

ISSUE INSIGHTS

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*A service from your
local CAA chapter
and the California
Apartment Association.*



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Prospective Tenants and Screening Fees

When prospective residents apply for rental housing, they may be asked by the owner of the property to cover the cost of any credit reports and other available rental history gathered by the owner. Legally, the rental property owner is allowed to collect a fee to cover the costs to screen the applicant, however, there are important considerations that an owner should know. The California Apartment Association has developed forms for owners to ensure they properly complete this transaction.

What an Owner Can and Cannot Do:

- The amount of the screening fee cannot be greater than the actual out-of-pocket costs of gathering information concerning the applicant, including, but not limited to:
 1. The cost of using a tenant screening service or a consumer credit reporting service, and
 2. The reasonable value of time spent by the owner or his or her agent to obtain the information.
- The initial law provided that in no case, however, can the amount of the application fee charged by the owner be greater than \$30 per applicant. This fee may be adjusted annually by the owner commensurate with an increase in the Consumer Price Index. As of **January 2010**, the adjusted rate is **\$41.72**. The chart for calculating this current figure is provided hereafter.
- Unless the applicant agrees in writing, the owner cannot charge a 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.
- The owner must provide the applicant with a receipt for the fee paid by the applicant. The receipt must itemize the out-of-pocket expenses and the time spent by the owner or his/her employees to obtain and process the information.
- If the owner does not perform a reference check or does not obtain a credit report, the owner must return any amount of the fee that is not used.



If a fee is paid and if a request is made by the applicant, the owner must provide a copy of the credit report to the applicant.

Year Ending	CPI (a)	Increase in CPI over previous year	Increase in fee	Adjusted Tenant Screening Fee
1997	160.5			\$30.00
1998	163.7	1.99%	0.60	30.60
1999	168.5	2.93%	0.90	31.50
2000	174.8	3.74%	1.18	32.67
2001	181.7	3.95%	1.29	33.96
2002	186.1	2.42%	0.82	34.79
2003	190.4	2.31%	0.80	35.59
2004	195.4	2.63%	0.93	36.52
2005	202.6	3.68%	1.34	37.86
2006	210.5	3.90%	1.48	39.35
2007	217.4	3.27%	1.29	40.64
2008	225.0	3.54%	1.44	42.06
2009	223.2	-0.80%	-0.34	41.72

Related Items and Information

- CAA has developed two forms that include the legally required receipt - CAA Form 3.5 – Receipt for Tenant Screening and/or Credit Checking Fees and CAA Form 3.0-R – Application to Rent which has a "tear-off" screening fees receipt at the bottom of the form.
- Civil Code Section 1950.6.
- (a) Annual California Consumer Price Index.

