

Renters Say “Charge It”

A growing number of apartment owners are allowing residents to use plastic to pay the rent because they are finding it helps their bottom line.

Apartments are the latest market for Visa and others in the ultra competitive credit card industry.

By **Donna Kimura**, *Apartment Finance Today*

Visa, the world's largest payment brand, has already inked deals with three prominent property management companies and is in discussion with several top 10 apartment owners.

In February, Westdale Asset Management started accepting credit card payments at four of its properties in Atlanta. The number of residents using this payment option has grown each month, according to Trevor Bert, controller at the firm. Westdale has since expanded the program to 11 properties in Georgia and one in Austin, Texas, he said.

“We knew it was an emerging market,” Bert said. “We wanted to be a market leader and not a follower.”

Visa also entered an agreement with Lincoln Property Co. in March that could streamline rent payments for more than 10,000 residents of Lincoln's premier development, The Villages in Dallas.

“The decision to start accepting Visa for rent payments was based solely on resident demand,” said Drew Schunk, vice president of Lincoln. He said he expects the move to better enable the company to serve current residents and attract new ones. Company leaders also anticipate expanding payment card acceptance to several more of its rental communities within the year.

For owners, the use of credit cards helps to ensure timely payment. It can also help reduce

some of the work involved with processing checks. Card companies typically receive about 2 percent of the purchase price on every transaction they process. They also earn interest on balances from cardholders.

Tenants seem to like the convenience of using plastic, and they build up their frequent-flyer miles and other reward points at the same time.

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Visa and Apartment Investment and Management Co., the largest owner and operator of apartment communities in the nation, recently released the results of a study that surveyed 105 community managers and 356 residents in eight AIMCO communities that accept card payments.

According to the study, 81 percent of the managers who responded said the credit card option makes the apartments easier to rent. In addition, 83 percent said the use of cards increases on-time payments. Twenty-two percent of the managers also said the use of cards results in fewer people moving out.

Offering the credit card option gave

AIMCO a competitive advantage, said Linda Brockbank, senior sales director for Visa U.S.A.

“I know that one of the issues for property management companies is occupancy rate,” Brockbank said. “Another issue is cash flow. We wanted to substantiate that it (credit card payment) helped in those two areas.”

Almost 40 percent of the residents surveyed who were aware that they could use their credit card chose this option, according to the study.

The ability to pay for rent, security deposits and application fees with plastic was listed as one of the top four reasons residents chose to live in their community, said the survey. Residents who pay by card are also less sensitive to the cost of rent than those who never pay by card, said the study.

The use of credit cards may involve a one-time payment, or it could be an automatic charge that allows residents to make monthly payments on a credit or debit card.

Now that just about every adult has at least one credit card in his or her possession, the card companies are looking for bigger purchases. For most residents, rent is their biggest monthly expense. It's also a recurring charge, another area of growing importance to the card companies.

The industry saw recurring payment charges grow by 27 percent to \$30 billion last year, according to Brockbank.

Visa's not the only one looking at apartments for new business. American Express and MasterCard both report that the market is an area they are pursuing.

American Express is already working with a few large property management companies and will form marketing relationships with them to raise consumer awareness about the payment option, said spokeswoman Joanne Fisher.

American Express has even begun to explore ways for homeowners to pay their mortgage by credit card.

MasterCard is also assessing the opportunity in the rental housing payment market, according to spokesman Alex Lau. The main drive is offering consumers more convenience and options.

MasterCard is working with its member financial institutions – banks and credit unions – to help communicate the benefits of making recurring payments by credit card, according to Lau. 🏠

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