide testimony in **SUPPORT of SB 3107**, 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.

**SB-3107**

Submitted on: 2/14/2022 12:55:45 PM

Testimony for HOU on 2/15/2022 1:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Kristen Alice	Testifying for Community Alliance Partners	Support	Yes

Comments:

Community Alliance Partners is a coalition working to end houselessness on Hawai‘i Island, and we wish to register our **strong support for SB3107**.

The homeless services providers in our coalition work hard to get people off the streets, and into safe, stable, and sustainable housing. However, the ubiquity of excessive rental application screening fees presents a looming barrier that hampers our participants' ability to locate housing, by restricting the amount of rentals they can afford to apply for. With low wages and the highest cost of living in the United States, our local neighbors often cannot afford to apply to rent homes they otherwise qualify for. **Our neighbors should not have to choose between applying for a rental and eating.**

Therefore we thank the committee for hearing SB3107, and request your support.

Mahalo,

Kristen Alice

Vice Chair and Chief Advocate

Community Alliance Partners

## TESTIMONY IN SUPPORT OF SB 3107

TO: Chair Chang, Vice Chair Kanuha, & Housing Committee Members

FROM: Nikos Leverenz  
Grants & Advancement Manager

DATE: February 15, 2022 (1:00 PM)

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Hawai'i Health & Harm Reduction Center (HHRC) **supports** SB 3107, which caps the amount of an application screening fee at \$25 and prohibits fees to be charged for each member of a household. The bill also requires a landlord or their agent to provide a receipt for payment of the application fee and any report obtained, if any, within ten days of an applicant's request.

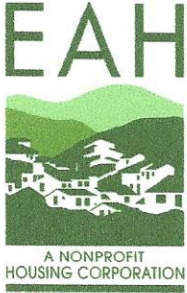
This measure recognizes that many low-income persons and families who obtain needed assistance have great difficulty in finding and securing rentals in a perennially high-cost, low-supply housing landscape. This includes people living with HIV who receive federal housing assistance and are provided medical case management services by HHHRC staff.

HHRC Executive Director Heather Lusk currently serves as Board Chair of [Partners in Care O'ahu](#), a planning, coordinating, and advocacy alliance that develops recommendations for programs and services to fill needs within O'ahu's continuum of care for homeless persons. HHHRC provides homeless outreach and housing placement navigation services in urban Honolulu and the Upper Windward Coast, including North Shore.

HHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawai'i and the Pacific. We work with many individuals impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those related to substance use and mental health conditions. Many of our program clients and participants have also been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify on this measure.





February 11, 2022

Hawaii State Legislature  
Senate Committee on Housing  
Attn: Chair Stanley Chang and Vice Chair Dru Mamo Kanuha

**Subject: SB 3107 Relating to the Landlord Tenant Code, Hearing February 15, 2022, at 1:00pm, State Capitol, Room 225**

Aloha Chair Chang, Vice Chair Kanuha, and Members of the Senate Committee on Housing, I am Kevin Carney, Vice President for EAH Housing submitting comments regarding SB 3107 which would amend the Landlord Tenant Code to include a Tenant Application Fee not to exceed \$25 per application. I submitted similar comments on HB 2139, the House version of this bill.

EAH Housing is a non-profit developer and manager of low-income rental housing serving those with incomes at or below 60% of the area median income. Our managed inventory currently consists of 2,178 apartment units on Kauai, Maui, and Oahu with another 272 units in our development pipeline in Hilo and Aiea. We note that HUD financed properties do not allow for an application fee to be charged. For most other programs the application fees are restricted. Typically, the restriction is the actual cost and up to a \$5.00 administrative fee.

It is standard practice in our industry to conduct criminal background and credit checks on all adult members of the household. It is our responsibility to our residents to ensure that we are providing a safe environment for each and every family. We use a reporting service for this purpose and charge \$35 per adult household member. Charging an application fee is typically a function of market demand. On initial lease-ups we will not charge an application fee as the purpose is simply the application process to lease all the units as soon as possible. On older properties if the project has units to fill and there is little demand, then an application fee is not likely to be employed. With high demand for units, we will use an application fee.

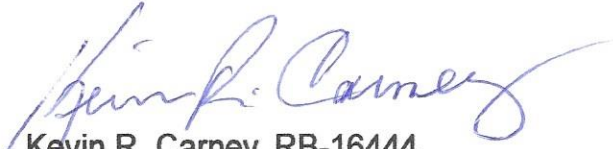
Also, standard practice is all payments must be in the form of a check or money order. We do not accept cash for any type of payment. Therefore, the applicants canceled check or money order receipt is the verification of payment. This helps to reduce our administrative costs.

To summarize, not being able to charge the exact cost of the review for each adult member of the household plus a small administrative fee places a burden on the property. Requiring a receipt is also an administrative burden on our multi-family properties serving lower incomes which have very slim operating budgets.

We trust you will take our comments regarding our affordable low-income multi-family housing properties into consideration when deliberating on the merits of this proposed bill.

What works for single family housing does not necessarily apply to our multi-family industry. Thank you for the opportunity to share our mana`o.

Sincerely,



Kevin R. Carney, RB-16444

(PB), NAHP-E

Vice President, Special Projects, Hawaii



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF SB 3107: RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE

TO: Senate Committee on Housing

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

**Hearing: Tuesday, 2/15/22; 1:00 pm; via videoconference**

Chair Chang, Vice Chair Kahuha, and Members, Committee on Housing:

Thank you for the opportunity to provide testimony **in support of SB 3107, with one critical amendment**. This bill would allow a landlord to charge an application fee at the time the landlord initially receives an application. The fee would be used for screening costs. 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 strongly supports the Intent of this bill, but **respectfully suggests an amendment to clarify when the landlord may collect this fee. If the landlord collects this fee upfront when they first receive the application (as stated in this bill), this remains a big barrier. We suggest language to clarify that: The Landlord may charge an application screening fee at the time that they will screen the applicant for an available unit and will obtain personal reference checks, tenant reports, and credit reports produced by any consumer credit reporting agency.** We strongly support the other provisions of this bill.

Some may feel that no application fees should be charged since screening prospective tenants could be considered a usual business expense. Not all landlords even charge this fee. However, we consider the amended language to be a balanced approach, allowing 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. With the scarcity of rental units, the more applications submitted, the better chance to find a unit. Without some regulation of these fees (e.g. \$25/household), there may be a severe financial penalty for multiple application fees. Landlords can still collect credit reports, etc. on other members of the household; just not charge a fee. Multiple fees limit the number of units accessible our struggling residents and decrease their savings for a 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, with the suggested amendment. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or [alohabettylou@hotmail.com](mailto:alohabettylou@hotmail.com) if you have any questions.





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 | 1259 A'ala Street, Suite 300  
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February 15, 2022

**The Honorable Stanley Chang, Chair**

Senate Committee on Housing  
Via Videoconference

**RE: S.B. 3107, Relating to the Residential Landlord-Tenant Code**

**HEARING: Tuesday, February 15, 2022, at 1:00 p.m.**

Aloha Chair Chang, Vice Chair Kanuha, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawaii Association of REALTORS® ("HAR"), the voice of real estate in Hawaii, and its over 10,800 members. HAR **opposes** S.B. 3107, which allows a housing provider, when processing an application to rent residential property, to charge an application screening fee up to a maximum of \$25 for the cost of requesting a tenant report or credit report for a potential tenant. Requires housing providers to refund any unused amount of the application screening fee and, upon request, provide a receipt of the fee and a copy of any report obtained via the screening process to the applicant.

The tenant screening process typically begins when the prospective tenant completes a rental application. Property managers can order various reports or rely on a tenant screening company to produce a tenant screening report. The screening report can include credit reports, criminal background checks, eviction history, and other public records to properly vet a tenant.

Under this measure, it notes that only one member of a household can be charged an application screening fee. It is a general standard practice that any potential tenant over the age of 18 that will be on the rental agreement is required to undergo an application screening check. Under Fair Housing law, they are treating all applicants equally. Furthermore, it is not uncommon for multiple applicant's incomes in a household, such as spouses or roommates, to be used to qualify to rent a property.

Furthermore, there are administrative and labor costs that are a part of the application process, such as administrative staff time, calling references, amongst other costs to vet a tenant, and it is unclear if this would be covered under this measure. Additionally, HAR would also note that the costs of screening reports vary. If a property management company has bulk reports, it may be slightly cheaper. However, if not, costs to run the report can be well over \$25, which doesn't even take into account the administrative costs.





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Finally, this measure allows an applicant to receive a copy of any report obtained within ten days of the applicant's request. These screening reports are marked confidential and are not allowed be shared by the housing provider or property manager. In the alternative, prospective applicants can request up to three free credit reports a year from credit report agencies, such as TransUnion, Experian or Equifax.

Mahalo for the opportunity to testify.





*Eric W. Gill, Financial Secretary-Treasurer*

*Gemma G. Weinstein, President*

*Godfrey Maeshiro, Senior Vice President*

February 14, 2022

Committee on Housing  
Senator Stanley Chang, Chair  
Senator Dru Mamo Kanuha, Vice Chair

**Testimony in opposition to SB3107**

Chair Chang, Vice Chair Kanuha and members of the Committee,

UNITE HERE Local 5 represents over 11,500 people working in the hotel, food service and health care industries throughout Hawaii. Our members work hard for a living; we have been fighting to make one job enough for people to get by in Hawaii. One of the biggest costs Hawaii families face is housing. We are stuck in the midst of a housing affordability crisis that is not being effectively addressed quickly enough. The problem has become so bad that our state is losing population to more affordable locations. We struggle to meet our state's needs for teachers, health care workers, and other professions. We are experiencing high levels of inflation which has driven up consumer costs. We do not want to put housing further out of reach for working families.

Landlords' choices of whether to conduct background checks and what those checks should include is entirely within their discretion. If they choose to conduct background checks on tenants, that is a cost of doing business that they incur. If they charge prospective tenants for it, that puts an additional cost burden on those tenants; a cost burden that renters seeking housing could face from multiple prospective landlords with no assurances that such costs will have any positive result. Why should tenants fund prospective landlords' fishing expeditions for negative information?

**We oppose this bill in its entirety.** However, we could potentially support an amendment that would allow renters the opportunity to charge prospective landlords a \$25 fee to cover the cost of background checks tenants may wish to make on them.

Thank you for your consideration.

**SB-3107**

Submitted on: 2/14/2022 12:57:44 PM

Testimony for HOU on 2/15/2022 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Richard Sullivan	Individual	Support	No

Comments:

A person does NOT have to actually be a landlord or property owner in order to place a posting offering a rental on Craigslist. A number of websites offer “landlords” or those posing as landlords a service to process applications in which incredibly invasive information is demanded, such as access to your bank account. Asking for recent statements is one thing, but unlimited access to your bank account? The mind reels at the possibilities for scamming given access to your private bank information.

Furthermore, scammers who actually are landlords, as well as others posing as landlords are offering non-existent properties set application fees as high as \$65 or more (Hank Corea Realty, a legit Hilo outfit, only charges \$20). Unethical people, whether landlords or not, can rake in the cash on application fees alone even for non-existent rentals.

A number of rental companies and apartment complexes have done away with their former individual applications process and now subscribe to websites that process applications for them for a fee. This is a huge red flag for scamming. In my search for a place to live the process has been hugely complicated by the demand for highly personal information, including access to bank accounts by these 3rd party entities that have no association with the landlord other than offering a disguised “convenience” regarding their application process.

It’s bad enough that in order to put a roof over your head you are required to surrender some of your most private information to a prospective landlord. However in a terrifying turn of events, many lazy landlords have now signed up with 3rd party online application processing websites who are requiring an encyclopedia of intimate knowledge from and about you with no oversight and no restrictions. Lazy landlords have turned over the application process to data-gathering corporations that will in turn have unlimited access to your bank accounts and all manner of privacy FROM NOW ON. Years from now they will still be able to access your bank and other information, as will those entities to whom they sold your information.

Worst of all, you are actually paying an application fee to allow these draconian organizations intimate access. In most cases you will not win the apartment; chances are with the housing shortage you will not be accepted as a tenant for the apartment you desperately need, but your sensitive financial and other private information will become part and parcel of an international data bank that will be accessed, bought and sold to all comers for years into the future.

Landlord application websites offer free listings to landlords in exchange for their being able to mine and collect vast amounts of data on the general public, notably those desperate enough to provide such personal data.



# DAVID W.H. CHEE

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February 14, 2022

COMMITTEE ON HOUSING  
Senator Stanley Chang, Chair  
Senator Dru Mamo Kanuha, Vice Chair

RE: SB3107- RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE

I am an attorney and have practiced landlord-tenant law for the last 29 years.

I take no position on SB3107 but am writing to apprise you of some of the potential unintended consequences of this legislation, if passed.

When a housing provider rents to a tenant, they are placing them in possession or control of an asset that, in most cases, is worth hundreds of thousands of dollars. For most housing providers, because of the potential risk of putting the wrong person in possession, they will want to know the background for each and every adult residing in the property. Additionally, for rental communities, housing providers have a duty to do all they can to make sure the property is safe for all its residents. My housing provider clients take this duty very seriously.

The application screening process helps to insure not only that a tenant is financially suited to rent a property, but also allows a housing provider to check to make sure an applicant does not pose a threat to the rental community or to their property. For example, if an applicant was recently convicted of arson, that would be something a housing provider will want to know. Likewise, if a housing provider owns a rental community that provides housing to children, they will want to know if an applicant is on the sex offender registry. For these reasons, the application process is critical to housing providers.

SB3107 seeks to limit the amount a housing provider could collect for an application screening fee to \$25, requires a housing provider to provide an applicant a receipt for payment of the application screening fee and a copy of any report obtained within ten days of receiving a written request by the applicant, and limits the application screening fee to \$25 per household.

## I. Ambiguity

As drafted, there appears to be some ambiguity related to how charges can be applied. Currently, the legislation provides that:

A landlord or the landlord's agent may charge only one application screening fee per application and shall not charge an application screening fee for each member of a household.

For many of my clients, each adult will be required to fill out a **separate** application for rental, since the application generally asks for information specific to the individual-past and current

employment information, rental history, criminal background etc. While the proposed legislation allows for a screening fee for each application, it also states that an application screening fee cannot be charged for each member of a household. Household, however, is not defined. If two couples currently residing in different households decide to apply for a rental together, they will likely be required to fill out a total of 4 applications- one for each adult. It is not clear, however, whether a screening fee could be charged for each application, a screening fee could be charged for each couple (as each couple are part of different households at the time of application), or if only one screening fee charge would be applicable to the entire group.

Similarly, if an existing tenant is seeking to add another roommate on to the lease, or have an individual take over his lease, it is not clear if the housing provider could charge these individuals a screening fee, as it is not clear whether they are considered part of the household under the proposed legislation.

## II. Proposed Screening Fee Cap May Not Cover Actual Costs

The proposed legislation would establish a screening fee cap of \$25 per household. I understand that many background and credit reporting agencies currently charge anywhere from \$25-\$75, or more, for a single report. This will likely mean that a housing provider will not be able to recover the actual cost to screen an applicant under the proposed legislation. To the extent that a household contains several adults, the costs expended by the housing provider to screen the applicants will be multiplied.

Under SB3107, if a housing provider needs to screen a group made up of 4 adults, they could charge \$25, and would be out \$75+ for just one group of applicants. If ten groups of 4 adults applied for the same unit, that would be losses of \$750+. That could mean thousands of dollars of losses for larger housing provider who rent out numerous units.

I expect that housing providers will try to minimize their costs. One potential way they may do so is by limiting the number of adults that can apply together. If that were the case, renters that cannot meet income requirements on their own and need multiple roommates will have a much harder time finding housing, since the composition of their household may not meet income requirements.

For smaller, mom and pop landlords, the out-of-pocket costs to screen applicants may become cost prohibitive. As a result, they may need to do away with application screenings, which will make them more likely to find themselves in a position of renting to dangerous tenants, or tenants that are unable to pay their rent.

For larger housing provider, the increase in costs will likely be past on to existing tenants in the form of higher rent.

Senator Stanley Chang, Chair  
Senator Dru Mamo Kanuha, Vice Chair  
February 14, 2022  
Page 3  
(RE: SB3107)

I understand that California instituted a screening application fee cap in 1998. The California law set the cap at \$30 and allowed the cap to automatically increase with inflation. As of December 2021, I understand the cap was \$55.58 after inflations was accounted for.

### III. Access to Screening Reports

SB3107 also requires that a housing provider supply an applicant a copy of any screening report that was paid for with the application screening fees within ten days of a written request. Tenant screening reports often contain personal and private information. Mailing or emailing the report to an applicant may pose a threat of inadvertent disclosure if the mail or email is intercepted or opened by a person other than the applicant. To protect both the applicant and the housing provider, the legislature may wish to amend the proposed legislation to say a copy of the report shall be made available to a tenant for pick-up from the housing provider upon presentation of proper photo identification.

Please let me know if you have any questions.

Very truly yours,

/s/ David W. H. Chee

David W. H. Chee

**SB-3107**

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Arjuna	Individual	Support	No

Comments:

Aloha Chair Chang and committee members,

Renters spend anywhere from \$30-\$60 on a rental application regardless of if the landlord runs a background check or not. In Honolulu renters on average pay over 55% of their income on housing which means that every dollar really counts. It is predatory to allow landlords to charge an application fee with no cap and no guarantee that they will actually use that fee to background check a potential tenant (on average a background check is \$25).

Anecdotally; during the pandemic a myself and four friends applied to a rental house and the landlord charged \$60 ahead per applicant and collected \$240 in total before never calling back. If a landlord does not process an application then there is no reason they should hold onto an application fee.

Mahalo for the opportunity to testify