

Policy & Practice

Innovative solutions to help local policymakers and practitioners address today's housing and community development challenges.



PD&R

July 2023

U.S. Department of Housing and Urban Development | Office of Policy Development and Research

Transparency in Rental Fees

As part of the housing search, prospective renters often pay application fees to be considered for available rental units. Application fees can limit options for renters and strain household budgets, particularly for renters with low and modest incomes who already face high rental cost burdens. These fees may be particularly burdensome in tight markets where renters often submit multiple applications as they compete for scarce units. In addition, the monthly rent included in a listing may not reflect the full cost if a landlord later requires the tenant to pay undisclosed or hidden fees. This issue of *Policy & Practice* provides an overview of the research on rental fees and highlights strategies to encourage transparency and fairness in the rental market.

Research Insights

Most prospective renters contact several owners or property managers and visit multiple units during their housing search, even if they ultimately apply to fewer units. Typically, each application is accompanied by a rental application fee, which can range from \$50 to several hundred dollars and is meant to cover the cost of background and credit checks.¹ A tighter rental market nationally has led to an increase in the percentage of renters applying to two or more properties.²

Application fees are pervasive within the rental market³ and contribute to a prerenal application process that disproportionately burdens Black and Hispanic renters and low-income households with housing vouchers.⁴ Black and Hispanic renters, on

average, apply to more units than White renters.⁵ In addition to applying to more units, 73 percent of Black and Hispanic renters and 84 percent of Asian renters pay an application fee, compared with 56 percent of White renters.⁶

Even if prospective renters are charged modest rental application fees, the fact that most prospective renters apply to at least one unit means these costs can add up quickly. Because tenant screening reports may include inaccurate information, prospective renters may pay multiple application fees only to be repeatedly rejected because of those inaccuracies.⁷

Furthermore, after securing housing, renters may end up paying a monthly amount for their housing that exceeds the listed price of the unit due to hidden or junk fees.⁸ Tenants are sometimes evicted when they don't pay these fees—even if they have paid their rent. These fees make it harder for renters to find housing in the future if they are saddled with debt, an eviction on their record, or diminished credit scores.⁹

Innovative Policies and Practices

Across the country, state and local governments have placed limits on the amount and types of fees that can be charged to tenants and now require increased upfront disclosure of fees that tenants will be charged. Leasing platforms and housing providers have also taken action to limit or better disclose fees. These actions aim to increase transparency for renters and ensure that fees reflect the actual costs to housing providers. Although

state and local governments play an important role in regulating fees and promoting fairness, housing search platforms and housing providers can voluntarily take proactive steps to increase transparency in rental transactions. This section highlights actions that governments and housing providers can take to increase transparency or limit rental fees.

Cap or eliminate rental application fees.

Recognizing that application fees often exceed the costs of screening services, some states have limited the application fees that landlords can charge. Several states, such as Virginia, cap rental application fees at a specific dollar figure, with caps typically ranging from \$20 to \$50.¹⁰ Other states, such as Washington, set the cap to equal the exact cost of the tenant screening service.¹¹ Vermont has banned rental application fees altogether.¹²

Allow prospective renters to provide their own screening reports. Instead of renters paying landlords to screen on their behalf, some states are enabling renters to purchase and provide their own screening reports. New York State prohibits landlords from collecting application fees from prospective renters with portable screening reports.¹³ State laws in California, Maryland, and Washington define reusable tenant screening reports, including the contents of those reports (e.g., income, rental history, credit history, and criminal history) and the length of time they are valid.¹⁴ Maryland and Washington require landlords to disclose whether they accept reusable screening reports.¹⁵ Those two states prohibit landlords from charging a fee to an applicant with a portable report unless the landlord has properly disclosed that portable reports are not accepted. Similarly, California prohibits landlords from charging a fee to an applicant with a portable report unless the landlord does not generally accept such reports.¹⁶

Allow a single application fee to cover multiple applications. Similarly, some rental leasing and property management websites allow renters to reuse applications and screening reports when applying to multiple listings on the platform. The

online rental platform Avail, which serves mom-and-pop landlords, allows the 1.3 million renters on its platform to access their application information and submit it to multiple property owners at no additional cost.¹⁷ Zillow offers a universal rental application that allows renters to apply to unlimited units for 30 days and includes their credit and background reports.¹⁸ Like the Common App for college applications, these policies enable prospective renters to apply to more units at no additional charge.

Limit allowable fees and deposits at the time of move-in or lease signing. When tenants sign a lease to move into a unit, they can be charged a mixture of nonrefundable fees and fully refundable deposits. State and local governments can set limits on these fees. For example, the city of Seattle allows only nonrefundable fees to be charged for cleaning and screening.¹⁹ Generally, those fees are limited to less than 10 percent of one month's rent.²⁰ In addition, Seattle's regulations stipulate that landlords cannot charge cleaning fees at both the beginning and end of rental periods,²¹ and it forbids landlords from charging security deposits and fees in excess of one month's rent.²² Several states also specify that the lease agreement must include the amount, timeframe, and conditions for late fees.²³

Clearly identify bottom-line amounts that tenants will pay for move-in and monthly rent.

Advertisements and lease documents can include language that makes it tough for prospective renters to identify additional fees that increase their total monthly costs. These lease document features should be one page or less in length, in a readable format, and provided in the languages spoken in the local area and should clearly identify costs to renters and the purposes of those costs. The Texas Apartment Association provides a Summary of Key Information in their model lease document that succinctly highlights the total monthly costs and any additional fees to which renters may be subjected.²⁴

Connecting to the U.S. Department of Housing and Urban Development's Efforts

In January 2023, the Biden-Harris Administration released a Blueprint for a Renter Bill of Rights, which

includes five principles that create a shared baseline for fairness for renters in the housing market. One of the principles focuses on clear and fair leases, highlighting the need for transparency around fees and security deposits, among other best practices.²⁵ This brief expands upon a letter that Secretary Fudge published urging all housing providers, as well as state and local governments, to take action to limit and better disclose fees charged to renters in advance of and during tenancy.²⁶

Policy & Practice

HUD's Office of Policy Development and Research

Aaron Shroyer, Author, Senior Advisor, Office of Policy Development and Research

Clarissa Kimmey, Reviewer, Legal Honors Attorney, Office of General Counsel

Discuss this issue on the *Policy & Practice* Forum at www.huduser.gov/forums. You can subscribe to receive updates from PD&R at <https://www.huduser.gov/portal/subscribe/subscribe.html>.

Endnotes

- 1 National Consumer Law Center (NCLC). 2023. *Too Damn High: How Junk Fees Add to Skyrocketing Rents*. Boston, MA: National Consumer Law Center. <https://www.nclc.org/wp-content/uploads/2023/03/JunkFees-Rpt.pdf>.
- 2 Garcia, Manny. 2022. "Renters of Color Pay Higher Security Deposits, More Application Fees," *Zillow*, April 6. <https://www.zillow.com/research/renters-of-color-higher-fees-30922/>.
- 3 NCLC, 2023.
- 4 Langowski, Jamie, William Berman, Grace Brittan, Catherine LaRaia, Jee-Yeon Lehmann, and Judson Woods. 2020. "Qualified Renters Need Not Apply: Race and Housing Voucher Discrimination in the Metro Boston Rental Housing Market," *GEORGETOWN JOURNAL ON POVERTY LAW & POLICY* 28 (1). <https://ssrn.com/abstract=3705668>.
- 5 Garcia, 2022.
- 6 Zillow. 2019. *Zillow Group Consumer Housing Trends Report*. <https://www.zillow.com/report/>.
- 7 Consumer Financial Protection Bureau (CFPB). 2022. "CFPB Reports Highlight Problems with Tenant Background Checks." Press release. Washington, DC: Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-reports-highlight-problems-with-tenant-background-checks/>.
- 8 NCLC, 2023.
- 9 National Consumer Law Center (NCLC) and National Housing Law Project (NHLPL). 2022. "Re: Request for Information Regarding Fees Imposed by Providers of Consumer Financial Products or Services, Docket No. CFPB-2022-0003," April 11. https://www.nclc.org/wp-content/uploads/2022/09/CFPB_2022_0003_comments.pdf.
- 10 VA. CODE ANN. § 55.1-N.Y. REAL PROP. LAW § 238-a(1)(b).
- 11 WASH. REV. CODE ANN. § 59.18.257(1)(b).
- 12 Dunn, Eric. 2022. "The Case Against Rental Application Fees," *Georgetown Journal on Poverty Law & Policy* (1): 21–47. <https://www.law.georgetown.edu/poverty-journal/wp-content/uploads/sites/25/2023/01/The-Case-Against-Rental-Application-Fees.pdf>; VT. STAT. ANN. TIT. 9, § 4456A (2022).
- 13 Dunn, 2022; N.Y. REAL PROP. LAW § 238-a(1)(b).
- 14 CAL. CIV. CODE § 1950.1 MD. CODE ANN., REAL PROPERTY § 8-218; WASH. REV. CODE ANN. § 59.18.030.
- 15 MD. CODE ANN., REAL PROPERTY § 8-218(c)(1); WASH. REV. CODE ANN. § 59.18.257(1)(a).

- 16 Ludden, Jennifer. 2023. "Rental Application Fees Add Up Fast in a Tight Market. But Limiting Them Is Tough," *NPR*, January 13. <https://www.npr.org/2023/01/13/1148426491/rental-application-fees-housing-affordable-market-states-laws>; WASH. REV. CODE ANN. § 59.18.257(1)(b); Cal. Civ. Code § 1950.1(d).
- 17 The White House. 2023. "FACT SHEET: Biden-Harris Administration Announces New Actions to Protect Renters and Promote Rental Affordability." Press release. Washington, DC: The White House briefing room. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/01/25/fact-sheet-biden-harris-administration-announces-new-actions-to-protect-renters-and-promote-rental-affordability/>.
- 18 Roberts, Christopher. 2023. "A Rental Market that Works for Everyone," *Zillow*, February 9. <https://www.zillowgroup.com/news/a-rental-market-that-works-for-everyone/>.
- 19 SEATTLE, WASH., MUN. CODE 7.24.020, 7.24.035.
- 20 SEATTLE, WASH., MUN. CODE 7.24.035(B)(4).
- 21 SEATTLE, WASH., MUN. CODE 7.24.035(B)(3).
- 22 City of Seattle. "Move in Costs." [https://www.seattle.gov/rentinginseattle/renters/moving-in/move-in-costs#:~:text=The City of Seattle limits,percent of one month's rent; SEATTLE, WASH., MUN. CODE 7.24.035\(A\)](https://www.seattle.gov/rentinginseattle/renters/moving-in/move-in-costs#:~:text=The%20City%20of%20Seattle%20limits,percent%20of%20one%20month%27s%20rent;SEATTLE,WASH.,MUN.CODE%207.24.035(A).).
- 23 COLO. REV. STAT. § 38-12-105;770 ILL. COMP. STAT. 95/7.10.
- 24 Texas Apartment Association. "Apartment Lease Contract." <https://www.taa.org/wp-content/uploads/2018/01/2017-Apartment-Lease-Contract-For-Website.pdf>.
- 25 The White House Domestic Policy Council and National Economic Council. 2023. *The White House Blueprint for a Renters Bill of Rights*. <https://www.whitehouse.gov/wp-content/uploads/2023/01/White-House-Blueprint-for-a-Renters-Bill-of-Rights.pdf>.
- 26 U.S. Department of Housing and Development (HUD). 2023. Memo from HUD Secretary Marcia L. Fudge. https://www.hud.gov/sites/dfiles/PA/documents/Junk_Fees_Memo_SOHUD_signed.pdf.