

Do Renters Really Like to Pay Rent Online?

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By Jeffrey Steele, Contributing Editor



There's a conundrum to the issue of electronic payment-processing in the multifamily industry. Allowing renters to pay rent electronically offers substantial dividends to both renters and property management companies.

For renters, there's convenience. For management, electronic payment reduces both credit risk and administrative efforts to collect rent. Moreover, studies indicate a large percentage of renters express a desire to be able to pay electronically.

So why have penetration levels lagged dramatically? One thing's for sure: It hasn't been for lack of interest or effort on the part of property management.

"We have seen more and more clients exploring how to utilize online technology to streamline processes traditionally conducted in person or over the phone," says David C. Smith, Atlanta-based vice president of Kingsley Associates, a business intelligence provider to the real estate industry. "Online rent payment is one common area of interest."

Property management firms are increasingly considering the creation of online portals to allow their residents to submit maintenance requests, obtain information about community services and even post ads, he reports. When residents are asked which online portal function is most important to them, maintenance request submission and rent payment consistently rank one and two, with around 70 percent expressing interest in those two items, Smith says.

And residents who have access to portals are increasingly using them. Kingsley Associates found that in 2006, only 40 percent of residents took advantage of the online portal. But four years later, 70 percent of residents who have access to an online portal at their community actually use it, Smith adds.

Of residents who use a community-provided portal, rent payment is by far the most frequently used function. Fully 83 percent of residents using their community-provided portal reported using it to make an online rent payment in the last year, Kingsley Associates found. The second-most frequent action was the submission of a maintenance request.

Memphis, Tenn.-based Fogelman Management Group, with 18,000 units under management in 14 states, rolled out electronic payment three years ago, giving residents the option of paying through credit card or electronic fund transfer.

Residents are presented with the opportunity and encouraged to use electronic payment-processing when they sign leases. Fogelman Management Group also runs promotions during their lease terms to encourage mid-lease adoption, says President and Chief Operating Officer Mark Fogelman.

"We've pushed the program very aggressively, but in our market niche the penetration has been just 11 percent across the portfolio," he says.



Sheila Byrne
Senior Vice President of
Market Rate Management

Habitat Says "Yes!"

What a difference a year makes. In 2009 and 2010, we were certainly feeling same sentiment that other property management companies were – residents wanted electronic payments but it wasn't translating into actual payments online.

In summer 2010, our average penetration rate was approximately 9%. We switched portal providers and reenergized our marketing campaign.

In 2011, we're thrilled to say our penetration is now 49%. Our on-site team members found creative ways to introduce residents to the electronic payment options. Launching these resident options is not without the heavy lifting but they're certainly worth it in the end.



There are hurdles to overcome with both the credit card and electronic fund transfer options, he adds. The credit card option involves a fee, which residents don't relish paying. The electronic fund transfer option should deliver great benefit to all parties, but at most of Fogelman's properties—as at many nationwide—residents pay a portion of their utility bills with their rent payments.

While the rent is a flat amount every month, the utility charge is variable, which makes setting up a flat recurring fund transfer for both rent and utilities each month difficult. "If our rent structure was set up in such a way that the renter would pay the same amount every month, we'd get much higher penetration," Fogelman believes.

Farmington Hills, Mich.-based Village Green, with about 40,000 units in 13 states, began offering electronic payment options in 2004, offering options of either credit card payment or electronic withdrawals from checking, says Vice President of Internal Auditing, Operations and IT Services Mirriam Livingstone. In 2008, a greater percentage of residents paid by credit card, but today a higher percentage pay by electronic withdrawals. Overall, however, the vast majority of Village Green residents continue to pay by traditional methods, Livingstone says. She estimates the figure to be at least 95 percent.

Village Green residents and management seem to have little problem with the adherence to tradition, she adds. "There's a drop box for [residents'] convenience, but walking into the office and speaking to someone and giving a check is also popular. For the leasing consultant or property manager, that physical handing off of the check allows the consultant or manager to ask if everything's okay. We like to have that face-to-face contact."

Neither Fogelman nor Livingstone appears to believe much higher resident acceptance of electronic payment is imminent. "People will tell you different, but my guess is electronic payment penetration in this industry is very low," Fogelman says, asserting anyone who claims it's greater than 10 or 15 percent industry-wide is stretching the truth. Asked if payment in the industry will ever be 100 percent electronic, Livingstone is unequivocal. "The answer is definitely no," she says. "Some of us still want to talk to people."

Fogelman, by contrast, believes acceptance will someday be more widespread. "Over time it will cure itself," he says. "Every year, more people become tech-savvy, so adoption rates should increase on their own, though it's not at the level we had hoped for."

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