

OTP: HB 1336-FN – Exceptions to the cap on residential security deposits for applicants not meeting standard approval criteria

Position: Support (OTP)

Bill Summary: This bill amends RSA 540-A to allow (but not require) a higher, refundable security deposit—up to 2 months’ rent—when an applicant does not meet the landlord’s disclosed approval criteria, subject to guardrails. It limits eligibility for the higher deposit to defined circumstances (e.g., credit score below the landlord’s requirement where the landlord’s minimum FICO threshold is ≤ 650 , income below the landlord’s requirement where the landlord’s minimum is $\leq 3x$ rent, certain eviction/judgment issues, or lack of rental history). It requires notice to the applicant stating the grounds and creates a tenant option to request re-screening no more than once every 6 months; if the tenant then meets standard criteria, the additional deposit must be removed and refunded or credited within 30 days.

Key Points:

1. Screening is essential consumer protection and a Fair Housing compliance function. Objective criteria protect applicants and landlords by reducing arbitrary decision-making and inconsistent treatment.
2. The real problem is “marginal” applicants who don’t cleanly meet a checkbox but could still be reliable tenants with structured risk mitigation; without such tools, they’re often denied.
3. Exceptions must be structured and programmable. Case-by-case discretion is exactly what creates Fair Housing risk; a standardized compensating-factor pathway is safer than “managerial vibes.”
4. Today’s legal compensating factors are unevenly accessible: co-signers (social capital), surety bonds (often non-refundable and pricing-punitive for low credit), and prepaid rent (liquidity/class privilege). A refundable, interest-bearing deposit is often less regressive than these alternatives.
5. The bill’s guardrails cut against abuse. A landlord with more restrictive criteria (e.g., 700+ FICO or $>3x$ income) cannot use the 2-month option at all and remains bound by the one-month cap.

6. Re-screening creates an off-ramp. This isn't a permanent "poor tax" if the tenant improves; it's a refundable condition that can be removed on demonstrated progress.
7. Equity and disparate impact concerns deserve honesty. Credit outcomes differ materially by race, class, and place, and those gaps emerge early and persist; this is precisely why a transparent, rule-based pathway is preferable to informal discretionary "exceptions" that are harder to audit and more vulnerable to disparate treatment.

Full Testimony

Mr. Chair, Members of the Committee—

My name is Christopher Freeman. I am a housing provider in Keene, Walpole, and Lebanon, New Hampshire where I focus on affordable housing through co-living rentals. I also sit with multiple advocacy groups, including the Monadnock Housing Collaborative. I'm here today representing myself as the drafter of HB 1336, and I respectfully urge the Committee to recommend the bill as **Ought to Pass**.

I want to start by thanking Chairman Alexander and the other sponsors present for their support and advocacy on this bill, and a special thanks to Representative Alissandra Murray for sponsoring from the Democratic side. My objective in drafting it was to produce something moderate and tailored that serves the goals of both parties and the common needs of landlords and tenants.

This bill helps applicants who are facing denial of housing to qualify for a lease by submitting a double deposit. As some safeguards, the landlord must disclose their approval criteria before accepting the application. Those criteria must conform to caps set by the state. The tenant has a right to rescreen to have the requirement removed and the excess deposit credited to rent.

Under current law, New Hampshire caps security deposits at one month's rent for most landlords. However, the very next sentence in the statute expressly authorizes landlords to charge rent quarterly or less frequently.

This produces a latent absurdity. In essentially the same breath, we seem to say:

"Three months of rent up front? An insult to dignity! What do you think this is, Massachusetts? ...But if you've got twelve months' rent plus a deposit, hey kid—welcome home."

This cap was intended to limit the up-front cost of rental housing. Transparently, it has not hurt my business—but I see firsthand about once every three weeks how it hurts tenants. Intent and consequence often work opposite shifts, and the truth is that this consumer protection can and frequently does protect the consumer from things like housing of their choice.

In 2025, I received a total of fifty-one rental applications. Sixteen of them — nearly one in three — required a compensating factor to qualify. Of those sixteen, only three became tenants. The rest either withdrew or were unable to satisfy the options they were offered. That's thirteen people I was prepared to house who didn't get the chance because none of the lawful options we could offer worked for them.

A foundational constraint here is that applicant screening is not optional. Screening serves numerous critical consumer protection functions, not least of which is federal Fair Housing compliance.

In the real world, many applicants fall into a gray zone: not catastrophically unqualified, but not within underwriting norms either — credit a bit low, income slightly short, no rental history.

This is where we need to be honest about the limits of case-by-case compassion in a regulated environment, because discretionary exceptions court Fair Housing risk. Any alternate approval pathways need to be structured and consistent so that they can be offered at scale to any applicant in the same situation.

New Hampshire landlords currently have several compensating factors to choose from, including co-signers, rental surety bonds, and prepaid leases.

But the problem is not whether alternatives exist. The problem is that our current options all presuppose resources the applicant may not have: co-signers depend on social capital, surety bonds are often non-refundable and punitive, and prepaid rent is essentially a liquidity test.

- A co-signer can be a great solution—if the applicant has access to someone creditworthy and sufficiently high income who is willing to sign. Many do not.
- A rental surety bond is an insurance product with non-refundable premiums. For applicants with weaker credit, pricing can be punitive. I have seen tenants pay over \$700 in non-refundable premiums to secure housing.
- Prepaid rent is authorized by statute and in practice correlates strongly with social class: traveling professionals, graduate students with loan disbursements, or well-resourced family support.

With these options considered, I humbly submit that our current deposit framework produces regressive outcomes in screening. It pushes risk mitigation toward tools that presuppose higher socioeconomic standing, or toward financial products whose risk pricing costs the most to those who need it the most.

HB 1336 offers a better middle path: a refundable, interest-bearing security deposit, fully regulated under RSA 540-A—used only when the applicant doesn't meet disclosed criteria, and only where the landlord's criteria fall within evidence-based parameters set by the state.

A landlord who wants to use this tool may not require a FICO score above 650, or an income threshold above three times rent. A landlord whose standards are more restrictive may not use the double-deposit provision and remain bound by the one-month cap. This creates an incentive: if landlords want access to this risk-mitigation tool, they may need to make their criteria more accessible, not less.

The bill also entitles tenants to request re-screening every six months. This is designed to be an off-ramp as circumstances change. People repair credit, increase income, build rental history, and establish trust with their landlord. If they do, the burden is not permanent.

One final point: Under current law, most owner-occupying landlords are already fully exempt from deposit caps. What this bill proposes with restrictions already exists on an unregulated basis throughout the state—just for a narrower class of housing providers.

When I previously fell under this exemption, I accepted a double deposit several times in lieu of credit. In one of those situations, I learned after the new housemate moved in that he was coming out of homelessness.

There are people who do not present well on paper—because their lives have been chaotic, because they are rebuilding, because their history doesn't compress neatly into a score—who still deserve the opportunity to succeed as tenants, and who just might get the chance if property owners can manage the risk in a structured way.

In conclusion: HB 1336 doesn't compel landlords to change their screening practices. It doesn't weaken the one-month cap for qualified applicants. It doesn't remove tenant protections. What it does is extend an existing practice through a regulated, refundable mechanism that is less regressive than the compensating factors we're already using—and certainly less regressive than outright denial of housing.

For those reasons, I respectfully urge the Committee to recommend HB 1336 as Ought to Pass.

Thank you for your time and consideration.

Respectfully submitted,

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Appendix:

540-A:5 Definitions. –

As used in this subdivision:

I. "Landlord" means a person and his or its employees, officers or agents who rents or leases to another person a rental unit, including space in a manufactured housing park as regulated by RSA 205-A and in manufactured housing, for other than vacation or recreational purposes. A person who rents or leases a single-family residence and owns no other rental property or who rents or leases rental units in an owner-occupied building of 5 units or less shall not be considered a "landlord" for the purposes of this subdivision, except for any individual unit in such building which is occupied by a person or persons 60 years of age or older.

II. "Security deposit" means all funds in excess of the monthly rent which are transferred from the tenant to the landlord for any purpose.

III. "Tenant" means any person who rents or leases residential premises owned by another, including space in a manufactured housing park regulated by RSA 205-A and in manufactured housing, for other than vacation or recreational purposes.

IV. "Rental unit" means each separate part of any residential premises which has full facilities for habitation, including contiguous living, sleeping, kitchen and bathroom facilities, which is held out for rental by the landlord.

540-A:6 Procedure. –

I. (a) A landlord shall not demand or receive any security deposit in an amount or value in excess of one month's rent... Nothing in this section shall prohibit a landlord from entering into a written lease that requires the quarterly or less frequent payment of rent; provided... that the security deposit received... may not exceed the equivalent of one month's rent.

Data on Credit Scores

| ResidentScore | Eviction Rate |
|---------------|---------------|
| 350-449 | 12.3% |
| 450-499 | 9.4% |
| 500-549 | 5.8% |
| 550-649 | 1.3% |
| 650-749 | 0.3% |
| 750-850 | 0.2% |

Source: TransUnion, 2026. <https://newsroom.transunion.com/transunion-analysis-collection-records-are-highly-predictive-of-resident-behavior/>

| County | All | White | Black | Hispanic | Asian | American Indian |
|-----------------------------|------------|------------|------------|------------|------------|-----------------|
| Grafton County, NH | 700 | 701 | 677 | 677 | 728 | 654 |
| Carroll County, NH | 698 | 698 | 671 | 702 | 720 | - |
| Rockingham County, NH | 704 | 705 | 659 | 682 | 734 | 662 |
| Strafford County, NH | 693 | 693 | 652 | 670 | 716 | 664 |
| Merrimack County, NH | 699 | 699 | 651 | 674 | 728 | 664 |
| Cheshire County, NH | 696 | 697 | 646 | 663 | 715 | 655 |
| Belknap County, NH | 695 | 696 | 646 | 663 | 716 | 676 |
| Hillsborough County, NH | 703 | 705 | 645 | 661 | 738 | 652 |
| Sullivan County, NH | 682 | 683 | 641 | 658 | 699 | - |
| Coos County, NH | 698 | 697 | - | 684 | 732 | - |
| Average (Unweighted) | 697 | 697 | 654 | 673 | 723 | 661 |

Source: www.opportunityatlas.org