

## Rent From Payroll Assuring More Conversions, Fewer Cancelled Applications and Timely Payments

By: Ellen Calmas



**Innovative rent from payroll systems are providing communities new lease offer options to convert more prospects and reduce late rent payments**

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 employer 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.

"There are plenty of prospects who are still looking for every penny they can come up with in order to move in to a new apartment," explains Art Lieb, director of operations for Atlanta-based Provence Real Estate. "With rent from payroll we can approve applicants without them having to come up with up to \$500 more out of pocket for an additional security deposit. That can definitely make a difference to whether they can afford an apartment or not."

Lieb says Provence is implementing rent from payroll across its 4,000 unit portfolio of A, B, and C class communities to convert up to 25 percent of conditional approvals who otherwise would have canceled out of their lease applications. The firm also uses rent from payroll to help residents stay current on payments and avoid the delinquencies that lead to costly evictions for resident and property owner alike.

"Prior to eviction we will give residents the opportunity to get caught up with their rental obligations over time by enrolling with our rent from payroll provider," Lieb says. "That's prevented two to five evictions at almost every one of our properties and saved us tens of thousands of dollars in lost revenue."

This past June, Atlanta-based CFLane also announced it had deployed rent from payroll, joining a growing faction of real estate investment trusts (REITs), fee-management firms and regional apartment owners and operators to adopt rent from payroll to bolster their lease conversion and rent payment arsenals. Other

multifamily firms already using rent from payroll in the Atlanta market include Arbour Valley, Camden Property Trust, Colony Hill Capital, SMP, First Communities and Stonemark.

"The benefits of rent from payroll are clear to us," says Rick Jones, asset manager at CFLane, "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 upfront 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."

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

"Sometimes those aren't good options for prospects, or even an option at all," says Kip Zacharias, vice president of business services for Houston, Tex.-based Camden Property Trust, which owns and manages seven communities in the Atlanta metro area. "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."

### Converting Without Rent Collection and Late Fee Headaches

According to *The Rent From Payroll Advantage*, a June 2014 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 upfront at lease signing. "We saw two value opportunities with rent from payroll," says Zacharias at Camden. "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."

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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.

Larger Atlanta employers can easily facilitate rent from payroll, though smaller employers easily partner with the service as well since businesses of all sizes utilize some form of payroll processing these days.

Residents who receive a portion of their income in the form of benefits such as pension, Social Security, VA and other similar sources, can also participate with rent from payroll programs.

### Rent Assurance Protects Residents, Provides Owners Great Benefit

Not only did using rent from payroll reduce evictions in the 15,000 unit 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

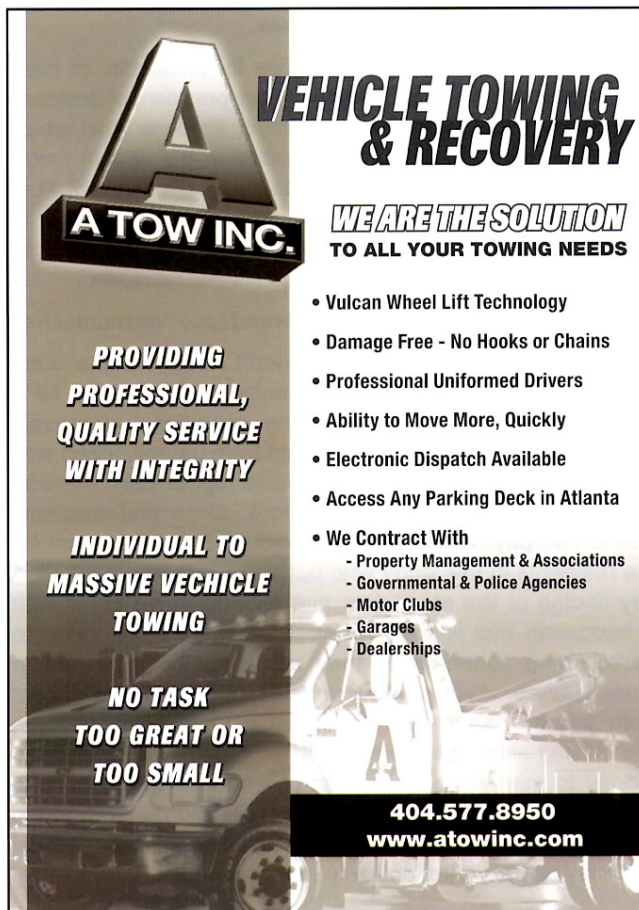
every pay period, there are often additional funds available in the event of an eviction or if a resident on the program faces possible job loss.

On average, 85 percent of rent from payroll residents who experience job loss have already accrued at least 50 percent of the next month's rent; 65 percent of the time, they've accrued at least 75 percent of next month's rent, and 20 percent of the time, they've accrued 100 percent or more of the next month's rent.

Lieb says his experience with the rent from payroll program has been successful enough at Provence to use it as a tool for gaining new fee management contracts across its southeast markets.

"We want to bring to the table programs, policies and procedures that our owners can't implement on their own, and when we start talking about rent from payroll program, they are really excited about it," Lieb says. "It gives the owner peace of mind over delinquency because it solves the battle we are constantly trying to fight: having rent drop down the list behind car payments and credit card payments. With rent from payroll the owner is getting paid before anyone else gets paid and is assured of not dropping down that list."

**About the Author:** Ellen Calmas is Executive Vice President of Neighborhood Pay Services.



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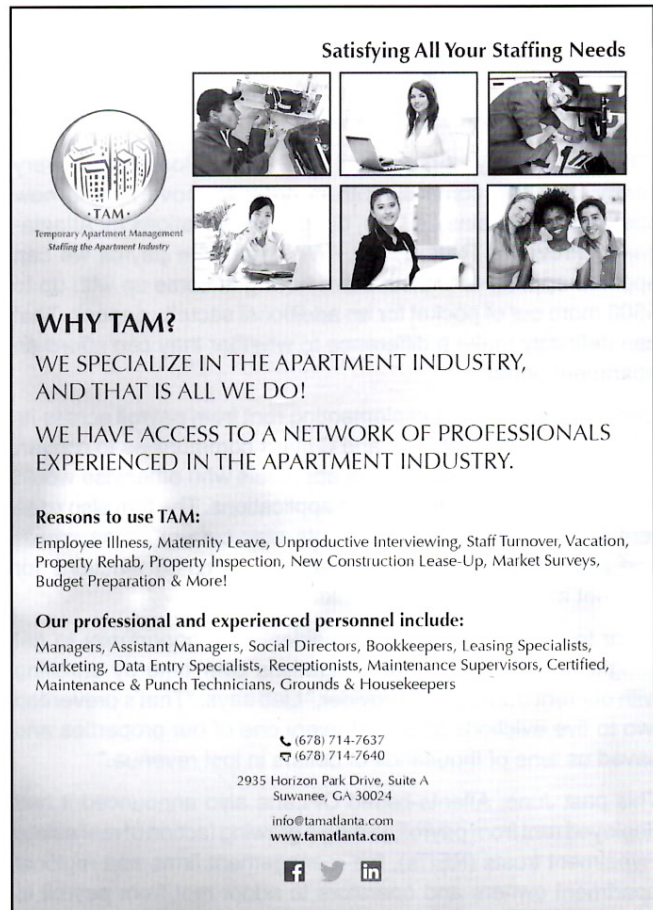
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