Remodel the Bottom Line with Payment Cards

Payment card acceptance for customer bill payment not only allows property management companies (PMCs) to increase customer satisfaction by expanding bill payment options, but also allows them to improve bottom line results by reducing costs in several areas of the revenue cycle, including payment-related labor costs and collection processes.

Studies continue to show that consumers are increasingly embracing and demonstrating a preference for electronic payments.* The trend in consumer preference for electronic payment options has allowed property management companies to capitalize on customer self-service portals, freeing up resources, both human and financial, to focus efforts toward strategy and new business.

Turn the page for more information and to see how credit and debit card acceptance to pay rent can shorten the path to payment and remodel the bottom line.

For more information about MasterCard Worldwide and the programs available for the Property Management Industry, visit www.mastercardmerchant.com, or send an e-mail to property_management@mastercard.com.

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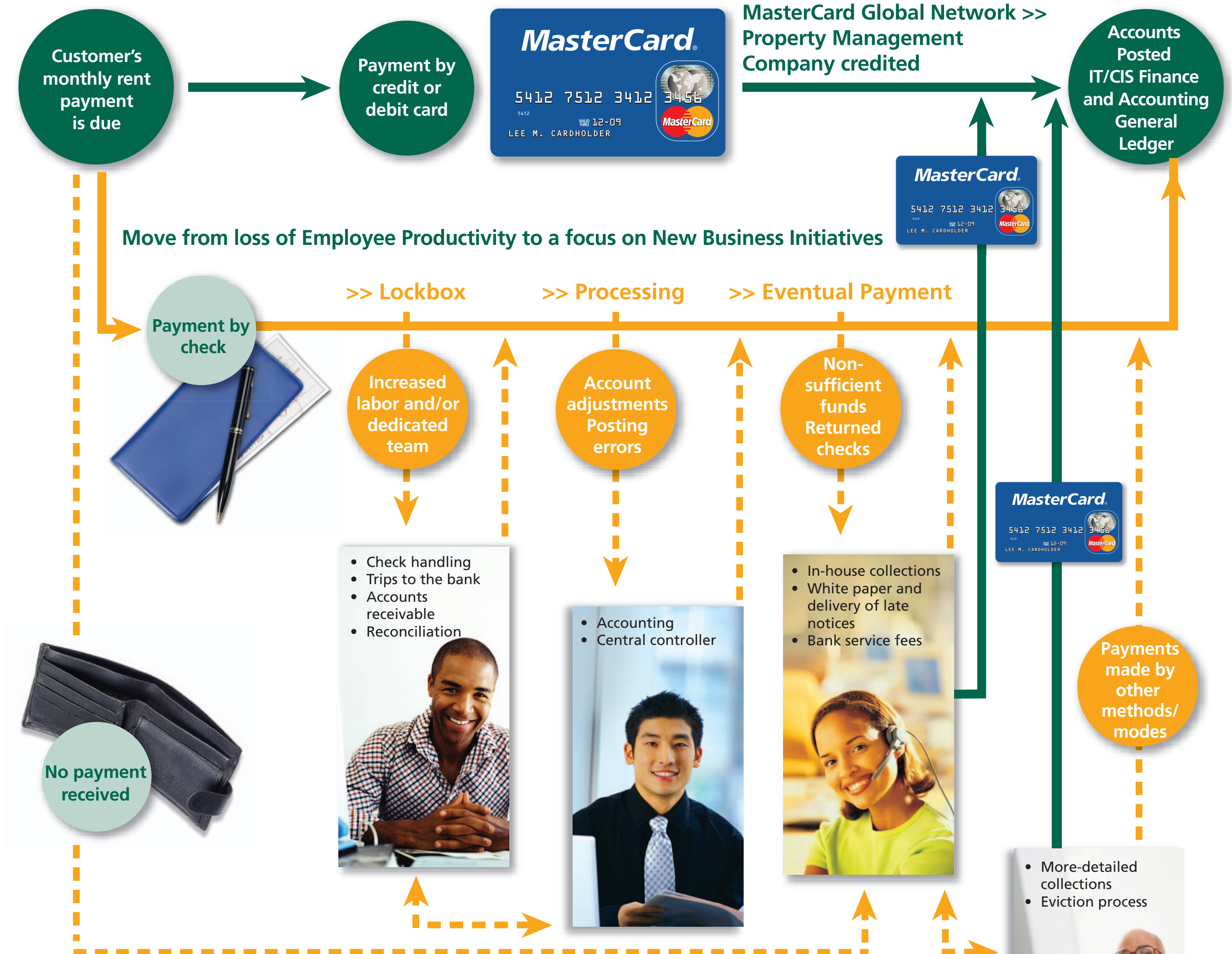

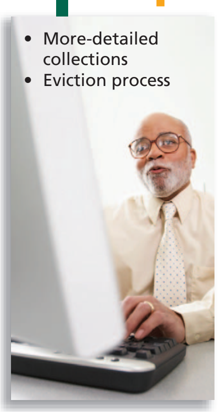

Benefits of credit and debit card acceptance for rental payments

- Improved customer service leading to increased customer satisfaction
- Decrease in labor hours and redistribution of focus to new business
- Improved days of sales outstanding (DSOs)
- Reduced delinquencies
- Faster close of sale
- Enhanced e-Portal adoption
- Increased security

Payment Cards offer many benefits to property management companies and their customers

Property management companies have traditionally accepted credit and debit cards for payment solely through convenience fee models. Now these PMCs are reevaluating that business model and are beginning to see the increasing benefits of absorbing the costs themselves.

There are two good reasons for this shift—customer satisfaction and ultimately an improved bottom line. As PMCs begin to further evaluate and embrace the use of credit and debit cards in their payment mix, tangible benefits are being identified for both the PMC and its customers. PMC benefits include:

- Improved customer service leading to increased customer satisfaction
- Property office personnel dedicated to strategy/new business
- Reduced labor costs for payment/accounting team
- A faster, more efficient method for closing the sale
- A more reliable method for resolving ending balances
- The ability to offer a convenient recurring payments option
- Improved days sales outstanding (DSOs)
- Reduced delinquencies
- Increased security/decreased fraud

Many of these benefits tie in to and support a PMC's strategy of diverting customer billing through self-service channels, allowing the property management team to focus on increasing customer satisfaction and closing new business. According to David Cardwell, vice president of capital markets and technology for the National Multi-Housing Council, "They (more firms taking electronic payments) report that the cost savings and cash-flow advantages exceed the transaction fees and make it worthwhile for them to accept credit cards."**

From the customer's perspective, the benefits include having choice in how they make their monthly payments, the added convenience associated with using payment cards, and, for those customers with rewards cards, the ability to earn rewards in eligible loyalty programs. *It is like having your own loyalty program without the costs.*

There are costs inherent in every payment method—some obvious, some not as obvious. When following a PMC's typical revenue cycle, there are points along the way where payment card acceptance in lieu of cash and checks can reduce some of the cost assumed by the PMC.

The typical revenue cycle

Property management customers, while not usually billed regularly, sign a lease and are expected to make monthly payments of rent on a recurring time period, usually on the first. When the customer pays their rent, they can typically make payment in one of three ways: payment card, cash, or check.

Payment cards

Funds received via credit or debit card can be posted to the PMC almost immediately. Payment cards ensure guaranteed, secure payment; and improve cash flow and expedited revenue recognition. Accepting cards can be an instrument for resolving some payment or check-related issues by enabling central customer service and property office personnel to accept credit and debit cards for bill payment in the appropriate circumstances. Payment cards can also facilitate a recurring payments program, which can be a valuable tool to help PMCs increase customer satisfaction. It provides many benefits to customers, including convenience, stress relief—knowing that bills will be paid on time, and savings on postage and late fees.

MasterCard International sponsored research* to better understand U.S. consumers' attitudes, behavior, and decision criteria regarding payment methods for recurring bills. The research shows that consumers are increasingly using payment cards (credit and debit) for automatic bill payment and feel particularly comfortable using them for fixed bill amounts such as average pay programs and rent.

Additionally, to help PMCs maximize and maintain this growth opportunity, MasterCard offers the Automatic Billing Updater service. The Updater filters critical data (for example, new expiration dates) from participating issuers to registered PMCs through the PMC's acquiring bank.

Cash

Cash can be accepted (for delinquent accounts or additional property costs, for example) at approved locations that are staffed and secured (that is, property offices), and that presents another set of touch points. Many PMCs have enhanced their cash handling procedures to comply with Sarbanes-Oxley. Apart from property offices, a central payment location may exist which requires contracts that come with added cost and may require additional quality controls.

Checks

Payment by check has traditionally been the most prevalent method of payment for property management customers (the lockbox) . It can be cost effective for the PMC if the process goes smoothly. Even in the best-case scenario, though, it takes several days for the funds to be credited to the customer's account.

Often, however, there are several issues that could arise during the check-processing route. These "detours" off the path to payment must be corrected in order for funds to be posted to the PMC. The time and talent needed to resolve the issues often result in higher than perceived transaction costs to the PMC. Let's take a closer look.

Why checks could cost more

- White paper—It can happen as soon as your bank opens the envelope, adversely affecting the ultimate cost of processing.
- Life after processing—Posting errors, payment errors, and incorrect account number transcription must be corrected and reconciled if the PMC is to receive payment. Often these errors require referral to the PMC's central billing group or direct involvement from accounting or other departments. This adds time and more cost in the form of labor, delayed payment postings, and increased DSOs.
- Getting the check is just the beginning—What happens when it is returned for non-sufficient funds (NSF)? The check now incurs further delays and potential increases in transaction costs. Collecting NSF checks can default to a PMC's communication processes and must be handled by either in-house or outsourced collections groups at additional expense. By accepting a credit or debit card at this juncture, however, the PMC can expedite payment.
- Collections—In serious delinquency cases, PMCs will send collections notifications and then if not able to remedy, pursue eviction procedures. These are costly and unpleasant for the PMC. However, if enabled to accept payment cards, the customer has another payment option and can possibly avoid continued delinquency.

Remodel your bottom line

Both customers and property management companies are winners when payment cards are accepted and used. The consumer enjoys both the convenience and speed of using a credit or debit card for payment and the security of knowing the bill has been paid on time. The PMC wins by improving efficiencies in its internal processing of payments, and customer satisfaction may increase as well. More rapid lease closing and secure cash flow also offer tremendous benefits to a PMC that often processes thousands of statements each year.

Consider the absolute cost of cash and checks when evaluating whether payment cards have a place within your PMC's revenue cycle. Although there are costs associated with payment card transactions as well, these costs can often be partially or fully absorbed when evaluated within the context of the benefits that direct card acceptance can provide. It's time PMCs explore how the addition of credit and debit cards can fit into the payment mix they offer to their customers.

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*MasterCard Recurring Payments 2005–Consumer Awareness, Behavior & Attitude Research

**Cardwell, David. "Electronic Payments Accelerate Cash Flows". National Real Estate Investor. July 2006

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