

February 16, 2024

The Honorable Jarrett Keohokalole, Chair

Senate Committee on Commerce and Consumer Protection
State Capitol, Conference Room 229 & Videoconference

RE: Senate Bill 2126, Relating to Security Deposits

HEARING: Friday, February 16, 2024, at 9:30 a.m.

Aloha Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR provides **comments** on Senate Bill 2126, which requires a landlord to accept either rental security insurance or security deposit installment payments in lieu of a traditional security deposit, upon a tenant's request.

We are opposed to rental security deposit payment plans. The role of security deposits is to ensure that tenants fulfill their rental obligations on time and maintain the rental unit in a good condition. This measure would require a housing provider to accept payment plans of not less than six equal monthly installments. HAR has concerns, particularly in instances where a tenant fails to fulfill a rent payment or causes damages to the unit before the 6-month payment plan period. As such, a security deposit payment plan is contrary to the fundamental purpose of a security deposit.

We are supportive of the concept of rental security insurance; however, it may lead to additional costs for tenants. Rental security insurance functions more like a surety bond, such as those held by contractors or utilized by bondsmen for bail purposes. Unlike traditional insurance, which aims to mitigate risk for the policyholder, a surety bond is designed to ensure the fulfillment of contractual obligations, such as a renter's financial responsibilities to a housing provider. In exchange for a nonrefundable fee paid by the tenant, a surety company pledges to cover the housing provider against specified risks, like a security deposit. However, unlike insurance premiums, these fees do not provide coverage for the renter; rather, they solely serve as a guarantee for the housing provider.¹

Many rental security insurance companies on the mainland such as Rhino, which is not currently operational in Hawaii, adopt a model where they levy a recurring

¹ Williamson, Alex. (December 10, 2020). Security Deposit Alternatives: The Misleading Marketing of "Renter's Choice". shelterforce.org/2020/12/10/security-deposit-alternatives-the-misleading-marketing-of-renters-choice/#



 808-733-7060

 1259 A'ala Street, Suite 300
Honolulu, HI 96817

 808-737-4977

monthly fee that persists throughout the tenancy or until termination of the policy. Conversely, entities like The Guarantors, Jetty, and SureDeposit require tenants to pay a one-time, nonrefundable fee, typically around 17.5% of the deposit in addition to monthly fees.

Regardless of the payment structure, tenants are ineligible for premium refunds upon moving out, irrespective of the condition in which they leave the property. Furthermore, they remain liable to those companies for any claims relating to damages or outstanding rent payments. This is in contrast to a traditional security deposit, which is returned to the tenant as long as they leave the unit in good condition.

Mahalo for the opportunity to testify.





To: The Honorable Jarrett Keohokalole, Chair
The Senator Carol Fukunaga, Vice Chair
Senate Committee on Commerce and Consumer Protection

From: Mark Sektnan, Vice President

Re: **SB 2126 – Relating to Security Deposits**
APCIA Position: Request for Amendment

Date: Friday, February 16, 2024
9:30 a.m.; Conference Room 229

Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee:

The American Property Casualty Insurers Association of America (APCIA) is requesting an amendment to SB 2126 relating to security deposits. The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

APCIA is respectfully requesting SB 2126 be amended to also allow tenants to use a surety bond in lieu of a security deposit. This allows tenants to have access to all of the options to meet the security deposit requirements.

For these reasons, APCIA asks the committee to amend SB 2126 in committee.

SB-2126

Submitted on: 2/13/2024 4:42:23 PM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Satya Fisher	Individual	Support	Written Testimony Only

Comments:

I endorse this bill as it works to alleviate the stress that comes with the financial burden of traditional security deposits. Renting a home should be a process that fosters stability and security, yet the current requirement of a substantial upfront security deposit often hinders people from securing suitable housing. Many hardworking people find themselves in the challenging position of having to come up with thousands of dollars in one lump sum, placing an unnecessary burden on their already stretched budgets. This legislation introduces practical solutions, empowers tenants, and fosters a more inclusive housing market. The bill's innovative solutions not only benefit renters, but also will improve landlord-tenant relationships by building trust. Landlords can still protect their properties through the insurance policy, and renters can enter into agreements with confidence, knowing that their financial circumstances are considered and supported by the law.

SB-2126

Submitted on: 2/13/2024 4:59:30 PM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jenna Faucheux	Individual	Support	Written Testimony Only

Comments:

I would like to support the passage of Bill SB2126. This is an opportunity to remove one of the many barriers of obtaining housing. The renter can choose this option if he/she would like but it is not mandatory. If the renter is at any fault, the insurance company will provide coverage to the landlord. I hope this will help people who are not able to obtain security deposits.

SB-2126

Submitted on: 2/14/2024 6:01:46 AM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
sherry fisher	Individual	Support	Written Testimony Only

Comments:

Please support this bill. Housing costs are extraordinarily high in our state of Hawai'i. This bill will help renters into stable housing. Mahalo

SB-2126

Submitted on: 2/14/2024 7:12:29 AM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Scott Fisher	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Keohokalole and Vice Chair Fukunaga,

I am writing today to provide my support for SB 2126, relating to security deposits. I have been a landlord in Hawai'i for over a decade and I have seen how much of a financial burden it can be to tenants, particularly young tenants, to come up with both the rent for the first month as well as a security deposit. Recently, I was faced with a dilemma of either turning away a potentially excellent tenant, or providing her with a significantly reduced initial payment on the security deposit. Both options were unpalatable as we believed in this tenant, but also had to provide a measure of security for our rental unit. SB 2126 would offer an excellent alternative to this dilemma and for that reason I am in full support of its provisions.

Additionally, as more accessory dwellings ('Ohana units) are built across Hawai'i, this bill will provide relief to more families in their attempt to secure affordable housing. I ask you too to support this measure as it will provide relief in the sector of the economy that can prove most challenging, namely the search for affordable housing. Thank you for your time and consideration.

‘O wau iho no

Scott Fisher

SB-2126

Submitted on: 2/14/2024 8:34:39 AM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
David Koerner	Individual	Support	Written Testimony Only

Comments:

The process and costs of renting in Hawaii is a daunting task on the best of days. Please pass this bill to ease some of the challenges in renting by offering better protections and options for renters.

Thank you.

SB-2126

Submitted on: 2/14/2024 9:38:49 AM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Corinne Solomon	Individual	Oppose	Written Testimony Only

Comments:

I oppose SB2126

SB-2126

Submitted on: 2/14/2024 10:25:08 AM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nandi Fisher	Individual	Support	Written Testimony Only

Comments:

As a renter in Hawaii I fully support this bill and think it will be very helpful in finding rental security.

LATE

SB-2126

Submitted on: 2/15/2024 5:53:50 PM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Rochelle Rae Coop	Individual	Support	Written Testimony Only

Comments:

Please consider this motion, to help relieve the current rental crisis on Maui. It's a fantastic idea to support those who lost everything in traumatic events who need to start fresh. It's also a wonderful way to build trust and good relationships between landlords and tenants. Let's help create a supportive community and show the renters on Maui that we care. The current financial market on Maui is under duress for those who are practical, essential workers. This motion would help keep them on Maui. Please consider. It is the compassionate choice. Thank you, Aloha. Sincerely, Rochelle Coop.

LATE

SB-2126

Submitted on: 2/15/2024 6:31:14 PM
Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mark Haddad	Individual	Support	Written Testimony Only

Comments:

I am a private citizen living on Maui for over 30 yrs. In that time rents have dramatically increased. I feel that insurance of this type would help all renters, especially low wage earners. My wife and I are landlords to two long term rentals in upcountry. We fully support this bill to help renters with their security deposit while protecting landlords. Mahalo.

LATE

SB-2126

Submitted on: 2/15/2024 6:44:22 PM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
colleen p medeiros	Individual	Support	Written Testimony Only

Comments:

I support this Bill subject to certian provisions, such as; ease of collecting monies if damages are incurred, or that the "insurance" actually pays the landlord the security deposit at the start of the rental contract so that the landlord can hold the security deposit funds, making it easier to access funds if needed.

LATE

SB-2126

Submitted on: 2/16/2024 4:34:02 AM

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Vincent Tay	Individual	Support	Written Testimony Only

Comments:

I support this bill as a person born and raised in Maui.

LATE

SB-2126

Submitted on: 2/16/2024 6:2

Testimony for CPN on 2/16/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Robin Gusich-Batara	Individual	Oppose	Written Testimony Only

Comments:

I oppose SB2216. It is government overreach to impose terms of rentals upon landlords. It creates a further burden on the renter to come up with additional payments for deposit, while keeping current on new lease. If the legislature really wants to help renters, establish a rotating fund to loan the deposit to the renter. This way, the burden of collection is upon the government and not the landlord.

thank you