The property manager's guide to 100% digital payment adoption

Contents

How to completely digitize rent collection

A belated welcome to the digital age

Over the past few decades, the evolution of e-commerce has transformed operations across industries. We've witnessed the complete shift from paper invoices fulfilled by hand-written checks, to an entirely digitized payment process. For instance, your barista might ask if you'd like a receipt after you've tapped your credit card to pay for your morning cold brew. If you say 'no thanks,' the entire transaction was paperless, as most transactions are nowadays. Which begs the question, why has residential real estate lagged other industries in this arena?

In an article published over four years ago, the National Apartment Association stated, "a paperless office — and an entirely paper-free community — might sound like the future, but it's actually the here and now." If paperless communities were the "here and now" four years ago, then why do digital payments still only represent 30% of the average multifamily portfolio's receivables? What can these communities do differently to eliminate paper-based payments once and for all?

Prioritize, re-structure, and profit

Einstein is often quoted saying, "the definition of insanity is doing the same thing over and over again and expecting a different result." In other words, sometimes you have to slow down to speed up. You've got to stop and self-audit your current rent collection procedures by taking stock of inefficiencies and underutilized resources. Streamlining and automating this process frees up your staff to focus on filling vacancies and increasing property revenue. Management companies who prioritize digital payment adoption by following the best practice methodology offered in this guide will yield extraordinary long-term results.

The key to your success

As we mentioned, the industry average for digitally submitted rent payments is close to 30%. However, the top quartile of our Zego multifamily customers capture well over 60%. We were curious as to what was contributing to their success, so we launched a research study across our top-ranking client base to assemble their strategies. We found that overall, the digitalization of your rent collection process isn't a colossal undertaking, but it does require initial investments in technology, training, and marketing.

This eBook will act as your guide, walking you through the top tactics and best practices in which multifamily communities are modernizing their resident payment strategy. This comprehensive program will provide instructions, checklists, sample assets, and additional tools to help you go paperless. If you're up to the challenge, we're here to propel you to paperless perfection.

A best practice methodology for driving digital payments has emerged across the industry, and the results are game-changing.

Follow this step-by-step guide to:

- Completely eliminate the acceptance of cash and paper checks.

- Reduce manual data entry errors.

- Decrease the risk of fraud and theft.

- Streamline your accounting process and payment reconciliation.

- Build time back into your staff's day, which they can use to fill vacancies and boost property revenue.

You'll learn how to:

- Go paperless and capture 100% of resident payments digitally.

- Increase your percentage of on-time payments and improve cash flow.

- Align your staff and your resident incentives.

- Communicate the value of paperless payments to your associates and residents.

- Optimize your website and mobile app for improved resident engagement and communication.

Digital payments best practice methodology

Each of the following five areas play a pivotal role in the success of your organization's digital payment adoption across your resident base. Learn how to apply these tactics portfolio-wide to drive optimal results for your business. We'll dive deeper into each of these points throughout this eBook.

On-site staff change management & training	• Roll out property level KPIs to drive adoption • Run contests for managers • Provide on-demand training for on-site staff on the "why" and "how"
Resident onboarding	• Set clear expectations with residents around how and when they should pay • Include payment portal information with move-in materials • Register residents for payments (preferably AutoPay) in-office • Require applicants to pay digitally
Alignment of resident incentives	• Choose the right pricing model • Charge a fee for late payments • Provide an incentive for residents to sign up for AutoPay • Offer credit reporting for free
Multiple payment options	• Offer all major payment types: Credit, Debit, ACH, eCheck, PayPal, MasterPass, Apple Pay, etc • Offer CashPay as an alternative to money orders and cash • Convert paper checks into digital payments with check scanning
Resident Engagement & Communication	• Offer a single mobile app for all community functions – including rent payment • Communicate with residents based on their preferences (email, SMS, in-app messaging, voice) • Optimize your website to accept payments • Schedule automatic rent reminders with a link to the payment portal • Run resident contests • Combine utilities, rent and all other property charges onto a monthly resident statement

Why digital payments matter

The 5 key incentives for management firms to go paperless

Why are multifamily owners and operators motivated to boost digital payment adoption in their communities? We've whittled it down to five principal incentives that drive property management companies to eliminate paper and digitalize their entire resident payment process.

1. It saves your staff time

Considerably reduce the amount of time spent on manual processes associated with collecting and processing paper-based payments such as checks, cash, and money orders. The NAA revealed that paperless communities see a "65% decrease in the time staff members spend processing payments." Imagine what your associates could accomplish with over half of their day back, and a stress-free rent week! Here's a conceptualized breakdown of one on-site manager's potential time saved over the course of one working day during rent week.

1 hour
spent accepting checks and cash in-office

1 hour
spent manually keying in & reconciling transactions

30 minutes
spent reviewing vendor checks

1 hour
spent depositing paper funds (checks, cash, & money orders) at the bank

30 minutes
spent writing vendor invoices

30 minutes
spent fielding resident payment inquiry calls

20 minutes
spent fixing manual data input errors

20 minutes
spent searching through files, making copies and other menial tasks associated with paper filing systems

Time is our most valuable resource. A 65% decrease in workload means that by automating these processes, you could build over 5 hours back into just one on-site manager's 8 hour day. If five associates are freed of these manual, payment-related tasks during rent week, they would collectively gain back 26 hours per day. Which adds up to 130 hours per week!

EZR Management was processing payments manually for their 600 unit community. We asked EZR President, Ryan Edwards, to comment on their workload before and after implementing a digital payment solution. He said, "what used to take us 80+ hours to reconcile now takes me under two hours."

Fire up that calculator; 80 hours of reconciliation per month is equal to 120 business days per year (or in other words, 4 months of work). They were able to reallocate an astounding amount of time to higher priority, revenue-driving tasks.

2. It increases security

Have recent data breaches, identity thefts, and cyber crimes discouraged your residents from sharing their banking information online? Remind them that dropping off cash, or a paper check is much riskier. Checks, cash, and money orders are easily lost or stolen while in transit to the bank, or at your office drop box while waiting to be processed.

Peer point-of-view

Franklin Management became a victim to a series of drop box thefts at their community. Thieves used wires to fish checks and money orders out of their drop box and stole $40,000 worth of rent payments. "The whole thing was a logistical nightmare, both for us and our residents," said Allison Treadwell, Office Manager at Franklin.

Franklin Management suffered the worst case scenario, but not all rent money heists are quite as cunningly perpetrated. Chris Finetto, VP of Atlas Regional Management, has a few residents who insist on paying with cash, and recently Ruby, the landlord's dog, acquired a taste for crisp hundred dollar bills. This just goes to show how risky paper-based payments are on multiple levels. Don't become victim to criminal acts or situations adjacent to "my dog ate my rent money."

By digitizing your rent collection process, you'll benefit from the following security enhancements:

- The prevention of in-office or in-transit theft

- An added level of accountability with on-site associates

- Easily resolved payment disputes due to accessible, real-time transactional data

- Avoided consumption of funds by innocent furry friends

Rent is typically the largest monthly payment your residents make. So to them, digital security is not just a supplementary benefit, it's an expectation. You need to be diligent about working with PropTech providers that prioritize security for your sake, and your residents'. Specifically, enterprise-grade security is the key differentiator you should look for.

At Zego, for instance, we have built our technology and internal processes in a way that greatly minimizes security risk. Each year we commission an SSAE18 review from an external security specialist to evaluate our processes and confirm that we have best-in-class controls and procedures in place. We also adhere to a strict set of rules designed to protect and safeguard customer card data (PCI Compliance). And for sensitive data that flows through our system, we use 256-bit encryption, one of the most modern and secure encryption methods available. But enough about us! Moving on.

3. It improves your cash flow

Collecting rent on-time is arguably the most fundamental aspect of your business. AutoPay and automatic rent reminders help to increase your percentage of on-time payments, creating a domino effect of efficiency and profitability. You'll also increase cash flow by automating the accounts receivables reconciliation process. One of our clients with a 600 unit portfolio saves approximately $50,000 per year from a reduced administrative workload.

When residents pay digitally, you're more likely to receive full-balance, on-time payments every month in order to achieve:

Maximizing cash flow leads to...

PAID

less delinquencies

decreased evictions

fewer vacancies

higher occupancy rates

increased property revenue

faster funding times

accelerated owner payments

happy clients!

4. It reduces operating expenses and increases portfolio value

According to an article by Innago, "most researchers estimate the transaction cost of a paper check at $3.00 per transaction. And some believe it to be as high as $10.00!"

In addition to the operating expense reduction, you can increase the value of your portfolio by reducing paper-based payments. To put it in perspective, if a 1,000 unit portfolio receives 500 paper checks and 250 money orders each month, they are spending $36,000+ annually to process those paper-based payments.

	500 paper checks	250 money orders	Total
Cost to process per payment	$3 per check	$6 per money order	
Total cost per month	$1,500 / month	$1,500 / month	$3,000 / month
Total cost per year	$18,000 / year	$18,000 / year	$36,000 / year
CapRate	.03	.03	.06
Portfolio value added	$300,000	$300,000	$600,000

Assuming a 6% cap rate, the owner of the illustrative 1K unit portfolio would increase the value of their portfolio by $600K! This expense savings grows linearly with the size of your portfolio. For example, a 2,000 unit portfolio would save over $72K annually by eliminating paper checks and money orders.

5. It enhances your resident experience

Offering pay-on-the-go flexibility and multiple digital payment options will elevate your residents' overall experience at your property. Help them help you. Happy residents renew their leases, respect the community, and refer friends. Up resident satisfaction by utilizing the technology they not only want, but have come to expect:

They want mobility

Today's renters are already on their smartphones, tablets, and laptops all day, every day. Let them pay you while they're there. Provide each leasing office with a tablet that residents can use to register their account within your payment portal, and (best case scenario) set up a recurring AutoPay on the spot.

'Processes of yore' are no longer acceptable: Because of the next generation of renters' high 'tech'spectations, your primitive processes are no longer going to cut it.. The current student demographic eats, sleeps, and breathes the internet across devices, literally - 91% of Gen C (a generation defined by mindset instead of age, but consisting mostly of Millennials and Gen Zs) sleeps next to a smartphone. They are accustomed to a personalized, convenient, and technology-enabled level of service. Filling out physical forms is an antiquated concept to them. Steve Hallsey, Managing Director for Wood Partners, noted that "the generation that's doing our leasing right now has grown up with the tablets we use for leasing… You actually look archaic if you don't have this technology available for them."

Beware of clunky PropTech platforms: Many PropTech solutions were built in a different era and come with clunky front-end user interfaces. Look and feel is imperative to this new wave of renters, so find a platform that features a modern and highly intuitive user experience. With a mobile-first platform you'll typically find simple and elegant workflows that allow your residents and staff to complete their tasks quickly and efficiently.

They want convenience

Most residents want to pay on-time. A flexible, digital payment system allows for self-sufficiency. The ability to pay when and how it's convenient helps them avoid late fees. Also, a digital system lets them log-in and view the status of their transactions online, without bogging down your on-site managers.

Alexis Vance, VP of Sales and Marketing at Alliance Residential Company, says that their site staff's interaction with current and potential residents significantly improved after switching from paper to tablets. "Now you can truly customize the experience around your customer... understanding the impact a paperless approach has on the customer experience is critical to successfully integrating the initiative into your service strategy."

They want visibility

With complete transparency into their rental payment history at your property, there is less room for debate or pushback from residents regarding late or returned payments. Digital payments create a timestamp and an audit trail, leaving no room for dispute about when a payment was initiated or returned.

Peer point-of-view

"For a number of years we had posted payments through lockbox files or through manual methods, and we got a lot of feedback from our residents that they wanted to be able to see the payments that they were making appear real-time on their ledgers" said Diane Caton, Executive Vice President of MSC. With digital payments, she continued, "this self-service aspect of residents being able to see their ledgers and make payments at any given time and sort of have that control back in their hands has been a game-changer." Meaning - no more excuses. "All of these stories about 'my rent check got lost in the mail,' 'you didn't post it fast enough,' 'I know you had it but you just didn't get it posted,' all of that stuff is sort of off the table."

Property management companies who eliminate paper checks average a 50% decrease in delinquencies.

Digital payments best practice methodology

Time to take action

We've just discussed in detail the key incentives that drive property managers to push digital rent payments at their communities. Now let's take a deep dive into the five pivotal areas that determine the success of your organization's digital payment adoption across your resident base. Buckle up. We're about to get into the nitty-gritty actionables, so get ready to apply these tactics across your portfolio to drive optimal results.

1. **On-site staff change management & training:** We'll discuss how to provide "on-demand" training for your on-site associates around the value and the functionality of your digital payments system.

2. **Resident on-boarding:** With samples and templates we'll show you what information you should provide new residents upfront, and set clear expectations around when and how payments should be made.

3. **Alignment of resident incentives:** Think about what your residents want, and use our checklist to create a win-win payment structure that benefits both you and your renters.

4. **Multiple payment options:** We'll review the different payment types you should be offering, including a cash payment alternative. The more digital options you provide, the less cash, paper checks, and money orders you'll receive.

5. **Resident engagement and communication:** Your residents have been conditioned to lose patience for clunky, slow, or outdated software. Here's how to ensure your community engagement technology is up to date.

On-site staff change management & training

Provide "on-demand" training for your on-site associates around the value and the functionality of your digital payments system. Champion this initiative by setting and tracking key metrics, and encouraging competition.

Step 1. Eat, sleep, and breathe the value of digital payments

Educate managers and on-site associates not only on the functionality of your digital payment system, but more importantly, on the value of it. These are the folks on the front lines, interacting face-to-face with your residents on a daily basis. Just because they know how to register an account within your payment portal, doesn't mean they will register every resident that walks through the leasing office door. It's your job to sell them on the value of digital payments, and here's how:

Set goals

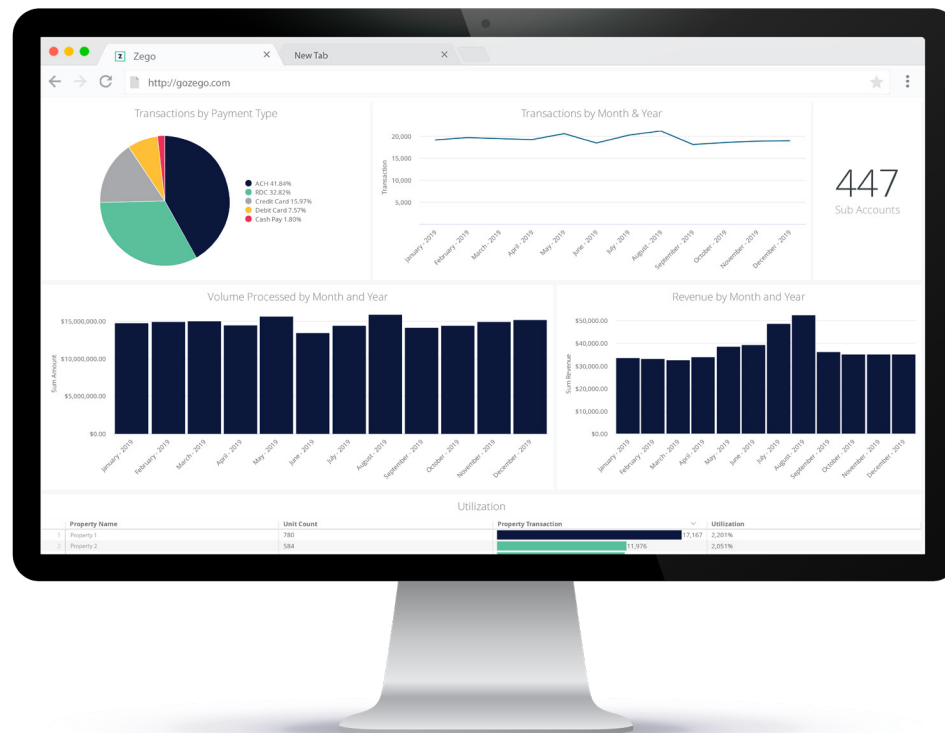Decide on a company-wide digital payment adoption percentage goal. Feel free to use our metrics below for reference:

Portfolio-wide % of online payments	Rating
<30%	Needs some work
30-50%	Decent
50-80%	You're on your way
80-100%	Paperless nirvana!

Keep on track with KPIs

Stay on target with the help of portfolio-wide Key Performance Indicators (KPIs). Your KPIs should be measurable values that demonstrate the effectiveness of your team's efforts. Once you've established KPIs, align your entire staff on the gravity of these targets. Communicate what's at stake - the trajectory of your business as well as your associates' professional growth. Track your progress with the help of your payments provider, and review your KPIs on a weekly or monthly basis. Sample KPIs to track:

- Boost digital payment adoption from 20% to 80% by the end of the year

- Increase portfolio-wide adoption by X%

- Increase individual property adoption by X%

- Get X amount of AutoPay sign-ups

Be transparent with your team

Set monthly or quarterly benchmarks for your portfolio and celebrate company-wide achievements by catering pizza or ice cream to each office. Build digital payment adoption metrics into your company's rally cry. If no one is driving the train, the whole operation will derail. A firm commitment to these metrics will give them weight, which your team will respect.

Set them up for success

Provide each community with the reporting and insight tools they need to drive results. Use BI Tools such as the Zego Insights Dashboard, and daily batch deposit report email notifications.

Peer point-of-view

Greystar provides its team members with ongoing training and a variety of tools and resources to help support adoption of paperless systems. "We've implemented a monthly promotional campaign with tools, marketing campaigns and resident-facing collateral that can be used to promote all the benefits of paperless activities to applicants and residents."

Drive home the value

Over-articulate the value of digital payments during your new hire training in addition to the functionality of the program itself. When your team understands how digital payments can improve or alleviate time-sucking, monotonous tasks and increase productivity, they'll naturally work harder to ditch paper payments.

Own the initiative

Don't be afraid of your team's reaction to your decision to go paperless. Tina West, COO of Capstone, said her on-site team was pretty receptive to the idea, "I think there's some fear with learning new technology, but for the most part, you don't get pushback or resistance from managers when it comes to automating the processes and reducing the time with paper."

Benefits for on-site associates

We've jotted down some talking points you can relay to your team to really drive home the value, and get them on board:

- Eliminating mundane manual process from your workload will free you up to focus on higher value activities (e.g.. leasing, engaging with residents, etc).

- Dealing with paper checks is a pain - if you get 100% of your community to pay digitally, you don't have to take checks to the bank, deposit them, key them in, etc.

- Digital payments will streamline and automate many of your accounting tasks such as reconciliation, managing deposits, month end close, etc.

- You no longer have to accept cash in house. No cash or money order thefts on your watch. No more risky large-sum cash deposits to the bank.

- Assessing and collecting late fees digitally is much easier than the awkward and grueling process of hunting down and manually collecting additional late payments from delinquent residents.

- Credit reporting (if your payment provider offers it), will boost your renewals, which will decrease vacancies, making you look like a rockstar on-site manager.

- Taking payments digitally eliminates conflicts with residents since the digital record provides an indisputable proof point on when the payment was made, if a fee is owned, etc.

[Warning: this increased efficiency may lead to a promotion]

"We want them out there doing what they do best. They are people-oriented, great at getting leases. Then, we shove them in a room, shut the door and tell them to count checks." -Michael Wise, RAM Partners LLC

Step 2. Run contests

Encourage a little healthy competition between communities and co-workers – results guaranteed.

- Ask your payment provider for your digital payment adoption report broken down by property.

- Share this report across your portfolio so on-site managers can compare how their community's digital payment utilization rate stacks up against other properties.

Peer point-of-view

One of our top clients has successfully increased their digital payment adoption month-over-month, year-over-year for three consecutive years. What's their secret? Every month Zego provides them with a comprehensive utilization report that the AMC owner/operator forwards to all 400 properties within their portfolio.

While a digital payment adoption rate of 30% is considered decent, this company currently boasts a rate of over 55% across their entire portfolio - proving you can really push the needle if you champion it as part of your company culture.

During monthly meetings or your company-wide newsletter, recognize and celebrate the site managers whose rates are rising, and call out properties that are falling behind. This tactic stemmed directly from a highly-regarded management company with lofty utilization rates. So while it may seem a little cruel to draw attention to the "losers," we guarantee it will light a fire under your lackadaisical site staff to step up their game.

How to run a property v. property digital payment contest

☐ Decide on the end goal of your contest. Are you trying to increase the number of residents on AutoPay? Are you measuring the total number of digital payments during a given month? Or are you simply trying to get your residents to create their digital payment account?
Pro tip: AutoPay contests have the best ROI because you'll continue to get on-time payments for months after the contest ends.

☐ Choose when your contest will begin and end.
Pro tip: Typically, contests run for three to four months.

☐ Pick a prize. Make it good.
Pro tip: Popular prizes include a $50 Amazon gift card for each of the winning property's on-site staff, a catered lunch, an extra day of paid time off, etc.

☐ Keep a record of each property's pre-contest utilization rates.

☐ Promote your contest! Notify your staff of the contest rules, and get them pumped to participate.

☐ Assist your property staff with resident marketing.
Pro tip: Encourage your staff to send out an email blast to their residents and post fliers on the community board.

☐ Create a calendar reminder to pull the utilization report and the name of the winning community on the final day of the contest.

☐ Deliver the prize to the winning property staff and announce the winner via email to the entire company!

"We focus on rewarding community teams and regional property managers whose portfolios have had the highest level of participation with their residents." - Puryear Helling, Greystar

Step 3. Train with a purpose

Provide continuous product training for your staff, especially if you experience high turnover (not uncommon in our industry). Average turnover for multifamily community staff ranges from 21-54%. Use consistent educational refreshers to combat knowledge gaps and poor customer service within your team.

- **Receive the information:** Tap into your payment provider's wealth of resources to gather all of your initial training webinars, videos, manuals, and FAQs.

- **Host the information:** Pull all pertinent written, recorded, SOPs, FAQs, and documentation together to create a well-organized, easy-to-access training database for your staff. Your database should easily guide managers through your payments solution at the program level.

- **Share the information:** We suggest an in-depth training during your new-hire on-boarding program, and then refresher trainings for the entire team every 2-3 months. Require new associates to attend training webinars hosted by your payments provider.

Curious to know how well your team currently understands your digital payment system? Copy and customize the pop-quiz below to gauge their knowledge.

Put 'em to the test!

Digital payment pop quiz for on-site managers

1. How would a resident set-up their online payment account?

2. What are the payment options available to your residents?

3. What payment options are not accepted?

4. What are the processing fees for each payment type?

5. How do you take a one-time payment for a resident?

6. How do you set up an AutoPay?

7. How would you research transaction information (i.e. returns, voids, etc...)?

8. How does the integration work? (SSO, API, etc)

9. What features are available to your residents? (Credit reporting, AutoPay, a community mobile app, etc)

10. Why should a resident pay online versus drop off a check? (Do you understand the value proposition?

Total = _____ / 10

Resident onboarding

Whichever method new residents use to pay their first month's rent will likely be their go-to for the entirety of their lease term. Provide them with the right information upfront about your online portal and payments platform. Be sure to set clear expectations around when and how payments should be made.

Step 1. Communicate the value proposition to residents

Like the shortcuts on a keyboard, time-saving tools are often underutilized if their existence and value aren't properly communicated. You've got to address your residents' pain points. Tell a story about how these life-changing features available to them through your platform will ease their pain. Remember to also set clear expectations around when a payment is considered late, what payment methods you accept, etc.

Communication is key. Here are some talking points you can steal and include in your welcome letter or follow up email, we don't mind:

New Message   — ⤢ ✕

To		Cc Bcc

Subject   Welcome to the community! Here are some helpful tips and tools for your convenience.

Dear community member,

You lead a busy life, don't let the first of the month add extra stress! Set up automatic payments (AutoPay), and paying your rent on time will be one less thing to worry about.

By opting into our credit reporting feature, paying online and on-time lets you build your credit history to potentially improve your credit score.
(Pro tip: Click here for a sample of our Credit Reporting marketing email).

Sign up for automatic rent reminder emails and texts to avoid late payments and late fees. Pay online and never dispute over a lost or late payment again!

→   As soon as you submit a payment, all of your online transaction details are recorded. Meaning we won't hound you with questions about when you mailed your check, and you won't be charged erroneous late fees.

Our online payment portal gives you the flexibility and convenience to pay on-the-go from your preferred device. We accept multiple payment methods so that you can choose how you want to pay.

→   Pay securely through PayPal, pay with cash at Walmart if you are unbanked, you can even earn airline points and rewards by paying with your credit card.

You have all of the following payment options available to you through our portal:

- ACH
- Credit card
- Masterpass
- CashPay
- Debit Card
- PayPal
- Mobile payments

Thank you for being a valued member of our community. We appreciate you!

Step 2. Marketing at move-in: Welcome materials & emails

There are three important channels to focus your marketing efforts on to encourage digital payments at move-in.

The lease

A simple, yet overlooked tactic is to inform residents about their payment options early on.

- Add a payments clause to your lease or rental agreement, and go over the details with each new resident.

- Let them know right off the bat that you do not accept cash for rent payments.

- List all of the acceptable forms of payment, but accentuate the fact that digital payments are preferred.

Fliers, letters, and other print materials

Although paperless is the ultimate goal, the effectiveness of print marketing, in some cases, cannot be denied.

- In your new resident move-in packet, include a brochure with registration instructions for your payment portal, an AutoPay enrollment form, and promotional materials.

- Include digital payments instructions in your welcome letter

- Shutter your drop box and hang signage directing residents to make a digital payment instead. This would be the perfect spot to promote an AutoPay contest! **Pro tip: This would be the perfect spot to promote an AutoPay contest!**

Peer point-of-view

"We provide a welcome letter with their move-in documents that encourages them to pay online and explains how the Zego platform works. No cash or money orders allowed due to the security risk they pose." - Pam Serviss, Western Management

New resident communications

Our clients have found digital communications to be the most successful and cost effective way to increase digital payment adoption. Emails are traceable and allow residents to activate their account with one-click by including a tokenized link.

Your resident marketing program should take a comprehensive, hands-on approach to onboarding that includes emails, texts/sms (for those who opt in), and in-app push notifications. Most importantly, be sure to send an introductory message to each new resident describing what communications they should expect to receive from you. Then deliver a continuous stream of practical information while being careful not to overwhelm or "spam" them.

Download our free welcome series email templates and customize them for your community.

Move-in email schedule

SUN	MON	TUE	WED	THU	FRI	SAT
			1 The welcome email	2	3	4 The post move-in email
5	6	7 Happy first week email	8	9	10	11
12	13	14	15	16 Monthly community recap email	17	18
19	20 The quarterly email	21	22	23	24	25
26	27	28 4 days prior to rent email	29	30	31 The rent reminder email	

Pro tip!

After 3 consecutive digital payments, send an email recommending they create an AutoPay instead of submitting one-time payments. Best-in-class payment providers will automate this messaging for you.

Step 3. Register residents in-office

Your move-in mantra should sound something like, "locks changed, lease signed, registered for digital payments." The sooner the resident creates an account, the better. Getting their account set up is the hardest part - especially if they have a unique account number they need to register with. Once they know how to log in, making payments is a breeze. Here are some best practices for getting residents to adopt your payment system from the get-go.

- Offer a point-of-payment location in your front office for residents without computers. It can be as simple as an iPad kiosk in the lobby.

- Register residents right after they have signed their lease, or when they come in to receive their keys.

- If your community caters to a more mature demographic, train your staff to help sign-up reluctant customers and teach them how to access the resident portal.

- Offer an incentive for AutoPay enrollment upon move-in (i.e. a $5 gift card to your local ice-cream shop or grocery store).

- When current residents stop by the office with a paper check, the on-site manager should immediately remind them of their digital payment options, and offer to help get them registered on the spot.

"A lot of properties have a resident computer so they can make payments and a manager can help if needed." - Pam Serviss, Western Management

Alignment of resident incentives

What do residents want? How can you create a win-win payment structure that benefits both you and your renters? According to the NMHC, 60% of residents prefer to pay using a debit or credit card, and an additional 21% of renters said they had no preference in payment method as long as the process was automated. Not surprisingly, only 7% of respondents preferred to pay with a paper check. Because 93% of today's renters prefer to pay digitally, you can create a digital rent collection strategy that eases your workload, while providing the convenience your residents crave.

Step 1. Choose the right pricing model

The ability to drive a higher percentage of digital payments relies heavily on the pricing model you have set up with your provider. There are a few different alternatives and considerations when it comes to pricing models, so be sure to do your homework. The chart below outlines three types of pricing models, their benefits, and their accompanying average percentage of digital payments.

	Standard passed	Standard incurred	Digital unlimited
Pricing model	Transactional	Transactional	Subscription
Benefits to managers	Collect digital payments from your residents for free	Encourages your residents to pay online	Go fully digital and eliminate paper based payments
Average % of rent payments that are digital	20-30%	30-60%	60-100%

1. Standard passed

In the standard passed pricing model, payment processing fees are paid for by the resident. This is an attractive model for management companies that want to provide their residents with digital payment options, but aren't interested in digitizing their full rent payment receivables process.

2. Standard incurred

Property managers who are interested in providing residents with a free digital payment option will tend to choose the Standard Incurred pricing model. In this model, the property manager pays the processing fees associated with digital payments. The benefit of this plan versus the Standard Passed is that the quantity of digital payments more than doubles when residents are presented with a free option.

3. Digital unlimited

For management companies that would like to completely eliminate paper-based payments, the Digital Unlimited pricing model is the best option. Communities under this model will have access to unlimited, "all you can eat" digital payments - providing residents with an easy, cheap, and free payment option. Managers can be more prescriptive in moving all of their residents away from paper-based payments by charging a fee to pay with cash, check, or money order. This allows communities to effortlessly transition to a 100% digital rent collection process.

Pro tip: Companies with subscription-based pricing models (like the Digital Unlimited plan) are trending across industries - think toothbrush heads, TV networks, meal-prep kits, etc. Get ahead of the game within the property management industry by adopting this type of structure now.

Step 2. Don't pass the buck

Within the Zego database, the percentage of digital payments for an average multifamily client is approximately 30% (including all payment types such as credit card, debit card, ACH, etc). However, the average number of ACH transactions more than doubles when a property management company incurs the processing fee on behalf of the resident. This can be achieved with either the Standard Incurred or Digital Unlimited models.

In a recent G2 Crowd review, a Site Support Specialist said, "being able to get residents to pay digitally while we eat the cost of the ACH fee has been amazing and saved our sites so much time during the beginning of the month."

Peer point-of-view

With goals of achieving high digital payment adoption at their properties, Planned Property Management decided to incur the processing fee on their residents' behalf for their first digital payment. After that, the resident would incur a modest convenience fee if they chose to continue to pay digitally.

"I would estimate at least 80% of our tenants have used Zego at least once. It is so much easier than writing a check and adoption has grown considerably within our tenant base." - Mary Francis, Collections Manager, Planned Property Management

The graph below is a month by month representation of the average percentage of ACH payments at a single property for two consecutive years after instituting Zego Pay. The light green line represents companies that incur the processing fees on behalf of their residents. The dark green line represents companies that pass the convenience fee to their residents. These stats are big indicators that digital payment adoption more than doubles when the processing fees are incurred by the management firm or property owner.

Monthly percentage of digital payments: incur vs passed ACH processing fees

# of months after onboarding

Incurring fees   Not incurring fees

To incur, or not to incur? We encourage you to do some research on your end. Perform a cost-benefit analysis to find out how much it's actually costing you to manually process all of your paper payments each month versus how much it would cost to incur. Roy Rainey of Rainey Realty did the math, and decided it was well worth it; "we decided to incur the costs of eChecks, which is a nominal cost. We probably pay around $300 per month in the eCheck processing fees. But since everyone pays digitally now, we are not paying a bookkeeper to process rent. The tradeoff is worth it, especially because our system is 100% accurate and we can see all of our payments in real-time."

Step 3. Give 'em a little credit

Best-in-class payment providers will offer Credit Reporting for free, which will help set your community apart from your competitors. Allowing your residents to build their credit with each on-time, digital payment will not only reduce the amount of paper checks you receive, but also decrease the number of late payments. Credit Reporting also attracts reliable renters - filling vacancies with quality residents.

For properties with Zego Pay, our free-to-use Credit Reporting feature shares a resident's rent-related payments with Experian RentBureau® and TransUnion®, which are used by various types of credit-granting institutions.

The common misconception is that Credit Reporting is a difficult and time consuming component to implement. But in reality, it's a simple process to set-up, turn on, and reap the benefits from.

Need more convincing? Let's look at the numbers from a 2019 TransUnion survey.

73% — 73% of renters would be more likely to make on-time rent payments if property managers reported rent payments to a credit bureau.

67% — 67% said they would choose the rental unit with reporting already in place when given a choice between two similar properties.

17% — 17% of multifamily rental property executives said they report payments to credit bureaus, giving you an advantage over the other 83% if you offer this incentive.

26 points — Residents could increase their credit score by as much as 26 points in one year.
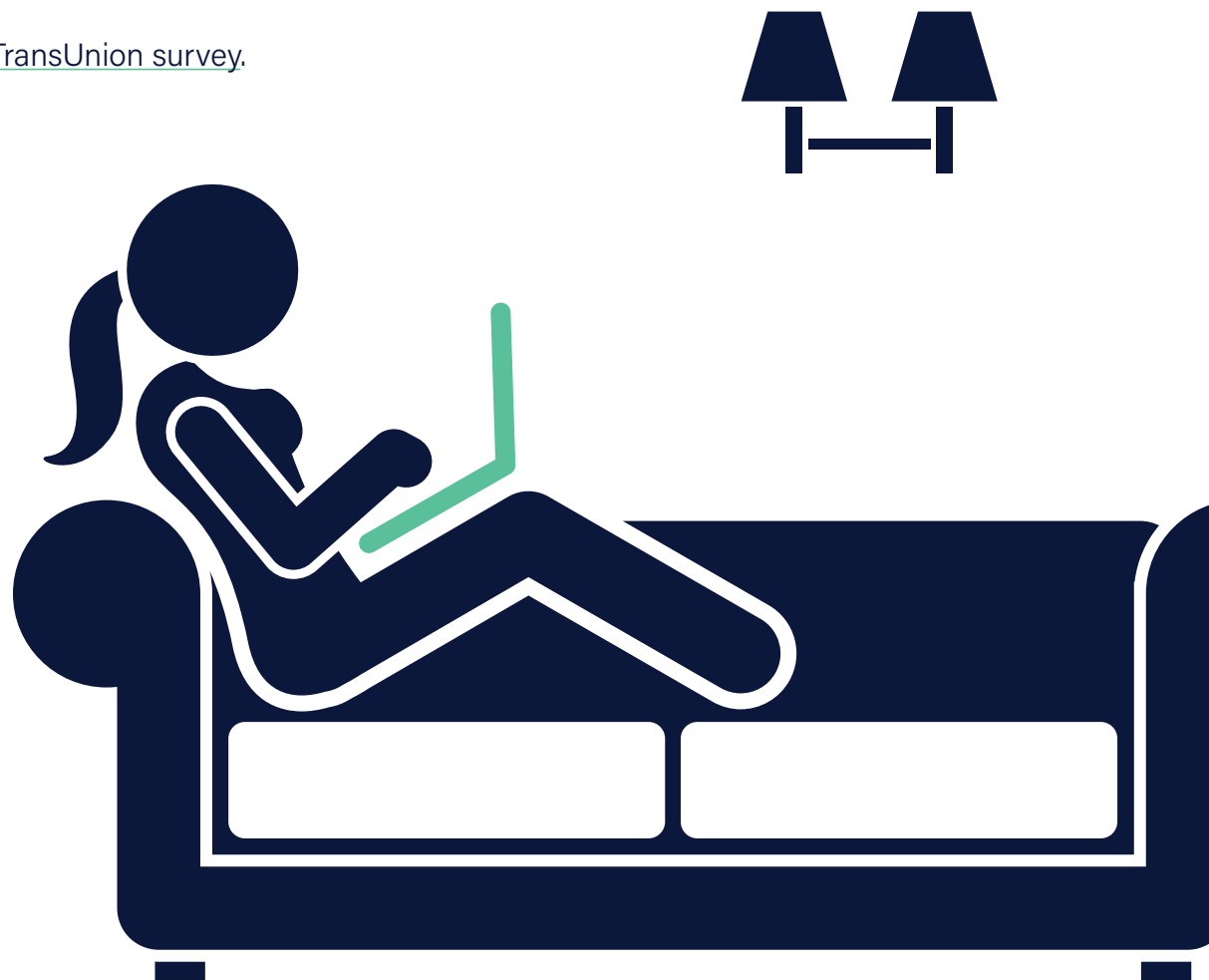
Multiple payment options

Less than one-fifth of Americans still carry a checkbook, so why would any business rely solely on the acceptance of checks? To stay ahead of the curve, you need to offer multiple payment options, including a cash payment alternative. The more digital options you provide, the less cash, paper checks, and money orders you'll receive.

Step 1: Offer all major payment types

Only one-fifth of Americans still carry a checkbook, so why would any business rely solely on the acceptance of checks? To stay ahead of the curve, you need to offer multiple payment options including ACH, Debit, Credit, PayPal, and Masterpass. Residents appreciate payment flexibility. While they are out-and-about running errands, they should have the ability to pay via your community's mobile app, or at the very least, with a representative over the phone.

Step 2: Convert paper checks to digital with Check Scanning

While the best option, of course, is to eliminate paper altogether, check scanners have gained popularity (especially in senior-living communities) as a way to combat the time-consuming process of accepting paper-based payments. They have become a necessity for communities that still receive a large number of personal checks and certified funds. Check scanners convert checks and money orders into digital transactions, eliminating the time spent transporting checks to the bank, depositing them, and manually posting them to the resident ledgers.

However, check scanners can be tricky and are notorious for causing issues that can be avoided with digitally submitted payments. But if you must accept paper checks, we've put together a list of best practices to help you avoid the most common check scanning errors.

Check scanning best practices

1. Organize the checks by category (i.e. personal checks, money orders, cashiers checks, etc...)

2. Take the time to calculate each batch correctly.

3. Scan no more than 25-30 checks per batch.

4. Allow your accounting software to sync with your scanner before trying to manually add a resident/unit you can't find.

5. Double check that money order account/routing numbers are accurate.

6. Double check you have correctly assigned the right resident.

7. No-brainer #1: Make sure that your scanner is plugged in and turned on.

8. No-brainer #2: Make sure that the scanner has an ink cartridge.

Step 3: Close the door on cash

Stop accepting cash and money orders altogether. Best-in-class payment providers will offer an <u>alternative cash payment method</u> for unbanked residents. Our CashPay solution, for example, lets residents pay with cash or debit card at over 25,000 retail locations nationwide. The CashPay transactions appear in the Zego system instantaneously and integrate into your accounting software. Residents can even access their CashPay account number within the community mobile app while they're on the go. Now "the office was closed" or "the check got lost in the mail" are illegitimate excuses. With more payment options, residents are less likely to submit late payments, which ultimately improves your cash flow.

Resident engagement & communication

The way we experience technology has evolved. It is intuitive, personalized, and at your fingertips. Because today's tech scene is ruthless, failure to keep up with the latest technological advancements leads to an archaic reputation and abandonment for a more modern platform. As a property management company, you've got to keep your tech in check, because your residents (especially Millennials and Gen Z who now make up over 50% of renters nationwide) have been conditioned to lose patience for clunky, slow, or outdated software. The following four steps will keep you relevant.

Step 1. Optimize your community-branded mobile app

Meet your residents where they are. A mobile-first, user-friendly community app for all property communications is becoming increasingly important. According to a survey by comScore Media, adults in almost every age bracket spend more time using mobile apps over mobile-optimized websites or desktop computers. In fact, "mobile apps account for 57% of all digital media usage, and smartphone apps alone capture more than half of digital media time spent." And undoubtedly, communities with a mobile app tend to see higher digital payment adoption than those without.

Research conducted for Zego by Martec, a third-party firm, found that 46% of residents said they would use a mobile app to make their rent payment if they had the option available to them. According to a survey by Deloitte, the average American checks their smartphone approximately 52 times per day. The point is, let them pay rent while their thumbs are already engaged.

Real estate investment firm, S2 Capital, saw a 27% increase in digital rent payments after implementing a community app. Lincoln Properties, one of the top 50 multifamily companies in the US, touts a 72% adoption of digital payments largely because of their mobile app. To achieve max-efficiency, your mobile app should check off each of these boxes:

☐ **Searchable:** It should be easy for your residents to find and download in the Apple App Store, Google Play, the Galaxy Store, etc.

☐ **Synchronized:** The look and feel of your app should be cohesive with your community's brand identity.

☐ **Secure:** Provide residents with a simple, one-click mobile payment option for their rent and utilities that meets PCI data security standards and is protected by SSL encryption.

☐ **Seamless:** Communicate with residents on their terms via in-app messaging and SMS capabilities for one-on-one conversations, and a community feed for broadcast announcements.

One app to rule it all

While mobile payments should be one of the staple components of your robust community app, it shouldn't be the only feature. For residents, it's about consolidation. For property managers, it's about automation. Manage various tasks directly within your community app to increase efficiencies. Let your residents control multiple aspects of their living experience from their phone, and they'll be more likely to utilize the app for payments as well.

To create the best experience for your residents, provide them with the tools that connect them to your property, to each other, and to your community:

- Package Management: Quickly check a new package into the mobile app to automatically notify the resident.

- Amenity Reservations: Allow residents to easily reserve on-site amenities, like party rooms, the clubhouse, barbecues, and more.

- Digital Marketplace Services: Grow revenue through customizable local and national partnership deals, with convenient access to services like carpet cleaning, dog walkers, and more.

- Integrated Work Orders: Access and update maintenance requests via the app.

- Pet, Vehicle & Visitor Registration: Let residents request approval in-app for visitors, pets, or vehicles.

- Smart Tech: Give your residents the power to control all of their smart home devices from a single app.

Step 2. Optimize your website

Your website is likely the first place prospective residents will look for information on your property. And as they say, you only get one chance to make a great first impression. In addition to being quick-to-load and easy-to-navigate, your homepage should include a link to your payment portal above the fold (the portion of your website that is visible without having to scroll down).

Peer point-of-view

"I remember years ago when people would tell me - nobody will ever rent an apartment without looking at it - but now people do that all the time. They're on our website in the middle of the night. They're looking at pictures or virtual floor plans… they've paid the application fee, they've picked out their apartment and that's again just sort of expediting the process and driving efficiency in the office."

"Collecting the application payments online 24/7, whether our office is open or not, really was a differentiator for us in the marketplace, and really was a way to make the application process even easier for residents. And that went hand in hand with [the] advent of total online leasing." - Diane Caton, Executive Vice President MSC

Digital payment utilization doubles when residents submit their application payment digitally. It is vital that your application portal and payment portal are easy to locate and integrate seamlessly with your website.

There are two ways to visibly promote your payment portal on your website.

1. Add it to your toolbar at the top of the page. Your link copy should be an obvious phrase like; "Make a Payment" or "Resident Portal."

2. To increase awareness, have your web designer place a "Pay Now" button somewhere above the fold on your homepage and hyperlink it to your payment portal.

Step 3. Combine rent & utilities on a single statement

When you combine rent, utility charges, and ancillary fees onto one comprehensive statement, you not only benefit from recouped expenses and a more streamlined collection process, but your residents will also love the convenience of receiving one consolidated, itemized statement. Plus, when residents are directed to pay for all of their monthly charges at the same time rent is due, you'll see a surge of complete and on-time payments. Coupling utilities with rent raises the stakes for residents as the consequences of delinquent utility payments become more severe (eviction, money deducted from a security deposit).

Peer point-of-view

"We've had different partners in the past… who mailed out paper bills to residents and then they initiated payments to us, which really was a setback in terms of automation, because that just means you have double the number of payments to process, because essentially every resident has to pay their rent and then they also have to pay their utilities."

"One of the great benefits of having Zego as a partner on the payments side and also the utility side, has been the ability to make sure that the charges are posted to the resident ledgers. By the time we're running rent up and the rent charges are posted, the utility charges are already there for the prior month, and then the variable AutoPay captures all of that, and then the payment comes to us before the late fee date." - Diane Caton, Executive Vice President of MSC

As a long-time Zego client, Wehner Multifamily had gained tremendous operational efficiencies by automating rent payments. So in order to motivate more residents to pay digitally, they implemented Resident Billing to combine rent and utilities onto one statement, allowing residents the ability to pay for both charges in one effortless digital transaction.

Wehner now recoups the maximum allowable amount of utility costs from their residents, and digital payment utilization has increased 94% as a result. Acquisition Specialist, Juan Leyva, commented "residents now have all of their property and utility charges in one statement, they pay them all at once and it's made online payment adoption increase"
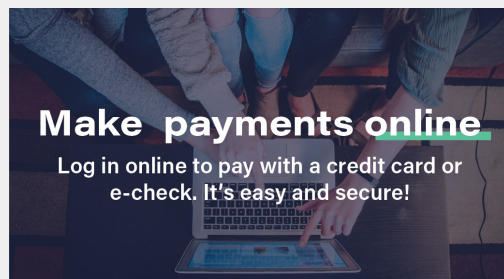
Peer point-of-view

Boutique Apartments used Zego Utility Resident Billing to help streamline their payment process. Their prior vendor could only send their residents separate bills, one for their rent and one for utilities. But by implementing a billing solution, Boutique Apartments' residents now receive one invoice with all of their applicable charges – rent, utilities, and any ancillary fees - that can be paid in one digital transaction. Because of this tactic, their utilization rate is currently over 200%.

"Recovering those costs from residents is more streamlined and has even led to more on-time payments because residents pay rent and utilities at the same time." - Jennifer Howard, CFO Boutique Apartments

Take advantage of the many benefits of convergent billing listed below:

- Boost collections and simplify billing when residents pay their entire monthly balance in one digital transaction

- Conservation efforts are an expected pillar of the modern business model. Consumption-based utility billing is a great way to promote your community's "Green" initiatives. Residents are incentivized to conserve when they are held financially accountable for their individual usage. Along the same green lines, you can encourage residents to turn off paper billing and switch to e-statements only.

- Use dynamic messaging to customize your resident statements based on where they are in their lease lifecycle. This allows you to promote your initiatives (i.e. welcome to the community, download our mobile app, refer friends and get rewarded, pay rent & utilities digitally, renew your lease, etc...). Here are a few examples of the dynamic messages our customers use on their statements:

Make payments online
Log in online to pay with a credit card or e-check. It's easy and secure!

www.gozego.com

Pay your statement online at www.gozego.com

Renew your lease today!
Eliminate the cost & hassle of finding a new apartment.

We love having you as a resident and want to see you stay. Stop by the office or call today to discuss your upcoming renewal options.

Step 4. Communicate on their terms

Resident satisfaction is dependent upon ongoing and outstanding communication. Exceptional service during the initial leasing process isn't enough. Residents often suffer a general lack of communication from the moment they are handed the keys until move-out day. In fact, 17% of turnover is due to residents being unhappy with their community manager. Don't let poor resident engagement hinder your bottom line. Interact with residents via the following 5 channels:

1. Email

2. SMS/text messaging

3. In-app messaging

4. Phone call

5. In person

If your office doesn't have 24/7 coverage, find a payments provider who does. Just in case your residents want to set up an account, need a password reset, have a question about their bill, or need help making a payment, pick a provider with a resident support team they can reach by phone or email, day or night 24/7/365.
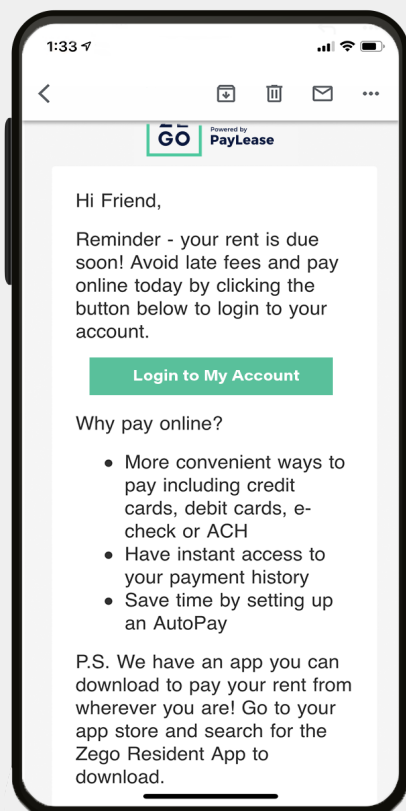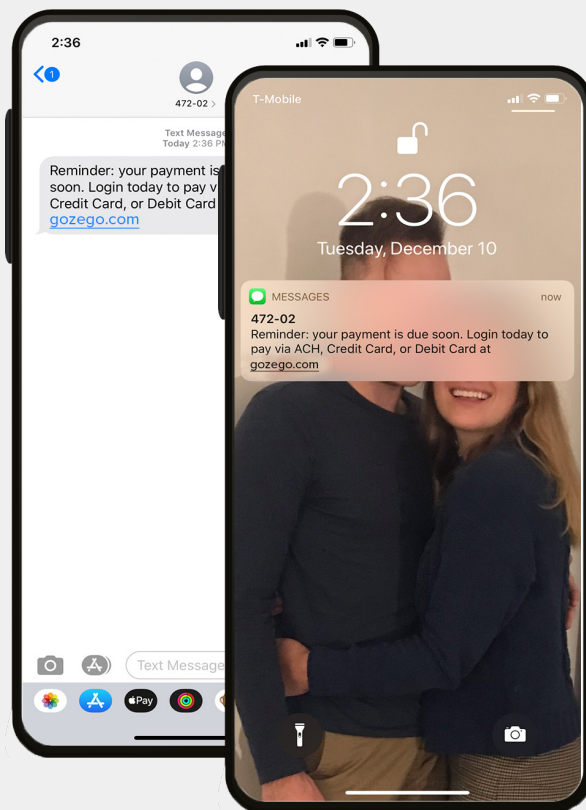
44

Step 5. Schedule automatic rent reminders

Avoid receiving late payments without lifting a finger by setting up automated rent reminders to your residents. Best-in-class payment providers will link your accounting software to their rent reminder program. This integration allows the system to automatically send an email, text, or push notification (depending on preference) to residents whose ledgers show a balance due. The integration will stop reminders from being sent to those who have already paid. After turning on automatic rent reminders for their residents, our clients saw average utilization jump to over 60% portfolio-wide.

These digital rent reminder emails and texts should include a tokenized link to your payment portal. Here are a few rent reminder samples we provide for our customers:
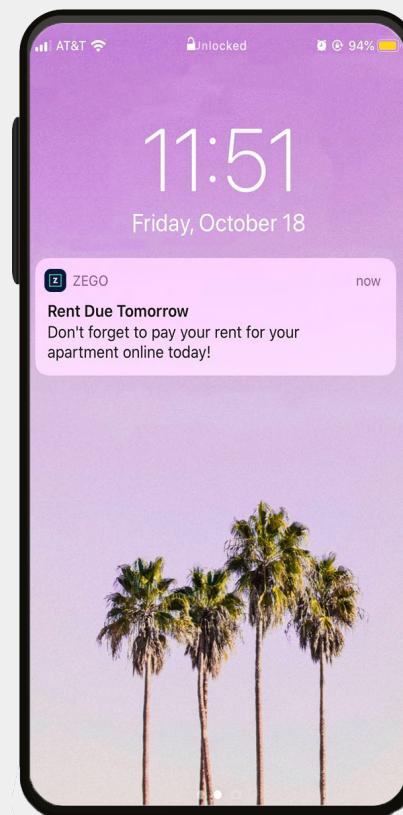
Rent reminder email

Hi Friend,

Reminder - your rent is due soon! Avoid late fees and pay online today by clicking the button below to login to your account.

Login to My Account

Why pay online?

- More convenient ways to pay including credit cards, debit cards, e-check or ACH
- Have instant access to your payment history
- Save time by setting up an AutoPay

P.S. We have an app you can download to pay your rent from wherever you are! Go to your app store and search for the Zego Resident App to download.

Rent reminder text messages

Rent reminder push notifications

Step 6. Run resident contests

As previously mentioned, contests are an effective way to boost digital payments, especially when executed correctly. Top management companies host annual or bi-annual AutoPay contests (depending on their rate of resident turnover). Any resident who initiates an AutoPay during the time frame of the contest is entered to win a $250 Visa gift card, or a percentage off of their next month's rent, etc. This type of contest typically delivers a 10-30% uptick in digital payment adoption. And as an added benefit, they help to create a sense of community and show residents that you're engaged with them.

How to run a resident AutoPay contest

☐ Choose when your contest will begin and end.

Pro tip: Typically, contests run for three to four months.

☐ Pick a prize. Maybe two.

Pro tip: Residents aren't likely to pay attention to your contest unless the stakes are high. A popular route management companies take is to offer $500 off of next month's rent. Or giveaway two $250 Amazon gift cards, more residents will enter the contest if they feel like they have a better shot at winning.

☐ Promote your contest! Notify your staff of the contest rules, and get them pumped to participate.

Pro tip: Host a "Payments Pizza Party" or some sort of kick-off event to promote the contest.

☐ Marketing is everything (and not just because this was written by a marketer). If you don't promote your contest, you won't see any significant improvements.

☐ Assist your property staff with resident marketing.

Pro tip: Create an email blast or hand out fliers or post them up in common areas like the community bulletin board to promote the contest.

☐ Create a calendar reminder to pull the list of AutoPay sign-ups during the contest parameters.

☐ Use a random number generator (easily searchable on Google or the app store) to choose the contest winner(s).

☐ Announce the winner(s) via email to the entire community and deliver the prizes!

☐ Reach out to your payment provider and ask if they'd be willing to contribute to your prizes!

If contests aren't in your wheelhouse, we have a few alternative ideas for you:

Resident rewards program

The NAA interviewed Stephanie Puryear Helling of Greystar about their resident incentive program, "if a resident completes certain activities, such as renewing their lease or paying rent online, they can obtain point values toward various incentives. The program engages our residents and incentivizes them to participate in online, paperless activities."

One-time payment contests

Gina Carter of Blue Ridge said "we're going to offer incentives, such as if you pay your rent online during the month of May, you'll be entered in a drawing where you can win $500 or free rent for one month, depending on the community."

Tokens of appreciation

Reward those who always pay on time, never have an issue, and are respectful of your property with a small token of your appreciation such as a Starbucks gift card or a bottle of wine. They won't expect it, but will love you for it. As they say, excellence is in the details.

Health check

Curious to see how you stack up? Assess your communities' current "digital payment adoption health" using our simplified Health Check tool. Calculate your score.

Health check grading scale

18-20: Champion - You've got digital payments down!

15-17: Healthy - Your digital payment game is solid. Keep it up!

10-16: At Risk - You've got room for improvement

0-9: Danger - You're digital payments program needs immediate attention

	Best practices	Yes	No
On-site staff change management & training	Do you provide on-demand training for your staff around the functionality of your digital payments system?		
	Do you provide on-demand training on the value of digital payments?		
	Do you use KPIs at the property level to drive usage and adoption?		
	Are you transparent with your team? Do you recognize and celebrate the communities with high adoption rates, and hold accountable those falling behind?		
	Do you organize digital payment adoption contests between managers?		
Resident onboarding	Do you require prospective renters to pay their application fee online?		
	Do you set clear expectations with new residents around how and when they should pay?		
	Do you include payment portal information and instructions in your move-in packets for new residents?		
	Have you closed off your on-site drop boxes?		
	Is each leasing office equipped with an iPad or tablet that residents can use to activate their payment account?		
Alignment of incentives	Do you charge residents for paying with a paper check?		
	Do you charge a fee if residents are late to pay rent?		
	Do you provide an incentive (i.e. gift card) for residents who sign up for AutoPay?		
	Do you incur the digital payment processing fee on behalf of your residents?		
Multiple payment options	Do you provide residents with a cash-payment alternative?		
	Do you allow residents to pay via multiple payment options (i.e. ACH, Debit, Credit, etc.)?		
	Do you have a community-branded mobile app with an on-the-go payment feature?		
Resident engagement & communication	Do you send automatic rent reminder emails or text messages with a link to the online payment platform?		
	Do you offer your residents a free credit reporting feature for their on-time rent payments?		
	Do you communicate with residents based on their preferences (i.e. email, SMS, in-app message)?		
Total			

Initial investments that generate countless benefits

Reap the rewards of your efforts

When you align your staff with your paperless payments initiative by optimizing your digital tools and incentivizing residents to use your payment portal instead of their checkbook, you trigger a domino effect of countless portfolio-enhancing benefits. Streamlining your collections process and providing residents with payment flexibility creates a better experience for them. Happy residents renew their leases, and as a result, high occupancy maximizes property revenue. Also, the reduction of resident turnover eases your staff's workload. Other advantages include a significantly reduced amount of time spent on manual payment processes, powerful protection against fraud, theft, and loss, and an increased percentage of on-time payments - improving your cash flow.

Though the benefits are endless, the idea of "paperless payments" isn't innovative. It's a necessity for those who want to stay relevant in the current multifamily community landscape. Renters are starting to demand (and expect) seamless technology, flexibility, and transparency like never before. The NAA claimed paperless offices were the "here and now" four years ago, so it's high time digital payments become a top priority at your company.

Ready to initiate your digital payment adoption action plan? Let's recap your to-do list. You've got to commit to the key drivers of digital payment adoption, train staff and residents on the value of it, offer multiple payment options, incentivize your communities to go paperless, and prioritize resident engagement & communication. When you champion your 100% Digital Payments Program, you'll reap the extraordinary long term benefits for your team and the communities you care for.

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Zego is a property technology company that frees management companies and community associations to go above and beyond for residents. We're evolving with the residential landscape, making a difference in how our customers work by building connections and easing friction. We offer technology that creates a sense of community and inclusion while also supporting and empowering on-site staff.

gozego.com | 1.866.729.5327 | @go_zego

Written by:

Victoria Londerholm
Content Marketing Specialist
Zego

Designed by:

Courteney Sigmon
Graphic Designer
Zego