Paying Rent

One day soon writing a rent check will be a thing of the past for all residents

By Jeffrey Steele, Contributing Editor

With rent payment technology constantly evolving, entirely paperless rent payment is inching ever closer to reality. Industry suppliers continue to push the digital envelope, experimenting with new ways to make paying rent quicker and simpler for both the resident and the management company.

Even such previously vexing hurdles as eliminating money orders and digitizing rent payments of conditionally-approved renters are being surmounted. As a result, we're coming ever closer to the day when writing a check to pay rent will be a thing of the past for 100 percent of renters, 100 percent of the time.

Many property managers worry about resident pushback, the complexity of the digital infrastructure and the collateral materials needed to unveil a digital payment platform. But it's easier to usher in a new way of accepting rent solely through digital payment than many believe. So says Jamin Harkness, vice president of Wesley Apartment Home/Euramex Management in Atlanta.

"It's our experience it has nothing to do with type of asset, either A or B or B minus," he says. "It has nothing to do with demographic or language barriers. Many people already pay their cable bills, cell phone and other expenses online."

The foundation of Wesley's campaign was the creation of a resident email address database. "That was our main channel of communication," Harkness reports. "As you implement digital payments, not only for your residents but for your prospects coming in, you automatically build a live database that's always evolving and changing as new residents arrive." His company had to undertake several steps to move to an entirely digital rent pay platform. First, the company's already-existing resident portal, through which residents had always had the ability to pay, had to be extended to digitally accept applications from new residents. Second, the company had to ensure its resident portal was mobile friendly. Third, Wesley had to come up with a solution to the problem of payment via money orders, Harkness says.

Asked to pay with money orders when first moving in, many renters simply went on paying their rent by money order after becoming residents. That carried a raft of attendant hassles. First, multiple money orders were needed because they are limited to smaller denominations.

Second, money orders are not FDIC insured, which led to a problem with theft. Thieves dropped flypaper into the rent drop box, extracted money orders, substituted their name on the money orders and cashed them, Harkness says. "We created that culture," he adds with a note of regret.

"Our offices are not a bank. We're handling all this money, stamping it, sometimes it's not enough, and you have roommates paying with three or four types of payments, and also making utility payments with money orders."

Wesley chose a company that works with MoneyGram, RentPayment, which synced with its own property management software.

"Our residents obtain a code from us, the MoneyGram cashier says this is how much it will be, and adds in a money order processing fee," he says.

"And the cashier only accepts payment in full. The full payment amount is auto posted into our software. It adds another layer of money payment software, laying on top of our Yardi property management software. Now the MoneyGram vendor is taking full responsibility for the rents, I don't have to worry about it, and they take payment in full. A MoneyGram vendor could be a gas station, drug store, convenience store or any other retailer with a MoneyGram affiliation."

The solution is a win-win for both the property management firm and the residents. The management company doesn't have to visit a bank with forms of payment that are essentially cash. And residents do not have to drive the money order back to the leasing office to pay, Harkness says.

Wesley accepts credit card payment from residents, who incur a fee in using credit cards. "But we pay the fee for the e-check, because it eliminates so many touch points, in terms of both paper and risk," Harkness adds.

Addressing higher-risk residents

When the multifamily industry adopted ACH platforms and began accepting credit card payments, it was merely embracing payment platforms that most other industries had already introduced. "The multifamily industry needed to do this for so many reasons," says Rich Levitan, president of Newton, Mass.-based Neighborhood Pay Services. "Customers had that opportunity in every other obligation they had to satisfy. It made sense from an efficiency and speed standpoint. And it provided a tool to enhance the overall resident experience." But something was missing, and that was a mechanism property management companies could provide to higher-payment-risk residents, whose credit histories revealed less-than-stellar records of meeting obligations on time.

Using standard electronic payment platforms with this population wasn't effective. Most people in the conditionally-approved segment are there because they don't manage money well. And many of these conditionally-approved renters don't have bank accounts or access to credit and credit cards, he says.

Needed was a different mechanism that drew funds directly from payroll, before they became discretionary funds that might not be put away for rent. This approach would take guesswork out of the equation for conditionally-approved renters, assuring property management funds would be paid.

It was precisely this rent-from-payroll concept that Neighborhood Pay Services (NPS) launched in 2010. Companies such as Camden Property Trust, CF Lane and Trinity Property Consultants, among others, have been quick to leverage the services at their apartment communities.

Improving conversion rates

When property companies begin using the NPS program, they have the opportunity to present alternatives to the conditionally-approved resident. No longer must they present a single lease offer mandating that the only way the renter can secure the lease is to pony up incremental funds upfront for a higher security deposit, or to locate a guarantor. The property management company can ask the conditionally-approved resident for a lower security deposit upfront, in return for enrollment in the NPS rent-from-payroll program. "When members of your conditionally-approved population are presented with an option requiring less money upfront, more of this population is going to say yes to your lease offer," Levitan points out. "The average increase to the conversion rate when our program is used is 35 to 40 percent. That increased percentage says yes and moves in when the NPS platform is used. The platform also helps property management companies avoid skips and evictions. Residents are kept current. They don't face late fees or eviction notices, because the rent becomes automatic every time they are paid by their employers. "We're helping those people who are challenged in managing their cash flow and payment obligations," Levitan says.

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The average time a conditionally-approved resident who uses NPS stays in his or her unit is 505 days, Levitan says. The data NPS has obtained suggests conditionally-approved renters not using NPS stay in their units about 280 days.

"There's a huge retention value to our clients in having this segment on our rent-from-payroll program," he adds. "The skip rate is 77 percent less on our program. As long as someone remains employed, our program delivers." But what happens if conditionally-approved residents lose their jobs?"

The client finds out about a potential job loss situation with an advance notification from us as soon as we don't receive a deposit," Levitan says. He adds 85 percent of the time, the company has at least half a month's rent in its possession by the time the resident is given his or her walking papers. MHN

To comment on this story, e-mail Diana Mosher at dmosher@multi-housingnews.com