

The State Lawmakers' Guide to Common Junk Fees

Junk Fees – those bogus charges that corporations use to rip off consumers at the end of a transaction, like “convenience” and “processing” fees – cost Americans tens of billions of dollars annually. Consumer Reports estimates the average family of four loses more than \$3,200 per year to junk fees, and much more if they make a significant purchase such as a car.

States can take action to eliminate predatory junk fees in the following key areas, alongside federal efforts from the Biden Administration, the Federal Trade Commission and the Consumer Financial Protection Bureau.

Auto Sales

Junk fees in auto sales affect all Americans who purchase a car through a dealership. Junk fees charged by dealerships are so egregious that when the Federal Trade Commission proposed a rule to eliminate them, more than 11,000 Americans submitted [comments](#) – many claiming hidden fees had cost them several thousand dollars. A finalized FTC rule was released in December, but state legislatures can act to create additional, durable avenues for enforcement.

Cable Bills

According to a *Consumer Reports* [report](#), hidden fees in cable bills affect 69 percent of Americans and raise bills by an average of \$450 per year per customer. This adds up to a total cost to consumers of \$28 billion per year.

Cell Phone Bills

Cell phone bills contain many bogus fees slipped in by providers. Some are blatantly arbitrary, such as the ubiquitous “administrative charge.” Others have names such as “regulatory charge” to give the appearance that they are government-mandated, but in reality they are just providers passing compliance costs onto customers.

Consumer spending on cell phone service has increased [more than 30 percent](#) in the last decade, and [roughly half](#) of Americans now say their plans are overpriced. With sticker prices remaining relatively stable, new and increased junk fees have been providers' preferred method of administering price hikes. AT&T [more than doubled](#) its administrative fee in 2018, while Verizon raised its administrative fee [69 percent](#) in 2022.

Food Delivery

Fees are ubiquitous in the food delivery industry. A *New York Times* investigation found that fees can mark-up the price of a delivery app meal [as much as 91 percent](#) – not including tip. In 2022, Grubhub had to pay [\\$2.7 million](#) to consumers to settle a lawsuit alleging its hidden fees violated Washington D.C. law.

Hotels

Vague and hidden fees like “check-in” and “resort” fees have become ubiquitous in the hospitality industry, costing Americans [\\$2.93 billion](#) in 2018.

Live Event Ticketing

[Forty-four percent](#) of Americans report having experienced junk fees in live event ticketing in the last two years. One study showed that fees on these purchases can lead to consumers spending [21 percent more](#) than they otherwise would.

Rent

A recent [report](#) from the National Consumer Law Center detailed widespread use of arbitrary fees throughout each stage of the renting process, from inescapable “convenience fees” on all payment methods to excessive late fees. The report also uncovered comically bogus fees, such as a \$100 “January fee” one landlord charged each January. This year, a former tenant in Colorado [sued](#) Greystar, the US' largest apartment management company, for bogus monthly charges that were not disclosed until after she had signed a lease renewal agreement.

“Application fees” are perhaps the most prevalent junk fee associated with renting. In addition to being burdensome in a market where prospective renters typically apply to multiple units, research shows that renters of color are [more likely to be charged these fees](#), and are charged more than white renters. Some states have enacted [laws](#) to cap application fees and/or enable prospective tenants to submit reusable background checks.

Rental Cars

[Thirty-one percent](#) of Americans report having experienced junk fees while renting a car in the last two years. These fees can add up to [as much as 80 percent](#) of the base rate of the rental.

Storage Units

Storage unit rents have been rising at an [unprecedented rate](#) in recent years. While this is mainly due to increased demand in a tight housing market, there is also a growing list of bogus fees charged by storage companies. For example, one [review](#) claims Public Storage, the largest self-storage owner and operator, charges a \$24 one-time “admin fee,” mandatory insurance starting at \$15 per month, and late fees starting at 20 percent of monthly rent. Self-storage [trade publications](#) and [industry message boards](#) attest to the prevalence of additional fees such as cleaning and “deposit” fees.

Student Fees

In recent decades, institutions of higher learning have relied on student fees as a way to increase revenues without raising tuition sticker prices. Fees added [over 20 percent](#) to the cost of tuition at the average four-year public university as of 2016.

Many of these fees, such as automatic fees for [books and supplies](#), charge students for goods they could get at lower cost or for free elsewhere. Others, such as library and IT fees, make students pay extra for essential services that should be included in tuition. And some fees correspond to no concrete services whatsoever, such as the common “service” fee or the University of Arizona’s [“First Year Student Fee.”](#)

Utilities

[Forty-one percent](#) of Americans report experiencing junk fees in their utility bills. These fees have become more common in recent years: according to [Consumer Reports](#), from 2015 to 2018 utilities made 158 proposals to state utility commissions to establish or raise fixed fees. These fees are particularly prevalent in the Northeast, where 48 percent of residents report experiencing hidden or unexpected fees (compared to 39 percent in the rest of the US).