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Automated Payment Processing

Have you considered offering your residents the option of paying rent by bank or credit card draft? Perhaps you have even thought about the mechanics of offering your residents an online rent payment option. You are not alone. Property managers across the country are responding to the demand for easier and more streamlined methods of paying rent.

Why offer online payment options?

Automated payment solutions have become prevalent in the phone, utility and financial services industries. Why should property managers not follow suit? There are significant benefits to be realized from implementing an effective automated payment program. "Electronic payments have increased dramatically over the past few years, while check payments are on the decline. Today, 92% of adults carry a credit card and use it as the preferred method of payment." reports Tim Murray, Vice President of Partnerships, Payment Processing, Inc.

For the property manager, shorter collection periods mean you receive rent quickly and on a timely basis. In the office, there are fewer rent checks to prepare for deposit and fewer trips to the bank.

For your residents, it is all about customer satisfaction. More residents are demanding the option to pay by automatic draft and may decide not to rent a property from a management company that does not offer this option.

This is particularly true in university communities and other areas serving younger renters. Many students and beginning professionals are accustomed to paying bills over the Internet; it is a way of life for them. As a property manager, you can score major points with your residents if you can offer them a payment solution that is reliable, easy-to-use and cost effective.

How to provide an online payment option

Of course, you want the process to be as painless as possible for you and your staff. There are two methods for processing online payments:

1. Payments using credit card services: resident authorizes a charge to their credit card—either a one-time charge or a recurring transaction. Credit card services are available through many larger institutions.

There are two options with credit cards—you can purchase a credit card reader for use in your office (card-present transactions) or use an Internet "merchant portal" to process credit card numbers without the card (card-not-present transactions).

You can also take payments by phone, but they are considered card-not-present transactions.

2. Payments from resident's checking account: Most financial institutions will provide an automated check draft solution referred to as ACH (Automated Clearing House) or EFT (Electronic Funds Transfer). For ACH and EFT transactions, the resident authorizes a debit to their checking account, usually as a recurring transaction.

Online payments typically include services provided by your banking institution, your property management software provider and a third-party payment processor.

To shorten the adoption curve, you may choose to utilize existing relationships and systems. Does your bank or property management software provider offer automated payment options? If so, then this is the natural place to begin.

Online payment options provided by your property management software can simplify the process. Typically, the payment processing platform is already integrated into the program. Your software may allow you to link payment information with a resident's account and setup automated monthly drafts. Some software providers also offer online payments and the option to "synch" the payment information with your software (automatically post payments to the residents account).

In any case, a third-party payment processor will likely be involved in the transaction. The third-party processor initiates the draft of the resident's bank or credit card account and deposits the rent payment into your bank account. They should also provide access to your Merchant Account, which shows activity on your account, including any transaction fees.

How much will it cost?

How will the service impact you financially? You want to make a reasonable profit—a problem in the past because of high transaction fees charged by banks and third-party payment processors.

There are costs for providing online payments. Credit card transaction fees vary based on the type of card. Typically, these fees range from around 2% for Visa and MasterCard transactions to over 3% on American Express and Discover. Bank draft (ACH or EFT) fees should be in the neighborhood of \$0.25 to \$0.30 per transaction. There are also monthly statement and gateway fees which may apply.

Using a merchant portal is an ideal option for property managers who do not have a card reader at their office. Transaction fees are slightly higher for transactions processed through the portal; however, the small increase in fees is more than offset by the convenience of the merchant portal.

You may have software costs for the online payment module of your property management software. Keep in mind that you can benefit from existing relationships. For example, property managers may be eligible for discounted bank rates on credit card transactions because of large depository accounts. Make sure that you have a clear idea of the fee structure before entering into any agreement.

Who pays for this service?

This is a question only you can answer. How do you cover the cost for providing online payments? Should the cost be passed to the resident as a convenience fee? Do you, as property manager, accept higher operating costs based on the benefits you receive? Does the owner absorb the cost to attract new residents?

Research how your property management software handles fees, should you decide to charge your residents or owners for the service.

What are the security considerations?

Your resident's financial information should always be safeguarded on your system. Processing credit cards and online payments raise additional security concerns.

For example, the credit card company contracts, including Visa and MasterCard, require that you purge transaction data for "card-present" transactions on a regular basis. However, many businesses are not aware of this requirement and violate the contract without realizing it. Data security compliance is a major issue, resulting in hefty fines for companies that don't adequately protect customer data. Be certain you work with a payment processor that is up-to-date with the latest industry security efforts.

It is imperative that you lock down both the computer that is storing the transactions and any computer that can access the storage computer via network access. Even if the computer only has what you consider "indirect" access, but is on the same network "wire," a hacker has methods of getting to it. To safeguard your online transaction data, there are several layers of security to consider:

- First, the data stored in your property management software should be secured with logon IDs and passwords.
- Access to computers should be physically limited and controlled.
- With Internet access, companies should have some type of firewall in place. Depending upon the size of the company and their IT requirements, that firewall could be built in to an existing router, DSL or cable modem provided by the internet service provider (ISP). For additional security, turn on the firewall that is part of your server's operating system.
- With online payments using a merchant portal, transactions transferred to the portal should be secured by the bank and third party processor.

Conclusion

We have explored some of the reasons for pursuing an automated payment solution, and we have identified some questions you should address as you make your decision. Ultimately, the most important decision is who you choose to partner with.

Whether you choose to work with your existing financial institution, your property management software vendor or a third-party payment processor, you should have a clear idea of the fee structure and the breadth of services before making a decision.

It is also wise to ask for references from other companies, preferably other property managers, using the service. There is no substitute for the honest feedback of other users. 

