

Paying Rent Through

Direct Deposit

Program Benefits Residents, Owners

When residents drop by the leasing office to visit the management staff at CWS Apartments, it's hardly ever to discuss paying rent. Nearly 89 percent happily pay their rent electronically.

About 18 months ago the management company, which operates 18,768 units over 70 communities in four states, mostly in Texas, dropped the option for paying by credit card because its residents balked at the \$25 per month service charge. The charge was based on the average cost CWS had to pay the credit-card companies, based on which card was used.

"The residents were a bit resistant at first, paying through direct debit from their checking accounts, but they love it now," says CWS IT Application Analyst Sharon Harrer, whose company uses RealPage's OneSite system. "They get to control the date and amount of the withdrawal, and once we showed them how to do it, they saw how easy it is."

CWS is particularly proud of its 26 percent recurring payment rate among residents, which is approximately five times higher than the industry average, according to RealPage. "Residents just have to set up the payment once, and then it's taken care of automatically every month after that," Harrer says.



“For some resident applicants, when told we need a full month’s rent or a \$1,000 security deposit, they say that they could not make that so they walk away.”

Cathy Voge, Regional Manager, Green Mountain Realty

CWS provided a how-to manual with screen shots for residents who were new to the process. It also has a kiosk in the leasing office that enables staff to demonstrate to residents who pay by check how to set up the easier auto-draft method.

Harrer says CWS now requires new residents to pay rent electronically.

“We are embracing this system not so that we can reduce our staff size or hours, but so that our property managers have more time to spend on customer service,” Harrer says. “This way, when they come to visit us, we can ask them how we can make their apartment experience better, not about why their rent payment is late.”

Improving Payment Performance

Automated payments work well for residents who qualify without conditions, but there are many applicants who are approved for a lease with conditions and apartment owners are discovering that this renter segment can be beneficial to occupancy rates and bottom lines.

The challenge is that conditionally approved residents often cannot be served by standard ACH services and are reticent to draw down on their savings to pay higher security deposits that are required as part of a conditional lease offer.

Rent Assurance, provided by Neighborhood Pay Services (NPS), offers a program that enables communities to convert more applicants with improved payment reliability. The program works with a proprietary payroll direct deposit platform to accumulate “installments” toward rent from the resident’s employer every pay day before funds become discretionary.

Knowing that residents have the tools in place to be certain rent is paid on time prompted Berkshire to introduce a pilot program this spring at five of its class B and C communities located in several Washington, D.C., suburb markets. It has brought in 12 new residents based on a more attractive offer with payroll direct deposit.

“Some people just have trouble managing their money,” says Janet Hickey, Senior Training Director for Berkshire. “They might get paid on the day before a holiday like Memorial Day and then go take a long weekend vacation and spend a lot of their paycheck. They get home, and they can’t pay the full rent amount or have to ask for an extension and therefore pay a late fee.”

Hickey says her residents tell her that they appreciate the program. “We’ve had some who have told us, ‘I’m so glad you have something like this.’ ”

Northland Investment Corporation, based in Newton, Mass.,

CAM

has approximately 500 residents enrolled within its 19,000-unit portfolio of mostly A properties spread over nine states, according to its National Training Manager Kate Moriarty.

The company uses the program to increase conversions for renters who are accepted with conditions and also for people who are habitually late payers with workarounds.

“We are seeing that some residents who never had issues before with paying the rent are having them now, based on this economy,” she says. “It can help prevent delinquency and late fees for residents, and ultimately, turnover and legal fees for us.”

Cathy Voge, Regional Manager, Green Mountain Realty, has used the program at her three urban Indiana-based B communities for nearly a year. She says approximately 100 of her 1,000 total units have residents using the program for rents averaging approximately \$650 per month.

“For some prospective residents, when told we need a full month’s rent or a \$1,000 security deposit, they say that they could not make that so they walk away,” Voge says. “We generally get a very positive reaction from applicants when they learn we offer a payroll deposit option in place of higher move-in costs.”

Hickey learned about the program from a recent Berkshire hire Tom Rucker, CAM, RPA, Division Vice President, Eastern Division, who used the program while working at Sawyer Realty.

“This helps us be more aggressive when it comes to reducing the risks of bad debt,” Hickey says. “It makes sure the rent is paid on time, it helps our residents improve their credit scores because the program reports payments to a credit bureau and it’s convenient for the resident and the community manager because once the resident is enrolled, they don’t really have to do anything more.”

Hickey says the system is a solution for residents who otherwise are charged higher move-in deposits, those who live pay-check-to-paycheck or who often pay with money orders.

Helping Residents Build Credit

One of Jeff Sullivan’s biggest monthly headaches was collecting the rent. As an independent property manager for Equity Momentum Investment, he is responsible for 40 single family and multi-family units spread over 33 properties located in the Hampton Roads area between Smithfield, Va., and Eastern North Carolina. Sullivan did not look forward to chasing down 40 rent envelopes every month.

Looking for a new way to streamline his rent collection process and gain some of the same benefits the larger owners utilizing online payment portals have—including steadier cash flow and reduced administrative burdens—today he is using an automated rent collection service (ClearNow) that has all but one of his rental payments collected through auto-debit.

“It’s the kind of simple and inexpensive solution we needed,” says Sullivan. “Most people don’t even have checks anymore, but they can establish a checking or savings account at their bank and that’s all you need. This way, the rent comes in on time and it’s documented.”

Further improving Sullivan’s ability to collect rent is ClearNow’s recent collaboration with Experian RentBureau, which holds more than 9 million records in its rental payment history database. Through the collaboration, residents can opt-in to have their rent payments reported to Experian. Because residents now have more control to build or re-establish their credit history, it incentivizes them to ensure the funds are available when their automated debit is scheduled.

Many of his residents have opted into the service since the collaboration launched May 2012. Sullivan explains, “Many residents and prospective residents have expressed interest in reporting their rental payment history data. It provides them the ability to take greater control of their credit while ensuring continued on-time rental payments.”

Furthermore, independent rental owners advertising the ability to opt-in to reporting rental payment history data through the collaborative system can gain a stronger competitive advantage in the market place. By delivering an opportunity to build or re-establish credit history, those operators can improve resident satisfaction and encourage longer residency.

The auto-draft service costs \$14.95 to set up the first monthly auto-debit and \$2 per month for any and all additional resident rent payment accounts; there is no additional fee to report rental payment data to Experian Rent Bureau. ■■

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