

# Direct Deposit

Rent from payroll systems can provide apartment communities with new lease offer options to convert more prospects and reduce late payments.

By ELLEN CALMAS, Neighborhood Pay Services/NPS Rent Assurance

Your days of watching conditionally approved residents walk down the street to your competitors because they can't afford extra security deposits may soon be over, and chasing monthly rent from late-payers could also become a thing of the past.

Property managers and leasing teams looking to convert a greater number of conditional prospects (and avoid moving in future late-payers) are increasingly turning to rent from payroll as a new lease offer option. Instead of paying additional security deposits or finding a guarantor, prospects take a simple form to their employers authorizing deposits directly from payroll each pay period to a bank account managed by the rent-from-payroll provider. Those deposits are secured and accumulated throughout the month, then disbursed by the rent-from-payroll provider for on-time rent payments.

In June, Houston-based Camden Property Trust, along with Atlanta-based CFLane and Southern California-based Trinity Property Consultants became the latest apartment owners and operators to adopt rent from payroll to bolster their lease conversion and rent payment arsenals. Large Houston employers like Continental Airlines, ExxonMobil, Macy's and Kroger are typical of employers that can easily facilitate rent from payroll, although smaller employers can easily partner with the service as well since businesses of all sizes now utilize some form of payroll processing.



Image by Palto/dreamstime.com

"We saw two big opportunities with rent from payroll," said Kip Zacharias, Camden's vice president of business services. "One was on the closing side where we spend so much time, effort and money to market to and attract prospective residents who come out, tour our properties, are excited to make Camden their new home, and then come up as a conditional approval and may not have the ability to meet our terms."

### CREATING MORE OPTIONS FOR MANAGERS, RENTERS

Unfortunately, traditional options for moving in conditional approvals have always been limiting and typically include asking the prospect to either stretch his or her finances by a. supplying more money up front in the form of an increased security deposit or b. having a guarantor co-sign the lease.

"Sometimes those aren't good options for prospects, or even an option at all," Zacharias said, "so we saw a real opportunity to begin offering rent from payroll as a more practical alternative for folks to be able to still live in a Camden community, satisfy our requirements and ultimately help us convert more prospects into residents."

According to a recent analysis of nearly 15,000 units conducted by NPS Rent Assurance, move-ins among conditional approvals increased by 57 percent when a rent from-payroll-option was included in offers as an alternative to higher cash security deposit requirements. What's more, skips and evictions due to non-payment of rent were reduced by 77 percent for the residents in the study who opted for rent from payroll. A key finding of the study was that moving in residents with a budgeting tool linked to payroll provided more value to participating communities than additional cash up front at lease signing.

### CONVERTING WITHOUT RENT COLLECTION AND LATE FEE HEADACHES

The hands-off nature of having rent provided via payroll from a resident's employer also frees property managers from having to collect rent, and perhaps even more importantly, frees residents from unintended mismanagement of their funds. Communities using the program simply receive an on-time monthly lump disbursement for all residents enrolled in addition to real-time email updates of payment status that alert them of a potential problem that a resident might have as a result of a job loss or reduced hours.

"The benefits of rent from payroll are clear to us," said Rick Jones, an asset manager at CFLane, which uses rent from payroll across the firm's Atlanta market. "Our communities that offer it improve conversions and economic occupancy and enjoy better payment performance, while our prospective residents obtain a lease with a lower up-front move-in cost and the added convenience of knowing rent will be delivered consistently via deposits from employer payroll, which saves them additional money on late fees."

### PROTECTING APARTMENT MANAGERS AND RESIDENTS ALIKE

Zacharias says rent from payroll can likely provide enough conversion lift and reduce enough bad debt to impact the NOI for more than a third of Camden's 60,000-unit portfolio.

"If we can move the needle on our closing percentage, even just slightly, then rent from payroll already pays for itself," he said. "But it's really a great thing for the prospect, helping them with built-in money management and responsible spending. Ultimately that should translate to less eviction, and again, just moving the needle slightly could provide a huge payout."

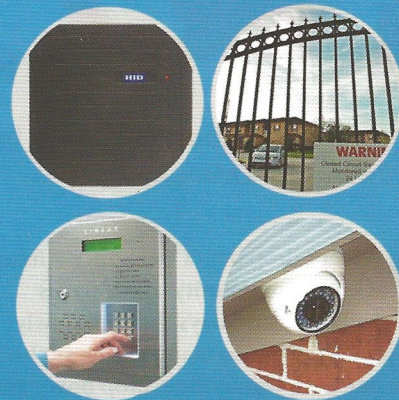
Not only did using rent from payroll reduce evictions in the study, but it also resulted in a much lower net balance owed in the event an eviction did occur. Since rent-from-payroll providers aggregate rent payments made by employers every pay period, there are often additional funds available in the event of an eviction or if a resident on the program faces possible job loss. In addition to successfully applying rent from payroll on conditional approvals, Zacharias says there are likely certain resident demographics at high-end luxury communities that could benefit from rent-from-payroll programs as well.

"Anywhere you have consistent late payers or you're chasing a lot of rent every month, there's an opportunity to put those residents on this program," Zacharias says. "Our first community had five people sign up for rent from payroll the first month out. If that's five more leases at every community that we can sign because of the program, that's out of the park and out into the parking lot success. I'll take those kind of results all day long."

*Ellen Calmas is executive vice president of Neighborhood Pay Services/NPS Rent Assurance. For more information, or to download a copy of the NPS rent from payroll whitepaper, visit [www.npsrentassurance.com](http://www.npsrentassurance.com).* ★



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