

**Minnesota Housing  
Finance Agency**

**Report to the  
Legislature**

**APPLICATION FEES STUDY  
REPORT**

FEBRUARY, 2002

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## **SECTION 1**

### **INTRODUCTION**

The 2001 Minnesota Legislature assigned the Minnesota Housing Finance Agency (MHFA) the task of convening a committee to “study rental application fees paid by prospective tenants of residential apartment units.” The committee was directed to consider various means to reduce the burden and make recommendation to the legislature.

MHFA convened an application fee committee on October 18, 2001. The committee included legislators, legislative staff, representatives from tenant advocacy organizations, a representative from a landlord association, several landlords and representatives of tenant screening companies. The committee reviewed the information provided in this report and discussed possible solutions to reduce the burden to prospective tenants. Unfortunately, the committee was unable to come to any consensus on recommendations.

## Application Fees Study Committee Members

### Legislators and Legislative Staff

#### House of Representatives:

Representative Bob Gunther  
Representative Joe Mullery

Erik Aamoth

#### Senate:

Senator Julie Sabo  
Senator Dave Knutsen

Erik Reseland

### Representing Low-Income Tenant Advocates

Jennifer Blevins, Family and Children Services  
Nancy Mischel, Legal Services Advocacy Project  
Michael Vraa, Homeline  
Denise Bass, Northside Community League for Justice  
Mary Ebnet, Catholic Charities Office for Social Justice  
Donna Neste, Mt. Olive Neighborhood Ministries  
Nikki LaSorella, Simpson Transitional Housing  
Marcy Grossman, Simpson Transitional Housing

### Representing Landlords or Screening Companies

Tony Karels, RHR  
Michael R. Light, Landlord  
Mark Prokop, New Liberty Management  
Lee Mikkelson, rental Research Services  
Ted Zinner, C.G. Rein Company  
Jack Horner, Minnesota Multi-housing Association  
Carol Busche, Tenant Check, Inc.

### MHFA Staff

Pacyinz Lyfoung  
Tonja M. Orr

## SECTION II: EXECUTIVE SUMMARY

Applications fees are charges paid by prospective tenants to cover the cost of screening by rental property owners/managers. It has now become a standard practice in that industry. Even when certain types of subsidized housing, such as Section 8, are barred from charging prospective applicants (HUD Handbook 4350.3, Chapter 4, Section 3, Paragraph 4-11), screening is still usually done to determine whether the applicant will be a suitable tenant. The costs then have to be absorbed by the property owners/managers.

In the past few years, especially the past year, application fees have been an area of focus for tenant advocates and property owners/managers.

Key issues from the tenant and advocacy perspectives have been:

- a wide variation in the amounts of application fees charged;
- no clarity about what constitutes reasonable application fee amounts and what constitutes outrageous application fee amounts;
- no clarity about why some application fees are higher than others;
- no clarity about what exactly the application fees are paying for; and
- being unable to find housing because they cannot afford to pay multiple application fees, which all add up to a substantial portion of their usually low to moderate income.

Key issues from the property owners/managers' perspectives have been:

- the necessity to screen prospective tenants to ensure that the tenants will be able to afford the rent, will not damage the property, will not disrupt their neighbors in and surrounding the development;
- screening must be paid for, rather by the applicant than the property owner/manager;
- the right to select the most suitable tenants according to individual business selection criteria that best meet the business goals and needs of the property owners/managers;
- the right to choose the kinds of screening they need;
- the right to contract with whichever screening companies offer the screening services that would best support their screening policies.

The underlying questions around all those issues are:

- how can the needs of screening tenants from property owners/managers be balanced without unduly burdening, often low to moderate income, prospective tenants with high and/or multiple application fees?
- What is really needed for adequate screening?
- What should that screening cost?
- Are application fees cost-driven, meaning is there a direct relationship between the costs of the application and the screening process OR is there a profit margin that landlords benefit from?
- What options could be available to balance all those needs?

This report compiles data from a fact gathering process attempting to collect information that would assist in providing a comprehensive picture of what is currently happening with regards to application fees and tenant screening issues.

There is no central source of information about landlord practices or tenants experiences with respect to screening or application fees. While MHFA was able to obtain some information about landlord practices, it is survey information and is not comprehensive. Information about tenant experiences is unavailable except on an anecdotal basis.

The information from the survey conducted by MHFA revealed that 93% of the respondents, who charge a fee, charge \$45 or less for an application fee. Similarly, 93% of the HousingLink sample charge \$45 or less for an application fee. Seventy-one (71%) of the respondents to the MHFA survey reported processing only one application at a time.

The tenant screening companies report considerable similarity in the types of information contained in the basic or standard tenant screening report: rental history, including unlawful detainers; employment; credit history and inquiries; and criminal history.

Eight (8) states, in addition to Minnesota, have addressed the issue of application fees. California and Delaware place a cap of a specific dollar amount on the application fee that may be charged. Vermont prohibits application fees. Oregon requires landlords to adopt written admission criteria and to give applicants notice of the number of vacancies and number of applicants, before accepting a fee. Wisconsin requires landlords to accept a consumer credit report from an applicant if the report is less than 30 days old.

The Wisconsin approach and the Oregon approach both seemed to have elements that would improve the current situation in Minnesota. As mentioned in the Introduction, no consensus was reached on means to reduce the burden on tenants.

### SECTION III: MHFA PROPERTY OWNER/MANAGERS SURVEY

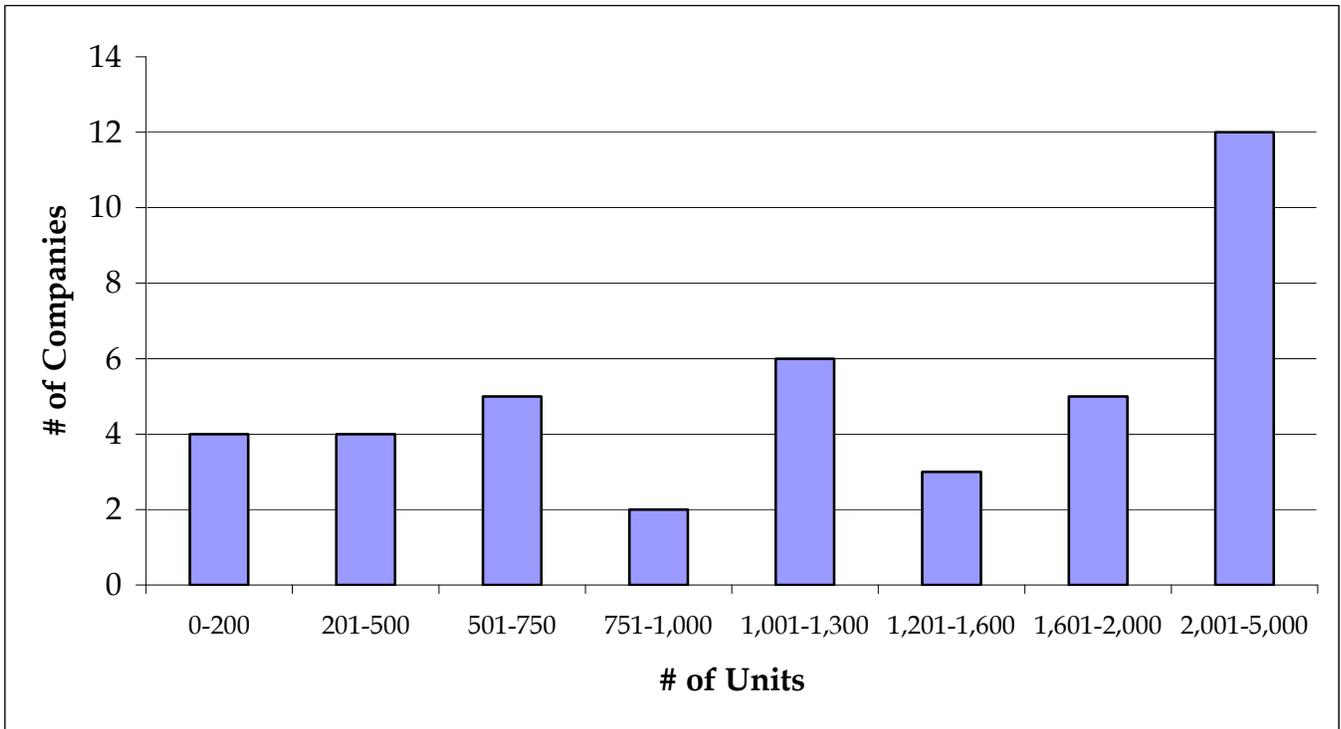
The Minnesota Housing Finance Agency (MHFA), Multifamily Division conducted an application fee survey at the end of August 2001. A list of owners and agents of multifamily rental properties financed by MHFA, either with a first or subordinated mortgage, was generated and further selection was made among companies with multiple developments, both in the metropolitan area and Greater Minnesota. In addition, companies were selected from the Minnesota Multihousing Advocate Magazine to provide for a larger sample. A total of 44 companies, representing 68,843 rental units, responded to the survey, either through a phone interview or by fax.

#### MHFA application fees survey multifamily rental properties background data:

- The respondents ranged from a company with one housing development of 32 units to a company with 55 developments and 5,000 units;
- 10 companies comprising 11,609 units were from Greater Minnesota; the remaining 34 companies from the metro area included 57,234 units; and
- 61% of the developments had affordable units (generally understood to mean that households with incomes at 60% of area median can afford the rent).

## CHARACTERISTICS OF RESPONDING OWNERS/AGENTS

### Number of Units Owned or Managed by Respondents



Affordable Units as Portion of Portfolio

Percentage of affordable units in portfolio	Number of responding companies
100%	10
90%-99%	9
50%-89%	12
20%-49%	5
16% and below	2
0%	2
N/A	4

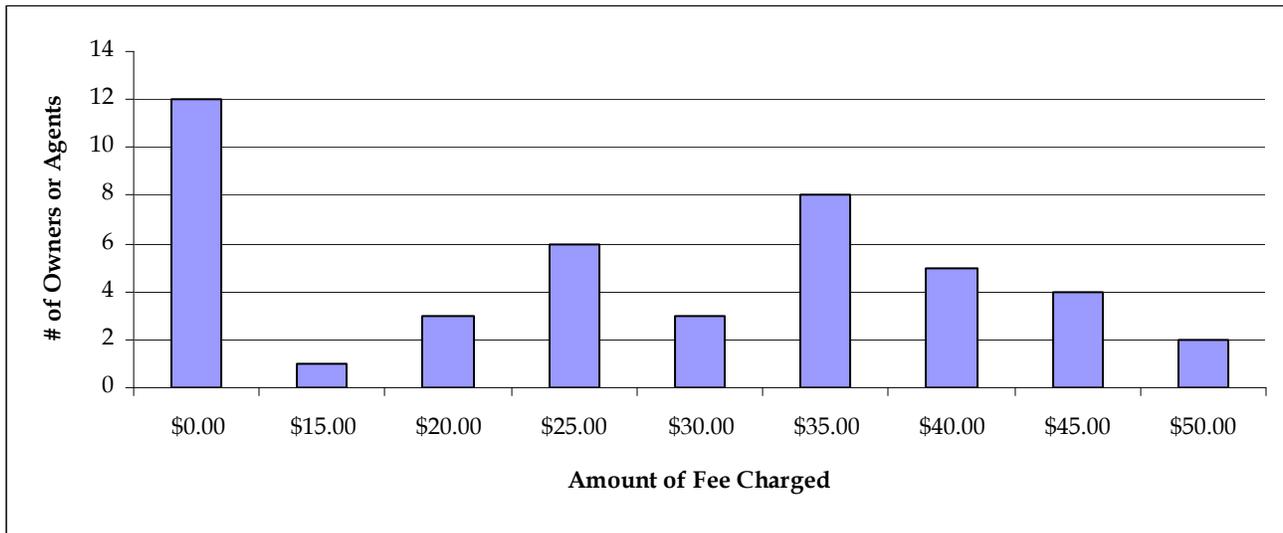
**TABLE I: Average application fees and average cost of screening**

Screening and charging factors	# of agents	Average application fees	Average actual cost of screening
Charges all applicants	16	\$37.18	\$31.00
Does not charge the applicant, but uses a screening service	10	\$0	\$21.00*
Screens all applicants, charges market applicants, but does not charge project-based section 8 applicants	17	\$34.41	\$30.65

\* Six agents said they paid screening fees in the range of \$25-35, however, because 4 agents paid fees from \$6-16, that lowered the average to \$21.

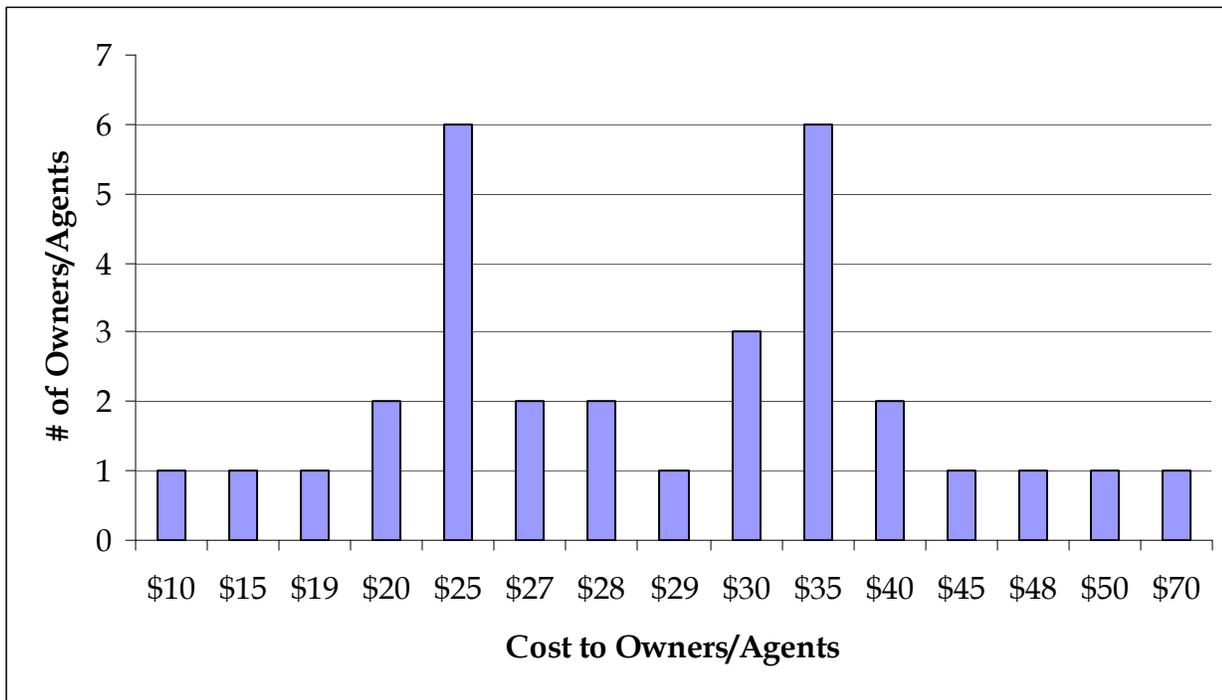
**TABLE II: Range of fees charged to applicant (per adult/in-state)**

This table provides a picture of the range of fees being charged to prospective tenants. Fifty dollars (\$50) was the highest reported application fee per adult requiring only an in-state search. Only two of the respondents charged by the unit rather than per adult. Two respondents charged a reduced rate when a married couple applied and one respondent charged a flat rate when more than one adult applied for a unit. One respondent reported charging a higher fee when an out-of-state search is required. The respondents reporting that no fee was charged to applicants rented only affordable units. In cases where the response indicated a range of fees, the lowest fee was selected for the chart.



**TABLE III: Range of fees paid by owner/agent for screening service (per adult)**

Sixty percent (60%) of the respondents paying a fee for screening services paid \$30 or less. One applicant report a maximum fee for screening services of \$100 based on location. The minimum fee paid by respondent was \$35. One respondent noted that the company does its own credit history checks. Four respondents indicated they paid a higher fee for out-of-state searches. Not all respondents indicated the amount they paid for screening services.



**Use of multiple screening companies**

Twenty-one (21) companies reported using more than one screening company; 22 companies reported using only one screening company.

**Use of different screening criteria**

Overall, 28 companies used different screening criteria for different types of applicants and different properties and locations, while 16 used the same criteria for all applicants. The following factors influence the screening criteria that are used:

- income guidelines are less stringent for affordable housing (2-2.5 times income-to-rent ratio accepted);
- tenant selection plans for section 8/HUD housing;
- funding sources have different requirements;
- some affordable housing programs require credit and criminal background checks, some don't. Starting 2002, all affordable housing developments will have both done; and
- housing for homeless people and supportive housing have different criteria; and

luxury housing has stricter guidelines.

**TABLE IV: Number of applications taken**

An issue of interest has been the question of how many applications do landlords/property owners/managers usually need to take before they find a suitable tenant. That information should provide some insights as to how many applications would landlords reasonably be able to accept for one unit and how many applications would prospective tenants reasonably need to expect to submit before they will find housing.

The following chart illustrates that the most typical number of applications needed from a landlord is one to three, as 21 companies indicated (58%); whereas only 11 companies clearly stated that they needed to take between 5 to 12 applications. Other companies did not provide a definite number or fluctuate in numbers.

It should be noted that elderly housing units appears to need the lesser number of applications, from 1 to 2; while subsidized/affordable housing units appear to need the greatest number of applications to be processed to find a suitable tenant.

<b>Number of applications taken to fill vacancy</b>	<b>Number of companies</b>
1	1
1-2	11
2-3	9
Up to 5	6
Up to 10	4
Up to 12	1
Depends, often on location	4

Geographic and affordability factors notes:

- all the companies taking more than 5 applications are in the metro area;
- two of the companies taking between 3 to 5 applications were not located in the metro area;
- all companies taking more than 5 applications were affordable at 80% and above, except for one; and
- most of the companies with 100% affordable units reported taking between 2-3 applicants, with a couple taking up to 5, and one taking up to 10.

**TABLE V: Taking multiple applications vs. processing after the current application is denied.**

A related issue is whether landlords/property owners/managers take multiple applications and process them at the same time or do they process only one application at a time, and therefore, not all applications get processed. This would address the concerns around the number of applications that should be taken and whether there should be some consideration for return of fees for applications not processed.

<b># of companies waiting for the current application to be denied, before processing new applications</b>	32
<b># of companies processing multiple applications at the same time</b>	11
<b># of companies using both systems</b>	2

In summary:

- 32 companies stated that they wait for the current application to be denied, before accepting other applications;
- 11 companies reported that they did not wait for previous applications to be processed before taking new applications; only 1 of those 11 was located in Greater MN;
- companies that use both systems tend to indicate that they process multiple applications for subsidized/affordable housing, as it may be more difficult to find a match, while they would use the other system for market rate units.

## SECTION IV: INFORMATION FROM HOUSING LINK

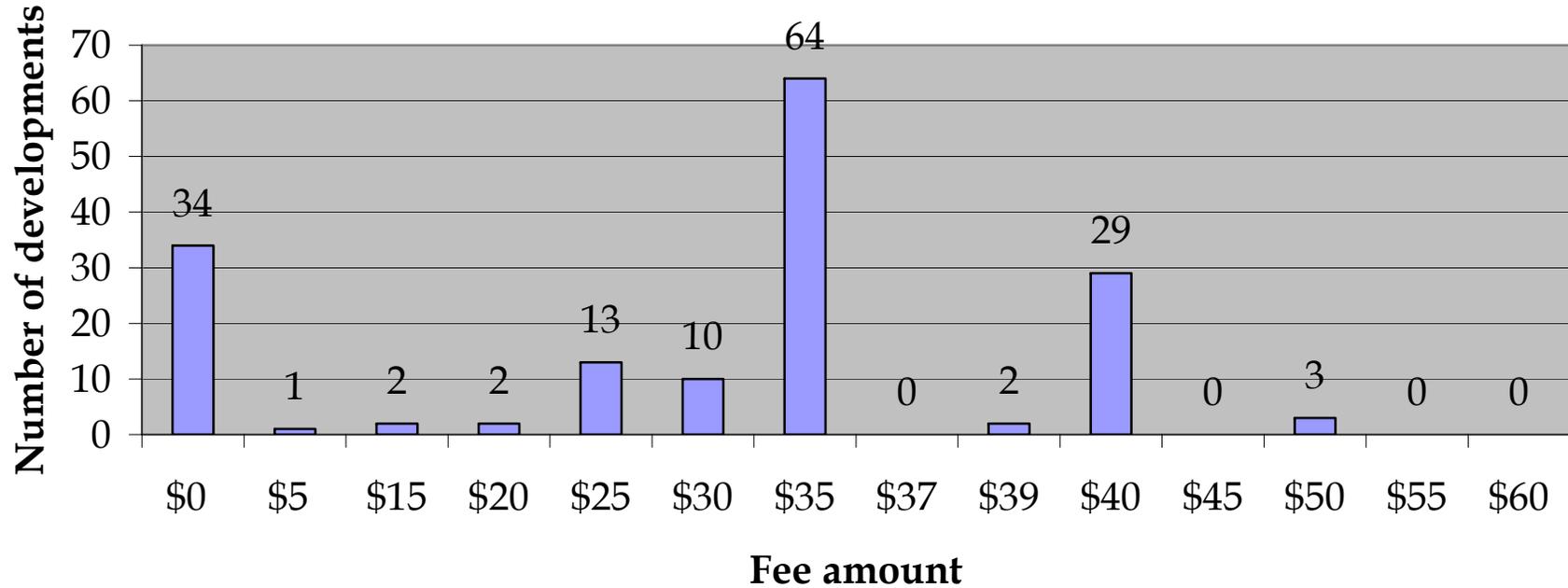
HousingLink is a non-profit organization with programs to assist those in need of affordable housing opportunities in the metro area by improving access to affordable housing information, improving the available information, and informing low income renters of geographic choice. Housing Link provided MHFA with information based on their Housing Directory and Housing Referral Service System. This a sample of affordable housing in the Minneapolis/St. Paul area contained in HousingLink systems, provided by owners/managers who chose to participate with HousingLink. Information is as of the year 2000.

This sample is very small, represents only those housing opportunities that have met affordable housing criteria, and has not been scientifically gathered. It may be difficult to apply any conclusions from analyzing this sample to the real world, the larger population of landlords in the Twin Cities.

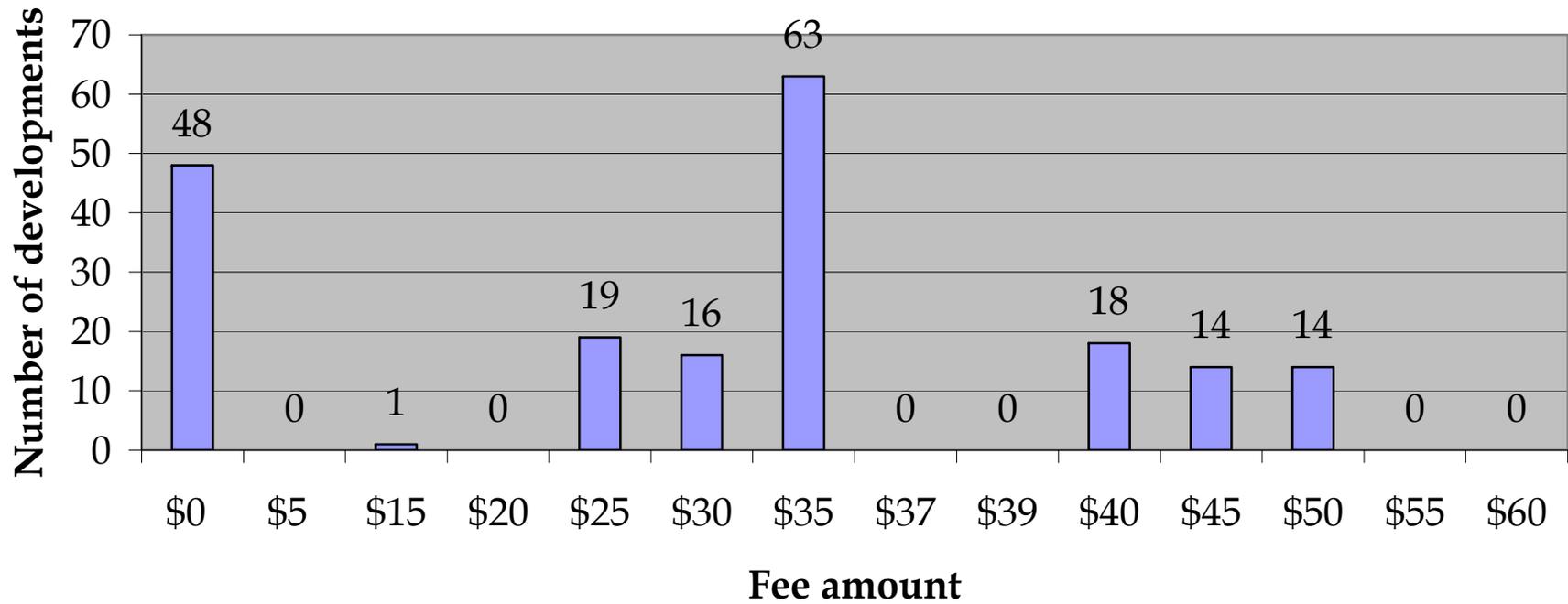
Data from the Housing Referral Service System may include housing assisted through Section 8, public housing, housing that meets 4(d) criteria for affordability, as well as Section 42 housing (tax credits). Information is on a total of 780 developments. The tables and charts attached are based on information from the Housing Referral Service System, which provides a larger sample with a broader variety of types of housing.

HousingLink also supplied MHFA with information on a smaller set of subsidized developments (only) from their Housing Directory. This list provided different information on 273 assisted housing developments including an indication of who paid application fees – tenants or landlords – and owners' use of outside screeners, e.g., to screen tenant applications for residency. Of these 273 developments, 87.9% required the tenant to pay an application fee and 82.8% used on outside screening company. It appears that this list is **not** necessarily a subset of the larger Housing Referral Service System.

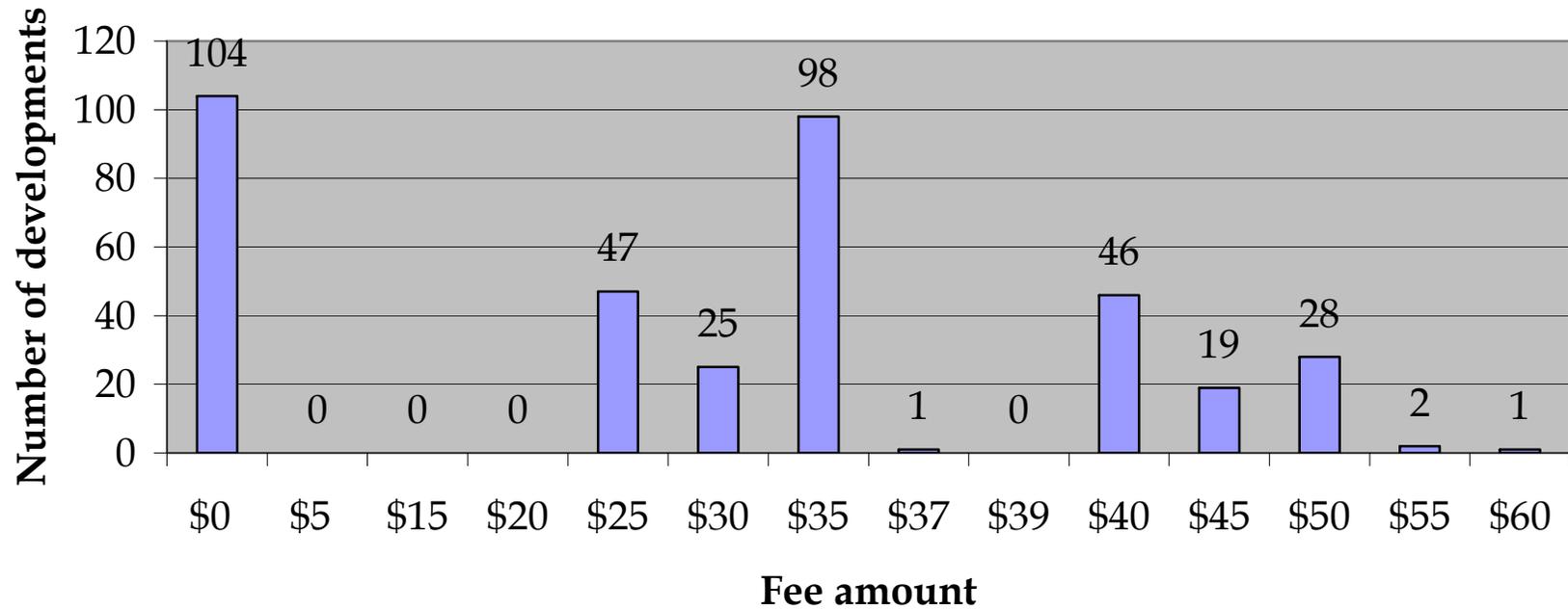
## Distribution of Tenant Application Fees from a Sample of Affordable Housing in Minneapolis, 2000



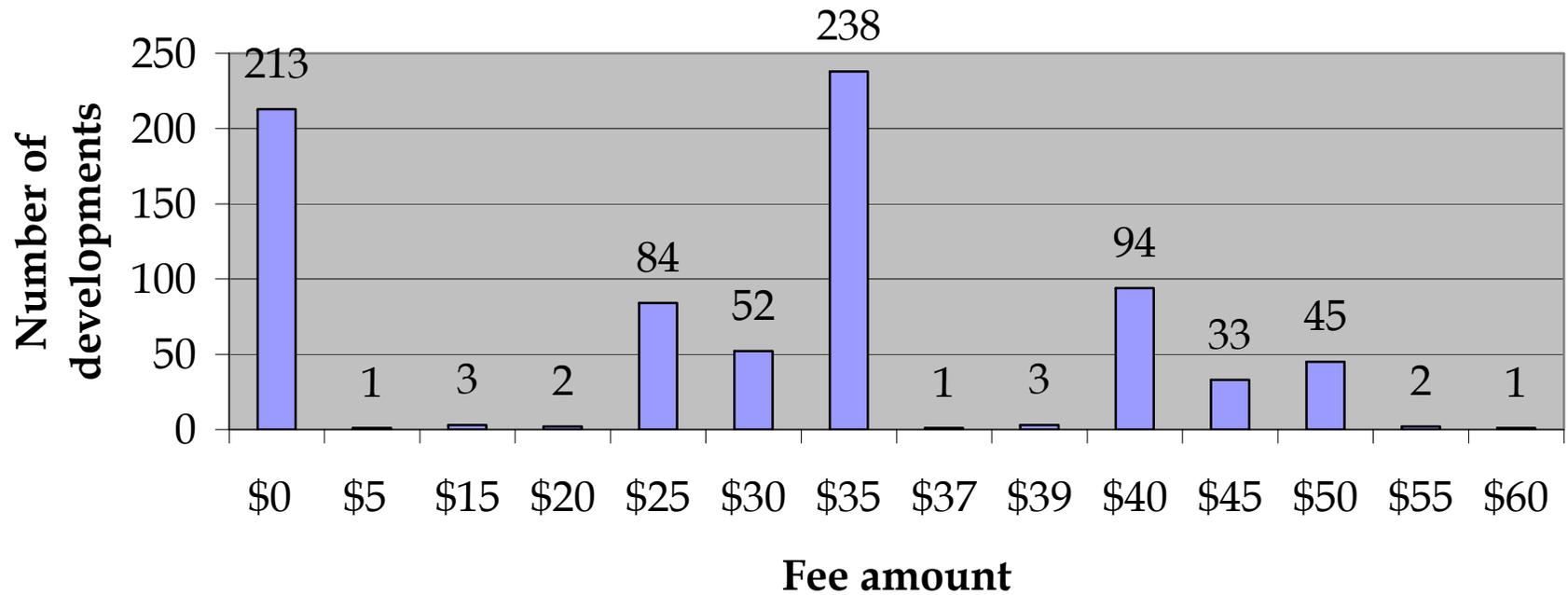
## Distribution of Tenant Application Fees from a Sample of Affordable Housing in St. Paul, 2000



## Distribution of Tenant Application Fees from a Sample of Affordable Housing in Metro Area Suburbs, 2000



## Distribution of Tenant Applications Fees from a Sample of Affordable Housing in Metropolitan Area Cities and Suburbs, 2000

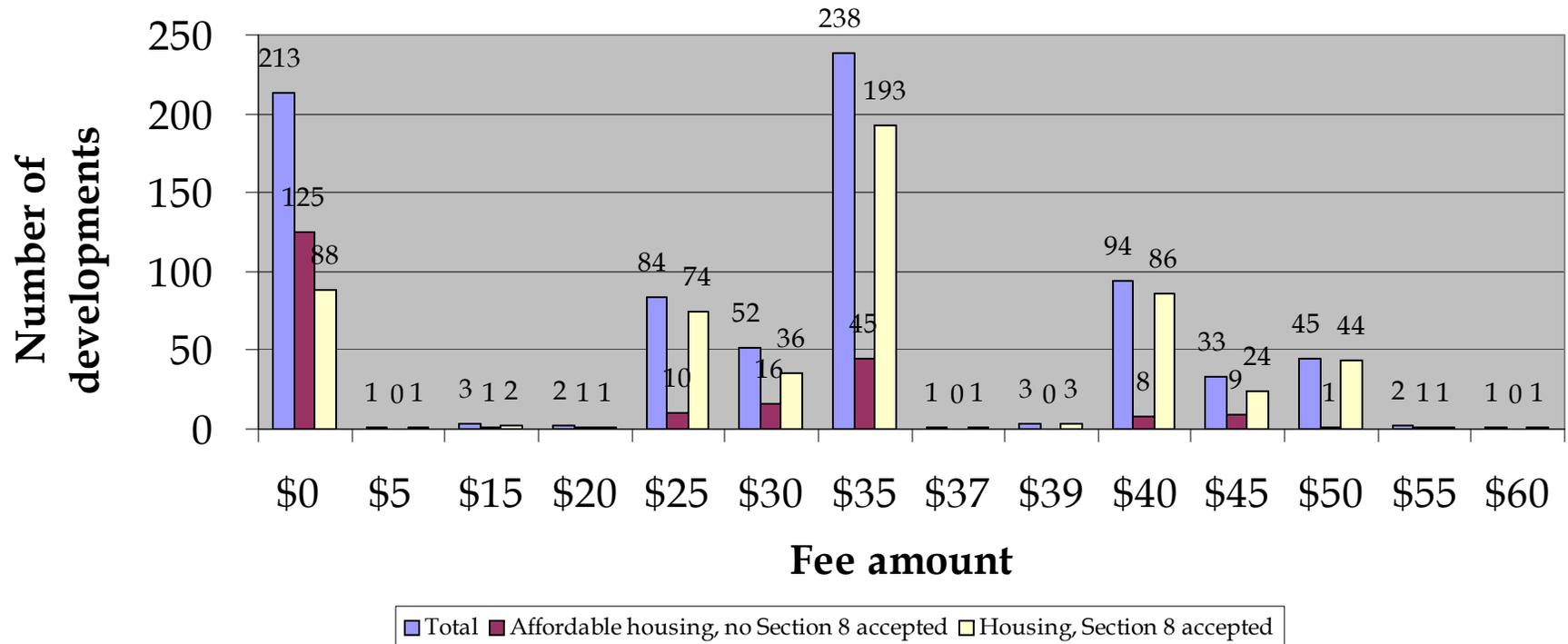


Distribution of Tenant Application Fees from a Sample of Affordable Housing in the Metro Area, 2000												
	Total metro			Minneapolis			St. Paul			Suburbs		
Fee amount	Number of developments	% of total	Cumulative %	Number of developments	% of total	Cumulative %	Number of developments	% of total	Cumulative %	Number of developments	% of total	Cumulative %
\$0	213	27.3%	27.3%	34	21.3%	21.3%	48	24.9%	24.9%	104	28.0%	28.0%
\$5	1	0.1%	27.4%	1	0.6%	21.9%	0	0.0%	24.9%	0	0.0%	28.0%
\$15	3	0.4%	27.8%	2	1.3%	23.2%	1	0.5%	25.4%	0	0.0%	28.0%
\$20	2	0.3%	28.1%	2	1.3%	24.4%	0	0.0%	25.4%	0	0.0%	28.0%
\$25	84	10.8%	38.8%	13	8.1%	32.6%	19	9.8%	35.3%	47	12.6%	40.6%
\$30	52	6.7%	45.5%	10	6.3%	38.8%	16	8.3%	43.6%	25	6.7%	47.4%
\$35	238	30.5%	76.0%	64	40.0%	78.8%	63	32.6%	76.2%	98	26.3%	73.7%
\$37	1	0.1%	76.1%	0	0.0%	78.8%	0	0.0%	76.2%	1	0.3%	74.0%
\$39	3	0.4%	76.5%	2	1.3%	80.1%	0	0.0%	76.2%	0	0.0%	74.0%
\$40	94	12.1%	88.6%	29	18.1%	98.2%	18	9.3%	85.5%	46	12.4%	86.3%
\$45	33	4.2%	92.8%	0	0.0%	98.2%	14	7.3%	92.8%	19	5.1%	91.4%
\$50	45	5.8%	98.6%	3	1.9%	100.1%	14	7.3%	100.0%	28	7.5%	99.0%
\$55	2	0.3%	98.8%	0	0.0%		0	0.0%		2	0.5%	99.5%
\$60	1	0.1%	99.0%	0	0.0%		0	0.0%		1	0.3%	99.8%
blank	8	1.0%	100.0%	0	0.0%		0	0.0%		1	0.3%	100.0%
total	780	100.0%		160	100.0%		193	100.0%		372	100.0%	

Data from HousingLink, based on information provided to them, voluntarily. This unscientific sample includes affordable housing, e.g., housing assisted under Section 42 (tax credits), public housing, and housing with rents that meet 4(d) classification for affordability. This housing is not representative of the much larger community of apartment developments in the metro area.

A total of 55 records had no geography identified, therefore the sum of records for Minneapolis, St. Paul, and suburbs does not equal the 780 total records with fee data.

## Distribution of Tenant Application Fees from a Sample of Affordable Housing, by Subsidy, 2000



Distribution of Tenant Application Fees from a Sample of Affordable Housing in the Metro Area, by Subsidy, 2000						
	Total		Affordable housing, no Section 8 accepted		Housing, Section 8 accepted	
Tenant application fee required	Number of developments,	% of total	Number of developments,	% of total affordable	Number of developments	% of total, Section 8
\$0	213	27.3%	125	55.8%	88	15.8%
\$5	1	0.1%	0	0.0%	1	0.2%
\$15	3	0.4%	1	0.4%	2	0.4%
\$20	2	0.3%	1	0.4%	1	0.2%
\$25	84	10.8%	10	4.5%	74	13.3%
\$30	52	6.7%	16	7.1%	36	6.5%
\$35	238	30.5%	45	20.1%	193	34.7%
\$37	1	0.1%	0	0.0%	1	0.2%
\$39	3	0.4%	0	0.0%	3	0.5%
\$40	94	12.1%	8	3.6%	86	15.5%
\$45	33	4.2%	9	4.0%	24	4.3%
\$50	45	5.8%	1	0.4%	44	7.9%
\$55	2	0.3%	1	0.4%	1	0.2%
\$60	1	0.1%	0	0.0%	1	0.2%
blank	8	1.0%	7	3.1%	1	0.2%
Total	780	100.0%	224	100.0%	556	100.0%

Data from HousingLink, based on information provided to them, voluntarily.

This unscientific sample includes assisted and affordable housing, e.g., housing assisted under Section 42 (tax credits), public housing, and housing with rents that meet 4(d) classification for affordability. This housing is not necessarily representative of the much larger community of apartment developments in the metro area.

"Affordable housing" includes units for which owners do not accept Section 8 certificates or vouchers, but rents meet the 4(d) classification of affordability (which could include some assisted housing, e.g., public housing).

## SECTION V: INFORMATION GATHERED FROM MISCELLANEOUS NONPROFIT HOUSING AGENCIES.

### Powderhorn Residents Group (PRG)

The Powderhorn Residents Group (PRG) is a nonprofit housing developer and manager in South Minneapolis. They manage about nine buildings totaling 118 units. PRG charges a flat rate for their application fees: \$35/adult and \$70/2 or more adults. The actual reports can cost up to \$55/person. PRG reports that the actual time spent on processing applications is greater than what is being charged. It can take 2 to 3 weeks to process an application due to tax credits or other funding sources, which require verification of every dollar. It takes longer when the current/previous landlord does not respond. It can take even longer when the applicant has lived out-of-state or with a family member, as there is a requirement for a third party proof that the applicant has lived there. In their application, PRG requires the following:

- 3 years of verifiable rental history or being able to verify a family address or out of country address with INS documentation showing date of entry, reasonably good credit, and no criminal background. Because of this, there is a 1 to 20 ratio of applicants that are accepted. As a general rule, PRG prefers no gap in rental histories, except if someone is new to the country, then a 1 to 2 month gap is allowed.

PRG only works with one screening company.

PRG may represent the conflicting interests of nonprofit housing managers trying to achieve a balance between providing affordable housing to families in need and yet, trying to ensure the long-term viability of their affordable housing stock, by trying to minimize the risk of tenants' non-payment of rents that would jeopardize housing being maintained by a very tight budget, as well as minimizing the risk of tenants' damage to the properties. Furthermore, PRG may represent a segment of the affordable housing managers whose clientele consists in high numbers of immigrants and refugees in the inner city, and encounter specific issues in researching rental histories.

### St. Stephens Church

St. Stevens Church provides emergency and transitional housing services, as well as homeless services. Last year, St. Stevens served 300 families and 180 single adults, for a total of 480 households. For the period of 7-1-00 to 6-30-01, St. Stephens spent approximately \$7,426 on application fees or an average of \$15.50 per household:

St. Stevens would caution that its application fees expenditures are very conservative, as it will only pay for an application after extensive negotiations with prospective landlords and a high level of certainty that the application will be accepted.

## Homeline

Homeline is a housing advocacy service in Suburban Hennepin County. One of their primary services is a tenant hotline. For this study, Homeline compiled a list of all application fee-related calls received in the past 7 years. There were a total of 41 calls covering a wide range of questions. In summary, callers wondered about the following:

- What can be done when an applicant tells a landlord about a blemish on his/her record, is told to apply, but then get rejected based upon that blemish?
- Can landlords automatically reject applications based on the existence of a UD record?
- Can landlords take an application fee, then change a policy that makes the applicant ineligible, such as not accepting dogs anymore?
- Can landlords keep application fees, even though nothing was processed, and can the applicant verify that nothing was processed?
- How much is too much for an application fee?
- How much is too much when there are several adults who must pay the application fees, but not all of them are working?
- What kind of questions can landlords ask during the application process? Is it okay for landlords to ask for a birth certificate?
- Can landlords reject an application because they could not the child support income?

## SECTION VI: TENANT SCREENING COMPANIES SURVEY AND INFORMATION

A survey of all nine major tenant screening companies was conducted. Respondents were asked to complete a questionnaire with three basic questions: 1) Are there basic questions/searches that are included in all tenant reports? If so, what are they and what is the cost for that basic report?; 2) If there are additional services related to the basic report, what are they and what would the cost be for those?; and 3) Do you offer a volume discount? Companies were also asked to submit a blank copy of a standard tenant report form as well as a blacked-out, actual tenant report form.

It should be noted that when the project started, there was a list of nine companies. By the end of the survey, a month and half period, two companies (Tenant Scan and Credit Data Reports) had been bought out. Of the remaining seven, four had responded by the time this draft is being completed.

### List of tenant screening companies approached for this study:

Rental Research  
Renters Acceptance  
Tenant Check  
Rental History Report  
Tenant Scan  
Landlord Protection Agency  
Multihousing Credit Control  
ASP  
Credit Data Report

Following are several charts compiling the information gathered. At the end of the section, companies' comments are summarized in a narrative.

**TABLE I: Tenant screening companies**

This chart lists the different kinds of information reported by the tenant screening companies. Overall, most of the companies cover the same basic information. Some companies provide more details or more commentary notes. Two remarks related to unique services would be that 1) one company provides information on public assistance and track Section 8 voucher tenant portion payment history, and 2) another summarizes the report into an actual score, similar to the credit score used in credit evaluation.

	<b>Rental History</b>	<b>UDs</b>	<b>Employment</b>	<b>Public Assistance</b>	<b>Credit History</b>	<b>Credit Inquiries</b>	<b>Criminal History</b>	<b>Public Records</b>	<b>Summary</b>	<b>Other Comments</b>
<b>Company I</b>	Yes	Yes	Yes	Yes			Yes			Yes
<b>Company II</b>	Yes	Yes, in comment section	Yes		Yes	Yes	Yes			Yes, UDs
<b>Company III</b>	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Yes
<b>Company IV</b>	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes, credit score	Yes

**TABLE II: Rental history**

This chart provides more detailed information about what information is provided with regard to rental history information. Here all the providers are pretty consistent, except for the unique service related to Section 8 tenant portion payment history, one company tracking unauthorized pets, two companies tracking evictions (beyond UD records) and number of occupants in previous living arrangements. It should also be noted that most companies check two landlord histories, and only one company limits itself to the current landlord. Here again, beyond the general commonalities, there are variations in levels of details.

	# of Landlord Inquiries	Verify Owner	Proper Notice	Length of Occupancy	Rent Amount	Sect. 8 Portion	Payments History	Problems, Violations	Evictions	Would Re-rent	Security Deposit	Pets	# of Occupants	Cmnts.
Company I	2	Yes	Yes	Yes	Yes	Yes	Yes	Yes		Yes				Yes
Company II	2	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company III	1	Yes	Yes	Yes	Yes		Yes	Yes, a whole list: warning letters, unauthorized tenants, unauthorized pets, noise, disturbance complaints, police calls	Yes	Yes, in comment	Yes			Yes
Company IV	2 - 4	Yes	Yes	Yes	Yes		Yes	Yes, individualized lists	Yes	Yes	Yes		Yes	Yes

**TABLE III: Employment**

In terms of employment information, most companies were consistent. Except for one company that also inquired into the continuity of the employment history and into whether the employer would re-hire the applicant. Here again, it would be noted that one company limited itself to the current employer, while the others checked the previous employer as well.

	<b># of Inquiries</b>	<b>Length of employment</b>	<b>Position</b>	<b>FT-PT</b>	<b>Salary</b>	<b>Continued Employment</b>	<b>Eligible for Re-hire</b>	<b>Other comments</b>
<b>Company I</b>	1	Yes	Yes	Yes	Yes			
<b>Company II</b>	2	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Company III</b>	1	Yes	Yes	Yes	Yes			Yes
<b>Company IV</b>	2	Yes	Yes	Yes	Yes			Yes

**TABLE IV: Credit history**

Credit information is primarily obtained from credit report companies. However, most companies tend to compile and present the information in their own ways and forms. Only one company may just attach a copy of the credit report. Unique services: one company double-checks inconsistencies; another one evaluates rent-to-income, as well as debt-to-income ratios, tracks monthly payments, and provides a credit score.

Note: Company I is left blank as no actual credit report or credit report information was included in the sample response they sent.

	Use Credit Co.	Credit Scoring	Payment History, Length of History, Late Payments	High Credit	Balance	Monthly Payments	Public Filing	Bankruptcy	Collection	Payment of Delinquencies	Rent to Income	Debt to Income	Inconsistencies
Company I													
Company II	Yes	Yes, if requested by client	Yes	On credit report	On credit report	On credit report	Yes	Yes	Yes	Yes			
Company III	Yes	No	Yes for history, no for late payments	Yes	Yes		Yes	Yes	Yes	Yes			Yes
Company IV	Yes	Yes	Yes for history, Yes, for late payments; oldest trade reference	Yes	Yes	Yes	Yes	Yes	Yes	Yes, delinquent debt total	Yes	Yes	

**TABLE V: Criminal history**

Criminal history checks are pretty consistent across the industry.

	County	Multi County	State	Level of Crime/Charges	Date of Crime	Disposition of Case
<b>Company I</b>	Yes		Yes	N/A	N/A	N/A
<b>Company II</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Company III</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Company IV</b>	Yes	Yes	Yes	Yes	Yes	Yes

**TABLE VI: Price**

General comments would be that prices vary greatly. Three major factors might be 1) manual handling of information vs. reliance on automated systems, 2) size of the company, whether there would be economy of scale, and 3) the kinds of services/packages of services requested. It should be noted that all companies offer volume discounts.

	Bare Minimun	Standard Basic	2 <sup>nd</sup> level	Super Package	Criminal Checks	Landlord Refs	Credit Reports	Employment Verification	Add'l. services
<b>Company I</b>	\$18, 90 county UD check, credit check, and either Hennepin or Ramsey Cty criminal check; add statewide criminal check, \$23; joint \$31; takes about 3 hrs	\$26 (\$34 for joint), 90 county UD check, credit check, employment, rental (up to 2 LLs); need at least 24 hrs or more	Add criminal check, \$30	\$35 (\$42 joint) for 90 county UD check, credit check, employment, statewide criminal check, plus current and previous rental check; need 24 hrs or more	Statewide, \$10; Hennepin/Ramsey, \$6; Other MN Counties, \$10; Out of state County, \$20; MN statewide Caretaker/ Manager, \$30; Out-of-state Statewide, \$35	Additional LLs, More than 1, \$4; long-distance charge \$3	Safe-scanned, \$9.50; joint, \$14	Standard \$8	UD only, \$6; Hard copy Mailing, \$2.50; Property Ownership Verification, \$5; Incomplete Application Charge, \$5

	Bare Minimum	Standard Basic	2 <sup>nd</sup> level	Super Package	Criminal Checks	Landlord Refs	Credit Reports	Employment Verification	Add'l. services
<b>Company II</b>	\$10-\$20	Credit bureau report plus renters summary, \$25 includes credit rpt., ___ check, residency cert., income cert.	\$35, includes standard plus 7 county BCA criminal check	Same as 2 <sup>nd</sup> level.	\$10, BCA/7 metro county check; out-of-state check is \$15 to \$18	\$7	\$10, same for couples	\$7	Married couples are treated as one; except when doing out-of-state criminal checks
<b>Company III</b>	\$12	\$32, includes UD check, individual credit report, employment, landlord references, 2 metro county criminal check; different pricing for married couple		Research, more detailed than standard, \$20/hr	2 metro ct, \$7; 3 metro ct, \$10; 4 metro ct, \$15; 5 metro ct, \$20; MN BCA (statewide) public access records search, \$5; MN BCA records search "informed consent", \$22; FBI, non-metro, out-of-state, prices vary.	\$6, verification of one (current or previous) landlord; online access to property ownership via PINPOINT	\$10, for Equifax/CSC or Trans Union report; joint, \$14	\$4	UD search, statewide ct, plus in house UD database with 233,000 names; online direct to Hennepin Cty computer files, \$9; UD and credit report, \$16; Driver's license/ vehicle record check, \$6; Bank reference, \$5; UD filings, \$300; DTEC, search for credit bureau records of SS#, \$4; Retrace, search credit company records for previously know address to locate a current or more recent address, \$4; Flat fee for long distance calls, \$1; Flat fee for mailed reports, \$1

	<b>Bare Minimum</b>	<b>Standard Basic</b>	<b>2<sup>nd</sup> level</b>	<b>Super Package</b>	<b>Criminal Checks</b>	<b>Landlord Refs</b>	<b>Credit Reports</b>	<b>Employment Verification</b>	<b>Add'l. services</b>
<b>Company IV</b>	\$10 - credit only. \$20 - credit, 5-county criminal + statewide B.C.A. and eviction history	Credit report, local criminal search, eviction history, \$20-25	Add Scott + Carver counties for 7-total metro county crim check + BCA - \$2.00 surcharge.	Employment, rental references, bank references, out-of-state-criminal, UD searches, \$32-40	Statewide + 5-metro counties only = \$15. Add Scott + Carver = \$2. Out-of-state available.	3 - 5 yr address history standard. \$5 surcharge beyond.	\$10 - national credit report only. One fee for married applicants.	No long distance charges. Current + previous employment verified at no additional charge.	Employment checks, corporate/commercial checks also available.

## NATIONAL INTERNET SCREENING COMPANIES

In the data gathering process for this study on application fees, national internet screening companies could not be missed. Following would be some basic information about two of those, Saferent and National Tenant Network (NTN).

NTN appears to be pretty similar to local companies in the prices they charge. Unique features that they share with Saferent, the other national internet company featured in this study are:

- unique statistical scoring formula and system
- fast speed due to internet connection infrastructure to information sources, plus availability of own database
- claims of benefits related to fair housing and objective tenant selection concerns
- availability of standard forms.

Saferent is a very unique model in the sense that it charges a single, very low fee of \$14.95 per report. In a telephone conversation with Rick Kopp, Marketing Director, he indicated that:

- 1) investors provided millions of dollars to develop the product and start the product, reducing business costs;
- 2) efficiency has been increased due to an innovative scoring model developed by Harvard professors;
- 3) efficiency is increased by automation; and
- 4) they have developed relationships and have negotiated agreements with credit report companies, such as Equifax, with the social security number database office, with criminal database agencies, so that they are able to get data faster and at a cheaper rate.

In conclusion, Rick Kopp stated that he did not think the model could be replicated locally.

In addition, Saferent offers a special service for screening of affordable housing applicants. Danielle Locke, Affordable Housing program staff, provided the following information regarding the affordable housing screening differs from the market rate housing screening:

- a) the statistical credit model has been modified to accommodate lower income as not being a screen out variable factor;
- b) according to subsidized housing rules, applicants cannot be screened out for having no credit or little credit, they can only be screened out for bad credit;
- c) voucher programs dictate that applicants cannot be screened out if the voucher portion is equal or greater than the tenant's portion of the rent;
- d) Saferent can provide the landlord with an adverse action letter that will contain the specific language complying with subsidized housing rules;
- e) If the landlord has both market rate and subsidized units, the computer query will be able to select which screening model to run (market rate or affordable).

Saferents does not do income verifications. The cost is the same to run a market rate and an affordable housing screening.

The following factors appear to contribute to the low costs of the national companies:

1. those national companies need to contract with local agents to gather local data and input into the national database; costs of those services in different states will vary and will even out in the aggregate;
2. volume discounts are available;
3. economy of scale appears to be a factor in efficiency;
4. internet technology reduces time and costs for information gathering and dissemination;
5. information required from the applicants appear to be minimal: name, former address or zip code, SSN, basic financial information; and

As mentioned by a local screening company, a major issue may be how reliable people believe automation and national databases can be.

**TABLE I: National Internet screening companies**

	<b>Saferent</b>	<b>National Tenant Network</b>
Services and Fees	<p><b><u>\$14.95/ report, Statistical scoring model, includes</u></b></p> <ul style="list-style-type: none"> <li>• Fraud check of SS#s</li> <li>• Likelihood of paying (riskiness given income and debt from 2/3 of the US</li> <li>• Criminal search, checks for felony and misdemeanor criminal records in 50 states load, bill paying history including late payments and collection actions)</li> <li>• Evictions check</li> </ul>	<ul style="list-style-type: none"> <li>• \$35 set-up fee, onetime, lifetime membership fee</li> <li>• \$8, instant tenant performance report</li> <li>• \$8, instant retail credit report</li> <li>• \$17, instant statewide criminal (17 states)</li> <li>• \$12 county (24-48 hrs) criminal checks, may have surcharges</li> </ul> <p>3 Packages US NETWORK REPORT, 55 minutes or less</p> <ul style="list-style-type: none"> <li>• retail network national coverage, \$9</li> <li>• tenant performance (eviction filings, lease violations, SSN check/verification, landlord verifications), \$9</li> <li>• combination of the above, \$17.50</li> <li>• full service (tenant performance, retail credit, employment verification (surcharges apply), landlord verification), \$35</li> </ul> <p>IRSS REPORT, Software screening, 24/7, instant results</p> <ul style="list-style-type: none"> <li>• IRSS software, \$50</li> <li>• Scored retail credit, \$8.50</li> <li>• Tenant performance (eviction filings, lease violations, SSN check/verification, landlord verifications) <ul style="list-style-type: none"> <li>• County criminal, \$25</li> </ul> </li> </ul>

	Saferent	National Tenant Network
		<p data-bbox="922 266 1287 373"><b><u>E-SCREENING.NET-Internet Screening, 10-15 seconds</u></b></p> <ul data-bbox="1019 384 1287 898" style="list-style-type: none"> <li data-bbox="1019 384 1287 457">• <b><u>Retail credit report, \$8</u></b></li> <li data-bbox="1019 464 1287 537">• <b><u>Scored retail credit, \$9</u></b></li> <li data-bbox="1019 543 1287 617">• Tenant performance, \$8</li> <li data-bbox="1019 623 1287 697">• Criminal background check, \$12</li> <li data-bbox="1019 703 1287 898">• IRSS report, credit summary/alerts, automatic rejection letter (available upon request)</li> </ul> <p data-bbox="922 936 1162 961"><b>Additional services</b></p> <ul data-bbox="974 972 1287 1463" style="list-style-type: none"> <li data-bbox="974 972 1287 1098">• Criminal background checks (national and county, 24/48 hrs response), \$17</li> <li data-bbox="974 1104 1287 1167">• Individual Canadian retail report, \$35</li> <li data-bbox="974 1173 1287 1236">• Business retail credit, \$55</li> <li data-bbox="974 1243 1287 1268">• SSN trace, \$5</li> <li data-bbox="974 1274 1287 1337">• Landlord verification, \$10</li> <li data-bbox="974 1344 1287 1407">• Employment verification, \$10</li> <li data-bbox="974 1413 1287 1476">• Banking verification, \$10</li> </ul>

	<b>Saferent</b>	<b>National Tenant Network</b>
Area of Service	<ul style="list-style-type: none"> <li>• 2/3 of the US, includes MN</li> </ul>	<ul style="list-style-type: none"> <li>• 20 states (Arizona, Arkansas, California, Connecticut, Georgia, Florida, Idaho, Indiana, Minnesota, Mississippi, New York, North Carolina, Ohio, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, and Wisconsin) and growing for tenant performance</li> <li>• national for retail credit reports</li> <li>• 20 states and growing for national criminal background checks</li> <li>• county criminal searches take between 24 and 48 hrs</li> </ul>
Information gathered from applicant	Minimal: social security number, monthly pre- tax income, zip code, monthly rent and deposit.	

	<b>Saferent</b>	<b>National Tenant Network</b>
Cost-effectiveness factors	<ul style="list-style-type: none"> <li>• 30 second response</li> <li>• objective computer analysis, statistical scoring model</li> <li>• standard form letters addressing specific concerns regarding fair housing and affordable housing legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>• shorter time responses and decisions (before the applicant leaves)</li> <li>• hard data, less uncertainty</li> <li>• exclusive score factors in the applicant's total financial picture, leasing history, and eviction history</li> <li>• more complete eviction records (collected at filing and no waiting until disposition; collect all eviction actions; information available right away at time of filing and not months later)</li> <li>• large database compiled since 1980</li> <li>• automated scoring avoids fair housing mistakes</li> </ul>

## **ZERO WAIT: PRE-SCREENING PROGRAM**

Zero Wait is a for-profit service offered by Rental History Reports, Inc (RHR). For a fee of \$54.95 (minus \$5 discount with a brochure application), prospective tenants can have a tenant report researched and filed with RHR, for a period of 30 days. Applicants can view a list of 650 member landlords/property owners/managers in the metro area and see the current rent being charged by those sites and the various amenities and/or features of the property. The background report can be sent to as many properties they would be interested in living in and that they can afford, however RHR recommends that only 3 properties be selected at a time to avoid confusion. The report on file can be renewed for an additional 30 days for an additional \$15. At that point, most parts of the report will be updated, including credit, criminal, and eviction data (the only pieces that are not re-verified are previous employment and rental references). However, that is the longest the file will be kept. Afterwards, if the applicant has still been unsuccessful in securing housing, she / he would need to re-start the whole process. However, most zero-wait applicants find housing in their first 30-day period.

This service is primarily intended to assist landlords/property owners/managers, as it is a pre-screening tool, which provides complete information in a much shorter time for a better value (report on file, costs of getting it done reduced, time to get it done reduced).

However, the service also benefits renters, as they will avoid paying too many application fees.

The vision for this service is that it would be comparable to the pre-qualification process in the home buying process, where both real estate agents and prospective homebuyers know what they should be looking for.

## SECTION VII: State and Local Laws and Regulations Relating to Application Fees

	<b>Bar on fee</b>	<b>Limit on fee amount</b>	<b>Disclosure</b>	<b>Return</b>	<b>Remedies</b>
Minnesota MSA 504.173	If the landlord knows or should have known no unit is available now or in the reasonable near future	Cost of checking the tenant's references	On the application form or orally, must disclose name, address, phone number of the tenant screening company	Shall return any amount not used to perform a reference check; or obtain a consumer credit report or tenant screening report	If a violation occurs, the landlord is liable for the application fee, plus a civil penalty up to \$100, court filing fees, and reasonable atty fees.
California Cal. Civil Code, Section 1950.6	Unless the applicant agrees in writing, a landlord or his or her agent may not charge an applicant an application screening fee when he or she knows or should have known that no rental unit is available at that time or will be available within a reasonable period of time.	Cannot be greater than the actual out-of-pocket costs of gathering information concerning the applicant, including, but not limited to, the cost of using a tenant screening service or a consumer credit reporting services, and the reasonable value of time spent by the landlord or his or her agent in obtaining information on the applicant.  Cannot be greater than \$30/applicant, to be adjusted annually commensurately with an increase in the Consumer Price Index, beginning 1-1-98.	Must provide, personally or by mail, a receipt for the fee paid by the applicant, which receipt shall itemize the out-of-pocket expenses and time spent by the landlord or his or her agent to obtain and process the information about the applicant.  If an application fee has been paid by the applicant and if requested by the applicant, the landlord or his or her agent shall provide a copy of the consumer credit report to the applicant who is the subject of that report.	If no personal reference check is performed or no consumer credit report is obtained, the landlord and his or her agent shall return any amount of the screening fee that is not used for the purposes authorized by this section to the applicant.	
Delaware Del. Code Ann. Tit. 25, Section 5514		Limited to no more than 10% of the monthly rent or \$50	Must provide a receipt to the applicant.  Must keep records for 2 years of all application fees charged and amounts.		If the landlord charges more than the allowable fee, s/he can be liable to twice the amount of the fee.

	Bar on fee	Limit on fee amount	Disclosure	Return	Remedies
<p>Maryland</p> <p>Md Real Property Code Ann. Section 8.213</p>			<p>Right to a written explanation of exactly what expenses were incurred and what the cost of each item was.</p>	<p>Landlord can keep a fee of \$25 or less; if the fee was greater than \$25, return any amount not actually used to process the application within 15 days after move-in. If there was no move-in, upon written notification from either party, return any amount in excess of application-related expenses</p> <p>Note: landlords offering 4 or less units for rent, seasonal and condominium rentals are exempted.</p>	
<p>Oregon</p> <p>Or. Rev. Stat. Section 90.295</p>	<p>Cannot charge a fee if the landlord is or should have been aware that no units are available now or in the near future; except is tenant agrees otherwise in writing.</p> <p>Conditions before charging application fees:</p> <p>1) landlord must adopt written screening or admission criteria 2) written notice to the applicant of the amount of the charge, the criteria, the process, the right to dispute.</p>	<p>Fee can be no larger than the actual cost (screening agency fee plus reasonable value of actual time spent by landlord) of screening the applicant, and may not exceed the customary amount charged by screening companies for a comparable level of screening.</p>	<p>Must provide a receipt for application screening fee.</p> <p>Must give written notice of admission criteria, what the screening will involve, cost, plus right to dispute any incorrect information.</p>	<p>If no screening is done, fee must be returned within a reasonable time.</p>	<p>If violation, liable for \$100 plus the amount of the fee charged.</p>

	<b>Bar on fee</b>	<b>Limit on fee amount</b>	<b>Disclosure</b>	<b>Return</b>	<b>Remedies</b>
<p>Oregon</p> <p>Or. Rev. Stat. Section 90.295</p> <p><i>(Continued)</i></p>	<p>3) give actual to the applicant of an estimate of the number or rental units in the area of choice that are/will be soon available, including the approximate number of applications previously accepted and remaining under consideration for those units.</p>		<p>Whether the applicant paid an application fee or not, if the applicant is rejected based on a tenant report, the landlord must disclose that fact at the time of denial and must disclose the name and address of the screening agency at the time of denial.</p>		
<p>Vermont</p> <p>Vt. Stat. Ann. Tit. 9, Section 4456a</p>	<p>A landlord or a landlord's agent shall not charge an application fee to any individual in order to apply to enter into a rental agreement for a residential dwelling unit. This section shall not be construed to prohibit a person from charging a fee to a person in order to apply to rent commercial or nonresidential property.</p>				
<p>Virginia</p> <p>Va. Code Ann. Section 55-248.6:1</p>				<p>If more than \$20 and the applicant does not move in, refund within 20 days, any amount in excess of the landlord's actual expenses and damages. If the fee was paid by cash, certified check, cashier's check, or postal money order, the refund must be</p>	<p>Portion of the fee wrongfully withheld and reasonable atty fees.</p>

				made within 10 days.	
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	<b>Bar on fee</b>	<b>Limit on fee amount</b>	<b>Disclosure</b>	<b>Return</b>	<b>Remedies</b>
<p>Washington</p> <p>Wash. Rev. Code Section 59.18.257</p>		<p>Charge only the cost of using a screening service or if no screening service is used, charge only the actual cost (include long distance calls and time spent on calling landlords, employers, and financial institutions) incurred by the landlord but not exceed the customary costs charged by screening agencies.</p>	<p>Written notification of what the screening entails, the right to dispute the information, and provide the name and address of the screening agency used.</p>		<p>Liable up to \$100, plus court costs, plus reasonable atty fees.</p>
<p>Wisconsin</p> <p>Chapter 134 from the Wisconsin Department of Agriculture, Trade &amp; Consumer Protection</p>	<p>b) A landlord may not require a prospective to pay for a consumer credit report under par. (a) if, before the landlord requests a consumer credit report, the prospective tenant provides the landlord with a consumer credit report, from a consumer credit reporting agency that compiles and maintains files on consumers on a nationwide basis that is less than 30 days old.</p>	<p>a) A landlord may require a prospective tenant to pay the landlord's actual cost, up to \$20, to obtain a consumer credit report on the prospective tenant from a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis. The landlord shall notify the prospective tenant of the charge before requesting the consumer credit report, and shall provide the prospective tenant with a copy of the report.</p>			

	Bar on fee	Limit on fee amount	Disclosure	Return	Remedies
<p>Salt Lake City, Utah</p> <p>City Code, 1987</p> <p>Title 5, Business Taxes, Licenses, and Other Regulations</p> <p>Section 5.14.100</p>	<p><b>Bar on</b> application fees, due to the present shortage of available rental housing particularly for low- and middle-income persons; due to excessive application fees; due to the fact that application fees have caused a significant number of low- and middle-income persons to be unable to find housing.</p> <p>Such a bar is necessary and proper to provide for the safety, preserve the health, promote the prosperity and improve the morals, peace, good order, comfort and convenience of the City and its inhabitants.</p>				<p>A violation of this section shall constitute a misdemeanor and shall be grounds for the denial of an apartment house operating regulatory license application or the revocation of the existing license.</p>
<p>Utah (bill proposed in 2000, not passed)</p> <p>SB 42</p>		<p>Reasonable cost of verifying the information in a rental application and investigating credit and rental history.</p>		<p>Must return fees for applications not processed when units are no longer available.</p> <p>Note: must process applications in the order received.</p>	<p>Liable for three times the amount of the rental application fee or processing fee paid by that person, plus court costs, plus reasonable atty fees.</p>

## VIII. POSSIBLE OPTIONS

Below is a description of the two possible options as ways to reduce the burden on tenants of payment of multiple application fees.

### **OPTION 1. PRESCREENING AND LIMITATION ON APPLICATION FEES**

Option 1 would condition a landlord's ability to charge an application screening fee on fulfilling certain requirements. In order to charge an application screening fee, landlords must have written admission criteria which are provided to all prospective applicants, a pre-screening process, and must follow certain procedures in the application process. Landlords who do not want to charge an application screening fee are not required to comply with these provisions.

Option 1 is a variation on the Oregon law restricting the use of application screening fees. Option 1 adds a pre-screening process to the Oregon model. This proposal sets a time-limit for processing of applications. Unlike the Oregon model, it does not allow exceptions to the restrictions on collection of an application screening fee. This proposal also provides for stiffer the penalties than the Oregon model for failure to comply with the law.

The elements of the pre-screening process and the admission process are described below.

#### **I. Prescreening:**

The pre-screening process must meet the following conditions.

- A. Landlords must provide each potential applicant with a copy of the written admission criteria and a pre-screening form to complete.
- B. The short pre-screening form would ask the prospective tenant to do a self-evaluation as to whether they meet the admission criteria.
- C. Based on the pre-screening form, the landlord would make an initial determination on the same day about whether the potential applicant meets the admission criteria to help the potential applicant decide whether he or she should submit a full application or not, and pay a fee for a full screening.
- D. The pre-screening forms must be kept on file for a period of 1 year.

#### **II. Application Process:**

A. If a prospective tenant decides to make an application, landlord must provide each applicant with written notice of:

- 1) The admission criteria;
- 2) the application process (whether a screening company is used and which one, credit reports, public records or criminal records or contacts employers, landlords or other references);
- 3) the right to dispute the accuracy of any information provided to the landlord by a screening company or a credit reporting agency;
- 4) an estimate, made to the best of the landlord's ability at that time, of the approximate number of rental units of the type and in the area owned or managed by the landlord that

are or will be available in the near future, including the approximate number of applications previously accepted and remaining under considerations for those units; and  
5) the application screening fee amount.

- B. A full screening must be completed within 3 business days after completion of the application form and payment of the application screening fee.
- C. Only one prospective tenant's application may be processed at a time.
- D. If screening report comes back substantially the same as the pre-screening form completed by the applicant, the landlord must offer a unit to the applicant.

E. Earnest money.

1. Landlords are authorized to charge an earnest money deposit, not to exceed \$150 or 10% of the monthly rent, whichever is the lowest, upon completion of the pre-screening process, pending the full application process. The earnest money deposit is intended to provide some security for the landlord who will be keeping the unit vacant while a full application is being processed. Penalties will be attached to abuses of that privilege.

2. The applicant forfeits the earnest money deposit under the following conditions:

- a) the applicant is accepted but decides not to take the unit, or
- b) the applicant has not truthfully completed the pre-screening self-evaluation and is denied on the basis that the applicant does not meet the admission criteria.

3. Such earnest money deposit will be applied toward a full security deposit if the application is approved and the applicant accepts the unit.

4. The earnest money deposit must be returned within 3 days of the landlord's notice of rejection to the applicant, or must be refunded immediately to the applicant if the applicant chooses to come and personally get the refund. Failure to return prospective tenants' earnest money deposits as provided in this statute will result in penalties of 3 times the amount of the earnest security deposit.

F. Landlords must disclose when denials are based upon tenant screening company's or consumer credit reporting company's information; and must provide the applicant with the name and address of that company.

G. Penalties.

Applicants can recover from the landlord the amount of any applicant screening charge paid, plus \$100, if:

- a) the landlord fails to comply with the requirements of this section and does not within a reasonable time accept the applicant's application for a rental agreement; or
- b) the landlord does not conduct a screening of the applicant for any reason and fails to refund an applicant screening charge to the applicant within a reasonable time.

Below is a brief summary of some of the pros and cons of the proposal for pre-screening and limitation on application fees.

Pros:

- 1) Having a pre-screening form that applicants must complete will address the problem of applicants just doing a quick read of the criteria and not really knowing what the criteria are, which Portland reported has been an issue.
- 2) Conducting a quick pre-screening will decrease the number of application fees that applicants pay when they know what the admission criteria are, take the time to evaluate whether they meet the criteria when completing the pre-screening form, and when landlords can tell them right away whether they should go through a full application or not.
- 3) Advocates from Portland have highlighted the requirement that the landlord disclose the number of available units and pending application as being the most effective element in helping prospective tenants make informed decisions about whether to go through an application process, and whether to pay an application fee or not.
  - 3) The earnest money deposit enables the landlords to feel more secure about holding units vacant while they are processing full applications for prospective tenants based upon the applicants' self-evaluation
  - 4) the earnest money deposit and penalties adds both an incentive for landlords to use the pre-screening and full screening process and a deterrent to wrongfully keep earnest money deposits.

Cons:

- 1) Advocates in Portland and Wisconsin noted that earnest money deposits providing security for landlords while applications were being processed have been problematic. Those deposits become an additional barrier for low/moderate income prospective tenants. Furthermore, the penalties for landlords failing to return the deposits have been too low in those states..
  - 2) Landlords may not be willing to make exceptions to the written criteria for fear of litigation. This may be a barrier to organizations who work with hard-to-house tenants and offer the landlord some additional assurances in order to persuade the landlord to accept a tenant who otherwise does not qualify.

## **OPTION 2. PORTABLE, CERTIFIED TENANT SCREENING REPORT**

State law would establish the elements of a standard, portable tenant screening report.

All tenant screening companies doing business in Minnesota would be required to offer a tenant screening report that contains certain information, that is certified and may be carried by prospective tenants to prospective landlords. Landlords must accept certified reports that contain the required information, as long as the report is less than 30 days old.

The maximum fee that may be charged for the report is \$45 (adjusted by the annual CPI).

A. The portable screening report must contain information on the following:

- 1) Criminal history: for applicants living in Greater Minnesota, reports from the county in which the prospective tenant lives and 2 adjacent counties, for applicants living in the metro area, reports from the 7 counties in the metro area, and BCA information.

- 2) Employment history: 2 most recent employers, including position, current wage, length of employment, FT or PT.
- 3) Landlord's referrals: 2 most recent landlords, including verification that the landlords listed are the proper landlords, proper notice was given, length of occupancy, rent amount, payment history, complaints, evictions, and willingness to re-rent questions
- 4) Rental history: UD records
- 5) Credit history: credit report from a national credit reporting bureau, which typically include information regarding bankruptcy, collection and payment delinquencies
- 6) other sources of income verification: government benefits, rental assistance, child support, etc.

B. Landlords have the option to seek additional information in their tenant screening reports, however, they will be responsible for those extra costs.

C. Prospective tenants who falsify their portable tenant report will be liable for up to \$450 or ten times the amount of the standard tenant report cost.

D. Existing and future tenant screening companies will be required to go through a basic training resulting in a professional certification from the Minnesota Department of Commerce. This is intended to initiate and promote the use of the standard, portable, certified tenant screening report, and to provide some assurance of a full understanding of the requirements.

Below is a brief summary of the pros and cons of the portable screening report option.

Pros:

Landlords keep their choice of tenant screening companies.

The portable reports will be certified with a tamper-proof stamp, still to be designed: Each page of the tenant's copy of the report will be certified with a tamper-proof stamp, so that landlords can be assured of the authenticity of the portable tenant screening report.

The portable reports will limit the need for duplicative expenditures.

Cons:

Changes in a prospective tenant's situation during the 30 day period will not be reflected in the report.

Landlords who do their own screening now will be forced to use a product they have not chosen to use. Also, landlords will be required to accept reports from companies they have not chosen to use.

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