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TIME TO CHECK OUT OF CHEQUES?

Are you one of the many landlords that are sticking to cheques for tenant payments? You are wasting money and time, as *Christopher Seepe* argues

It's all about money in real estate, with many landlords not caring what method they are getting their rent payment. But with rising transactional costs and paperwork, is now the time to reconsider that attitude?

Many landlords embrace all online operations – from listing to buying furniture for rentals - but when it comes to payments, few are willing to embrace Electronic Payment Processing (EPP).

Cheque collection and mail involve a lot of labour and material costs. Cheque processing has been a convenient excuse for centuries to delay or not make payments, and collecting a late payment incurs additional expense and lost productivity. Add in itemizing the deposit slip and running to the bank.

All of the manual labour undertaken by the bank is another cost added on to you, while some of the cash can be held temporarily (three to five days), which makes managing your cash flow as much a multi-disciplinary art form as a science.

CAN'T QUIT, WON'T QUIT

EPP requires less time, eliminates material costs, and is much more secure than cheques. So, why are many landlords still using cheques? Getting tenants (or landlords) to use something new can be a challenge. A growing concern for landlords is their legal obligation to protect personal information, especially under federal legislation to combat identity theft. Accidental (or intentional) disclosure of a tenant's personal information could have serious consequences, so minimizing that risk exposure is a highly desirable benefit.

Reporting, accounting, accountability, and security are also key influencing factors. The 2013 AFP (Association for Financial Professionals) Payments Fraud and Control Survey reported that 61 per cent of North American corporations experienced payment fraud, of which 87 per cent was attributed to paper cheques, and 28 per cent of companies suffered a financial loss.

Not surprisingly, all EPP solutions are not the same. Credit card transactions, for example, can be costly in the end with many financial institutions requiring three to five business days to process a transaction, and most require tenants to reveal personal and credit information.

Credit card services can claw back rent money paid to you by the tenant if the tenant submits a case to have the money refunded. A debit card benefit is that the tenant can only pay the rent with funds that are actually in their account. This eliminates non-sufficient funds (NSF) charges and the holding of funds, instantly changing your A/R cycle from net 10-to-30 to net one-to-two.

EPP also provides instant notification of receipt of tenant payments. However, consumers using online debit must reveal their PIN to a third party, which can be compromised.

NEW SERVICES

There are a number of new services, or payment portals, that can collect the cash from various sources, aggregate it (saving individual deposit fees), and then deliver it to your chosen bank account. Tenant Pay, for example, is one such provider.

A landlord can't force a tenant to pay electronically, so you should provide a written explanation of its many benefits, especially its convenience, privacy and fees.

Some EPP systems work of the specific unit number, not the individual tenant name and so they do not need to provide any personal information. If a tenant moves out, I give the same number to the next tenant who moves in while you can also collect other payments, such as parking fees, through this method.

While not encouraged, it's convenient for tenants to pay in parts too if they don't have all the money at once. They can pay early, which some of my tenants do, and if a tenant is late, they can instantly include the late payment fee with their rent. For me, tracking how much the rental unit makes is my key financial consideration. ■

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