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Digital Dollars

Electronic Rent Collection Makes a lot of Cents

[By Laurie Baker]

It all started with the direct deposit of paychecks. Then people started paying their utility and credit card bills online. Now our renters are asking about automated rent payment options.

Any system that would hasten rent payment makes sense for apartment owners and managers. At Camden, we are analyzing a number of alternatives ranging from online payment processing to electronic check conversions with the help of a leading software provider.

In making our selection, we considered several factors. We asked whether the process could easily be integrated with our property management software and accounting system to eliminate data entry errors, provide better reporting tools, and streamline activities. We also evaluated the various electronic payment options available today, some of the associated costs, and the benefits of these programs.

Integrated System

Over the past few years, Camden has been actively involved in developing Web-based tools to better serve our prospects, residents, and investors. These allow us to centralize our data and streamline our business processes. These applications will help us achieve our objectives to improve operational performance, provide better decision-making and reporting abilities, and increase revenues through a better understanding of our customers.

Having an integrated system allows us to screen applicants instantly, create online marketing tools to highlight communities and services, access critical

data online, and, ultimately, make better pricing decisions through a yield management system. Our integrated system has helped our staff work more efficiently, creating time to focus more attention on our residents.



In selecting a rent collection program, our first criterion was that the program feed automatically into our property management system and ultimately into our accounting system, aggregating offline, online, and check conversion solutions. We wanted to be sure that all data entered into the program would be available to both site, regional, and corporate personnel.

Online Payments

One of the alternatives we considered was online payment processing, which simplifies steps for both the residents and the property management company.

Residents sign in to the hosted site of the community and set up their accounts. They enter how much money they want to pay and whether the payment will be an on-demand transaction that requires approval or a monthly

transaction that has a recurring option. They then set up the bank checking account or credit card account that will be used to pay the bill.


When the transaction is made, the Web processor (any third-party payment processor or electronic payment consulting firm) submits the automated clearing house (ACH) debit transaction to the ACH Network, which then processes the debits for the rent payments and issues a credit to the depository account that the property management company has selected. The Web processor sends a file with all the transactions to Camden so that they can be posted in our accounting system.

If the resident doesn't have sufficient money in his account, a non-sufficient funds (NSF) notice is automatically sent to us. At that time, we have a couple of options in how we re-present the returned check. We can re-present the check two times, or we can choose to resubmit the check one time and automatically charge the NSF fee. In the future, we also might have the ability to automatically charge the late fee at the time of re-presentation.

Electronic Check Conversions

Another automated payment option we are reviewing; electronic check conversions, also called accounts receivable check truncation or ARC, which have been used at grocery and department stores for quite some time but are new to the multifamily industry.

Electronic check conversions involve the use of electronic check readers at the point of sale. In the case of a multifamily


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community, a resident brings a rent check to the leasing office, and the leasing staff runs the check through the check reader. The check is read and automatically truncated, which means it's scanned and converted into an electronic version that can be legally used for

payment fulfillment. This new version, which contains the account information and transit routing information, is then sent to the Web processor for processing through the ACH Network.

The great benefit of this option is that the checks never leave the leasing

office—deposits are made automatically so the staff doesn't have to leave the office to go to the bank. In addition, there is no change in the rent payment process for residents.

However, one challenge with electronic check conversions is that certain types of transactions are not allowed through the check truncation process. Items that are ineligible for transmission include cashier's checks, traveler's checks, money orders, and corporate checks.

Costs

Also, there are costs to consider when evaluating electronic check conversions as a payment option. They range from the initial setup fee to access fees for the Web-based service for each site or location to the check reader and capture software to Internet connectivity.

Additionally, there will be fees associated with processing online payments. One can expect that, on average, there will be a \$0.30 per check fee for ACH processing. For credit cards, the fee can go as high as 3 percent of the total transaction (i.e., for every \$1,000 rent paid, there is a \$30 fee).

Because we currently have high-speed connectivity in our communities and are installing much of the necessary equipment for our Web-based applications, the cost for implementing an online payment program at Camden is minimal.

Camden has made the decision to accept credit cards for deposits, application fees, and collection of past due accounts. Although credit cards are accepted for rent payment in our Las Vegas communities, we are still evaluating the use of them for rent payments across our portfolio because of the large transaction cost.

Online Payment Program Benefits

While the costs are still being defined, online payment processing offers substantial benefits to residents and the property management company. These include:

Resident Benefits

- Option of paying rent online.
- No more late fees.
- The ability to set up recurrent billing

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(either ACH or credit card). There's no need to worry about making the payment. It's made automatically at the same time every month.

- Rent payment via the Internet while traveling.
- Bonus points (airline miles) for credit card payments.
- Parents or relatives can submit rent payments on a resident's behalf.

Property Manager

- Streamlined rent collection process.
- Faster availability of funds.
- Improvement of float.
- Automated data entry into the property management system.
- Elimination of daily trips to the bank.
- Early notification of NSF.

Other Web-Based Services

In a time when the multifamily industry is experiencing a decrease in rentals, success depends upon focusing on the needs of residents. Our promise of "living excellence" extends to new technologies that will help us work more efficiently and help to satisfy our residents.

We are always finding new ways to better serve residents and prospects through the use of Web-based technology. Currently, we have an online applicant screening application in which we can approve or deny applicants in less than 30 seconds and analyze closing ratios and other business issues.

We also offer a service through our Web site that enables residents to set up their cable television, phone, and utilities; order newspaper delivery; and arrange for other services. In addition, we are currently working to roll out an integrated Web-based property management system that will include a resident portal, sophisticated revenue management tools, and centralized portfolio reporting.

Online rent collection seems a natural progression in our Web-based technology goals ... and the next step in providing living excellence to our residents. ■

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