Testimony in Opposition to HB 3974 – Residential Applicant Screening Charges

Chair and Members of the Committee,

I appreciate the opportunity to provide testimony regarding HB 3974, which seeks to cap residential applicant screening fees at $20 and extend certain screening requirements to landlords who do not collect such fees. While the bill's intention to reduce financial burdens on renters is commendable, I must strongly oppose it due to the negative implications it would have on landlords, property managers, and ultimately, tenants and communities themselves.

1. Landlords Do Not Profit from Screening Fees:

It is important to note that landlords do not profit from applicant screening fees. These fees are simply a mechanism to cover the actual costs of background checks, credit reports, and other screening processes that landlords must conduct to evaluate potential tenants. The idea that landlords are making money off of these fees is a misconception. In fact, the fees landlords collect often fall short of covering the true cost of these evaluations. Existing laws already ensure that screening fees cannot exceed the actual cost of the screening process, ensuring fairness for tenants.

2. Breakdown of Application Screening Costs:

To better understand the reality of these costs, let me provide a breakdown of typical fees:

Estimated Cost Breakdown Per Applicant Screening Report	
Description	**Cost**
Credit Check without FICO Score	$3.50
Credit Check with FICO Score	$5.50
Oregon Criminal Records Search (per name)	$1.25
Washington Criminal Records Search (per name)	$1.25
Criminal Records Search in many counties (per name)	$1-5
Criminal Records Search in Texas (per name)	$3.25
Criminal Records Search in Alabama (per name)	$9.99
Criminal Records Search in Colorado (per name)	$10
Criminal Records Search in Michigan (per name)	$10
Criminal Records Search in Massachusetts (per name)	$25
Criminal Records Search in Tennessee (per name)	$65
Labor Cost	$15.95*- $50+
Additional Costs: Software, Equipment, Training, Faciliteis, Admin, & etc.	$+
Total Cost	**$21.95- 155.50+**

When combined, these costs often exceed the screening fee collected from tenants, meaning landlords do not profit from these charges. Rather, the fees are necessary to cover the operational costs of maintaining a smooth rental process.

3. Impact on Landlord Business Operations:

Limiting these fees would shift the financial burden of tenant screening onto landlords, especially small property owners who are already operating on narrow profit margins. This could create significant financial strain on these landlords, ultimately leading to fewer available rental properties in the market and potentially higher rents to compensate for the loss of revenue from the fees. In the long run, tenants may find themselves facing less affordable housing options.

4. Risk of Increased Costs for Tenants:

While the intention behind HB 3974 is to reduce upfront costs for tenants, the unintended consequence could be higher rents across the board. In an effort to absorb the costs of screening, landlords may increase monthly rental rates. This could ultimately lead to higher overall housing costs for tenants, especially those in the lower-income brackets that the bill seeks to protect.

5. Increased Risk of Fraud, Unqualified Tenants, and Reduced Community Safety:

One of the most concerning implications of this bill is the potential negative impact on community safety. Applicant screening, including background checks, is crucial for ensuring that landlords are renting to responsible tenants who do not pose a risk to the safety of the property or the neighborhood. Without the ability to charge the full cost of screening fees, many landlords may be less inclined to conduct thorough background checks or may cut back on other screening processes. This could result in more individuals with criminal histories, including violent or property-related offenses, being approved for tenancy. The increased presence of individuals with criminal backgrounds can elevate the risks of property damage, theft, and even violent incidents in communities, making it harder for residents to feel safe in their homes.

6. The Oregon Housing Crisis, Market Overregulation, and Unintended Consequences:

Oregon is currently facing a housing crisis, with rising demand for affordable rental properties and limited supply. Overregulating the rental market, particularly with bills like HB 3974, exacerbates this crisis. By imposing more constraints on landlords, such as capping screening fees and mandating additional regulations, the state risks discouraging investment in new housing and maintenance of existing properties. Small landlords, in particular, may find it financially unfeasible to continue operating under these burdens. This leads to fewer rental units available, a reduction in housing stock, and ultimately, an increase in rents, further stressing renters and deepening the housing shortage.

HB 3974 represents an overreach into the private rental market, removing a long-standing practice that landlords have used to offset the costs of tenant screening. Property owners should have the ability to manage their own screening processes without unnecessary interference. There are already sufficient protections in place to ensure that screening fees are not abused for profit, making this bill unnecessary and potentially harmful.

Conclusion:

While I understand the goal of reducing tenant costs, I urge the committee to reconsider HB 3974. The bill creates a financial burden for landlords, may lead to higher rents for tenants, and could reduce the availability of housing options. Most concerning, it could compromise community safety by making it more difficult for landlords to adequately screen tenants. Overregulation will only exacerbate Oregon's housing crisis, further limiting affordable housing availability. A more balanced approach is necessary to achieve the goal of affordable housing without unintended negative consequences.

Thank you for your time and consideration.

Sincerely,
Amy Bertrand