



Compliments of the UTAH Apartment Association

Charging Application Fees

When used correctly, an application fee can be a powerful tool to help a landlord minimize risk and screen applicants. They can also protect tenants from higher housing costs caused by tenants making numerous frivolous applications. Learning how to appropriately use application fees can have benefits for neighborhoods, landlords and tenants.

Neighborhoods benefit

For years, every police agency in Utah has begged landlords to run background checks on tenants. Police departments see first hand the damage to neighborhoods that occur when landlords don't screen effectively. Landlord training programs presented by police urge landlords to deny the application of active criminals, those with a history of drugs or violent crime, and people who do not have enough money to meet their own needs.

In cities where fees are banned, it is not uncommon for criminals to apply at ten places in a day, hoping at least one place will be lazy and not do their homework. Make sure you do criminal checks on EVERY single application.

Landlords benefit

It isn't just the neighborhood that is damaged by lack of effective screening. Police agencies and risk managers alike encourage landlords to protect themselves from risk by doing credit and previous landlord checks as well. Moving in either a criminal, someone with a history of not paying rent, or a person who has a history of being disruptive to the neighbors, can hurt landlords as well. And all evidence suggests that if a tenant has abused previous landlord's property or refused to pay rent before, they will likely do it again. In addition, the costs of evicting bad tenants, repairing property damages caused by irresponsible renters and lost rental income can add up to thousands of lost dollars for landlords.

Another way landlords benefit when they charge an applicant fee is that doing thorough checks discourages some tenants from ever applying. For instance, saying you do criminal background checks can discourage a criminal from applying. Requiring a substantial deposit may discourage an applicant who lives paycheck to paycheck. Also, landlords who charge a fee are less likely to waste time checking out someone who won't qualify. In Midvale, an apartment community that recently began charging application fees found their denial rate dropped from 50% to less than 5%, simply because people will not pay a fee to apply unless they are truly serious and know they can qualify.

Tenants benefit

On the other hand, applicants also benefit when they are charged an application fee. First of all, they can rest easier, knowing the landlord is serious about screening, and it is less likely a troublesome tenant could slip into another rental unit nearby. Secondly, if each applicant incurs the cost of their own background check, the landlord won't have to pass that cost onto the other tenants. Paying one fee up front can save tenants money down the road since they will not have to subsidize the applications of future applicants. In places landlords cannot charge fees, it is not uncommon for renters to pay higher non-refundable move in fees to help cover the costs of doing background checks on all the applicants who are denied.

How to make sure your screening system will benefit all neighborhoods, landlords and tenants

- 1 – Have written rental criteria that clearly state what your requirements are for renting. Show each applicant these criteria before taking their application fee. Sample criteria are listed on [page ?](#) but be sure to customize them for your neighborhood and target market.
- 2 – Be thoughtful about creating your criteria. Don't set them too high for the market you serve. However, don't set them so low that risky renters can slip through your system. Make sure you are consistent in applying your criteria, in order to avoid exposure for fair housing violations. Make sure your criteria don't discriminate against people in a protected class.
- 3 – Set your fee based on the costs you incur in screening. Don't gouge. Application fees range from \$15 to \$35 per applicant, depending on the extent of your check and the cost of resources employed. Try to keep the fee as low as possible, to encourage the first interested party to apply.
- 4 – Only charge one fee at a time per unit, and never compare applicants against each other. Comparing applicants can create fair housing violations – it is always better to check one at a time and choose yes or no before charging another application fee.
- 5 – Refund any fees paid if you rent the unit before you do a check.

6 – Consider adding the application fee paid by a low income renter to the refundable security deposit. That way, you will still discourage applicants who can not qualify, but will soften the blow for qualified low income renters.

7 – Be upfront and honest with all applicants. Tell them your rules, and make sure they consult your written criteria before they pay their fee.

8 – Try calling previous landlords first before running credit and criminal checks which cost money. If you find something unacceptable from a past landlord, you can still refund part or all of the fee since you haven't yet incurred the cost of credit and criminal checks.

9 – Never accept a fee from someone you know will not qualify for some reason. Do not run checks on people you know you are going to deny.

10 – Be sensitive to low income renters. While it is not a good idea to waive fees for everyone, consider certain criteria under which you will waive some or all of the fee if the applicant qualifies. Don't waive fees for people unless they qualify.

Landlords have a responsibility to the public to exercise fairness and integrity when using application fees. Using applications fees correctly can help property managers run a responsible business that provides benefits and protections for renters and neighbors alike.

EDITORS NOTE: As of February 15th, application fees are not regulated and are thereby legal in all but three Utah Cities. There are some regulations in Salt Lake County and in Midvale, and in Salt Lake City they are banned completely. Make sure you know you are complying with the law if you are charging an application fee in unincorporated Salt Lake County or Midvale. For more information, contact the UAA at 801-487-5619.