

Melissa Sweet

Judiciary 2/15/22

From: Lisa Chapman <lchapman@mihomeless.org>
Sent: Tuesday, February 15, 2022 9:28 AM
To: Melissa Sweet
Subject: HB 5566

Comment on House Bill 5566 – Michigan Coalition Against Homelessness

HB 5566 would allow landlords to charge excessive fees to tenants for late payment of rent (and require courts to impose those fees in eviction cases.)

There is not a good legal or public policy basis for HB 5566. This would be especially harmful during a pandemic when tenants with extremely low incomes are more likely to be persons of color and experiencing greater impacts of lost wages and higher costs. (NLIHC.org)

A late fee is a "liquidated damage". For a liquidated damage to be legal, there must be a reasonable relationship between the charge (a late fee) and the costs incurred (by a landlord) because of a breach (the tenant's late payment of rent.) **In a late payment of rent situation, it would be difficult for a landlord to show such incurred costs above \$15/month (loss of use of money plus cost of preparing and sending a late rent notice).**

In Michigan, the HUD "Fair Market Rent" (FMR) for a 2-bedroom rental unit ranges from \$757 to \$1262 (FMRs are below average rents, because they are set at the 40th percentile of an area's rent). *Late fees at the FMR ratel would range from \$76 to \$126. **Late fees at this level (and higher, for average and above average rents) would be excessive and an unnecessary windfall for landlords.*** This fee would go far beyond fulfilling the legitimate purpose of a late fee – to compensate landlords for the costs they incur from late payment of rent.

HB 5566 would only intensify the challenges that low and moderate-income renter families face in meeting their rent obligations. In Michigan, 28% of all renters are extremely low income. A huge shortage of affordable housing in the state results in nearly 75% of Michigan's lowest income renter families paying more than 50% of their incomes toward their housing costs. The steady rent increases they're encountering will only raise this percentage. Higher late fees will make them only **more vulnerable** to falling into a perpetual late fee hole, leading to possible eviction and homelessness, both of which impose huge costs and negative consequences not only on them, but also their communities and the state.

HB 5566 would result in higher evictions and homelessness among persons with low incomes. Please do not approve it. Michigan needs more affordable housing for its low and moderate-income families, not additional rental fees imposed on those least likely to afford them.

Please contact me with any questions.

Many thanks!

Lisa

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