Online Payments in the Property Management Industry: 2012 Market Survey Results
INTRODUCTION

As a whole, Americans are growing increasingly comfortable with the convenience and ability to pay their bills online in lieu of writing and mailing paper checks. However, most are still forced to write a check for a singular bill: their rent or HOA dues. A decade ago, few property management companies accepted anything other than a check or money order for rent. Property management companies have gradually begun to embrace the world of e-payments, but not necessarily at a fast enough pace for today’s digitally-driven resident base.

To better understand the evolving landscape of electronic payments within the multifamily industry, PayLease commissioned New Heights Research to survey property management companies across the country. This document outlines some of the key findings as they relate to the multifamily industry.

METHODOLOGY

New Heights Research began their survey by assembling a comprehensive list of approximately 40,000 management companies within the United States. Those records were placed into one of three categories depending on the company portfolio type: HOA, Multifamily/Single Family or Other. They then selected a statistically significant sample size of each market segment (393 firms in total) and conducted web and phone surveys to determine the following:

- Residential units under management (and properties/communities as possible)
- Website status—Do they have an active website?
- Online payment solution status - Do they offer e-payments? (including primary type/vendor as possible)
- Payment types accepted:
  - Online: credit card, ACH/e-check, PayPal
  - “Manual”: Money order/Cashier’s Check, ACH/Bank auto deduct, personal check, credit card by phone, cash
- Payment volume by type
- Management portfolio by property type (community association, multifamily, single family, other residential [student, military, etc.], commercial)
WEBSITE USAGE

Websites are undoubtedly a fundamental tool for businesses these days. Property management companies in particular can utilize their site for everything from collecting rent, processing lease applications, receiving maintenance requests, etc. Given the importance of this kind of technology, New Heights Research surveyed firms to find out how many had an online presence. The vast majority of multifamily firms (93%) confirmed having a website. The more units managed the more likely the firm was to have a website as illustrated by the figure below. In the property management industry as a whole, multifamily firms had the highest instance of a website. Only 91% of HOAs and 88% of single family firms have a website.

![Percentage of Firms with a Website](image)
**Data Commentary**

It is no surprise to see such a high percentage of property management firms utilizing websites, especially among larger firms. Ultimately this is the first step in launching a successful online payment solution. Still, the absence of a website does not automatically prevent a management company from accepting online payments. Many payment providers accept payments on their website if the management company prefers or if they do not have a site of their own.

**ONLINE PAYMENTS**

Next, New Heights Research aimed to find out what percent of management companies with a website offered e-payment services. And though the majority of management companies have a website, the survey found that a large number of multifamily firms are still in need of an online payment solution. Looking at the multifamily industry as a whole, 55% have an online payment solution. New Heights Research also surveyed HOA firms and found that 71% offer an online payment solution. In both cases, the more units a firm has, the more likely they are to have an online payment solution.

**Percentage of Property Management Companies Accepting Online Payments**

![Bar chart showing percentage of property management companies accepting online payments]
An unexpected find here is that HOAs have outpaced multifamily firms in their adoption of online payments. Seventy-one percent of all HOAs confirmed that they offer this convenience to residents. In HOA firms with over 5,000 homes under management, 76% provide the option to pay online. Given that multifamily generally caters to younger, more tech-savvy resident base, it is unusual to see that HOAs are more apt to offer this service.
ONLINE PAYMENT UTILIZATION

To gauge adoption levels of electronic payments, the surveyed firms were asked to state the percent of resident payments that were being made online versus offline channels. New Heights Research found that despite the availability of online payment options, many residents are still using a paper check to pay their rent. On average, multifamily firms who accept online payments only see roughly 34% of their resident base paying that way. Firms with over 5,000 units see even fewer residents paying online, with only 24% of rent payments being made online. This is an unfortunate realization, because without a high utilization rate, property management companies cannot achieve the full benefits associated with e-payments such as improved cash flow and elimination of manual data entry.

Percentage of Payments Made Online

<table>
<thead>
<tr>
<th>Category</th>
<th>Multifamily</th>
<th>HOA</th>
</tr>
</thead>
<tbody>
<tr>
<td>All PMCs</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>500-1500 Units</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>1501-5000 Units</td>
<td>41%</td>
<td>25%</td>
</tr>
<tr>
<td>5000+ Units</td>
<td>24%</td>
<td>37%</td>
</tr>
</tbody>
</table>
Data Commentary

The utilization rates of online payments in the property management industry are remarkably low, especially if you look at how many Americans currently pay their bills online. Fiserv's 2011 Consumer Trends Survey found that 53% of bills are paid online. Low e-payment utilization rates in the property management and HOA sectors are usually a product of three common scenarios:

- Limited marketing efforts
- Poor communication with property managers
- Charging residents convenience fees

First, property managers who don’t actively market e-payment options to residents will naturally see poor utilization rates; so it is important to regularly promote and communicate the service to your residents. Additionally, there should be a prominent call out on your website that e-payments are accepted. Think about the concerted effort made within other industries to drive online payments. Cable, internet and cell phone companies heavily promote online and/or recurring payments through email blasts, verbiage on new customer contracts and on their website. And most paper bills contain instructions on how to pay online.

Second, since the decision to offer e-payments is often made at the corporate level, it’s common to have poor communication to the frontline community managers and staff accountants. Those are the individuals who should push this service, and if they’re unaware or under educated on the service, they will be less likely to promote it.

Lastly, low utilization rates are seen when management companies charge residents convenience fees. Charging residents convenience fees is not recommended for firms wanting to see high utilization of the service. Again, think of how this practice compares with other industries. Rarely are consumers assessed a fee to pay bills such as cell phones, internet or utilities online, which is likely the primary reason these industries see such a high utilization of e-payments.
PAYMENT TYPES

Management companies with an online payment solution were asked to confirm which payment types they accept online. Regardless of portfolio size, ACH is the clear winner. Credit cards are the second most popular payment type accepted, although they are notably less prevalent among firms with more than 5,000 units. PayPal is accepted by some property management companies, but only in small and mid-size firms.

Online Payment Types Accepted by Multifamily Firms

![Bar chart showing payment types accepted by multifamily firms across different portfolio sizes. Credit cards are the most accepted, followed by ACH, and PayPal is least accepted.]
Data Commentary

As expected, ACH is the most commonly accepted online payment type. The low processing costs make it an easy and economical way to accept payments electronically. Credit cards come with higher processing costs than ACH, and have clearly impacted many multifamily firms’ decision to accept that payment type. However, credit cards are a popular payment method for most Americans. Excluding credit cards from your online payment mix will likely lower your firm’s online payment utilization rate. You can see evidence of this in the previous section, (Online Payment Utilization) as multifamily firms with the lowest credit card acceptance rates had the lowest levels of e-payment adoption. Conversely, firms with the highest rates of credit card acceptance had the highest e-payment adoption rates.

PayPal is also represented in the results, but its lack of integration capabilities with property management software paired with high transaction processing costs (higher than credit card) is likely the reason it is not a popular option for property managers.
OFFLINE PAYMENT TYPES

Firms accepting online payments were also asked what payment types they accepted offline. Money orders, cashier’s checks and personal checks are the most common with over 90% of firms accepting these payment types in an offline environment. Several firms do not restrict electronic payments to their website with 48% allowing residents to set up an ACH payment through their bank or by authorizing their property manager to manually debit the resident’s account. Additionally, 12% of multifamily firms allow property managers to take credit card numbers from residents over the phone.

Some property managers also cater to the unbanked crowd, with 33% accepting cash payments.

*Offline Payment Types Accepted by Firms with an Online Payment Solution*
Data Commentary

Personal checks, cashier’s checks and money orders have always been the traditional way of paying rent, so it is not unusual to see that the majority of property managers still accept these payment types. Yet, a small percentage of progressive multifamily firms have taken a strong stance against paper payments and mandate that residents pay their rent online.

It seems that many companies, particularly in the HOA sector, are accepting electronic payments offline. Credit cards and ACH/bank auto deduct transactions can provide property managers with a faster funding time than checks and money orders. One downside is that these transactions do not integrate into accounting software, leaving the property manager to manually record the payments. Additionally, it can be risky to accept credit card payments over the phone. When firms process cards manually, even over the phone, the legality of being compliant with the Payment Card Industry’s regulations falls on the shoulders of the property management company – a burden most managers don’t want to take on. This is a likely cause for it being the least accepted offline payment method.

The data also found that 33% of firms accept cash and a whopping 95% accept money orders. Many property managers see these payment types as a guaranteed way to get their funds. However, these payment types come with an increased risk of theft and fraud and should be accepted with caution.

CONCLUSION

The Property Management and HOA industries have made great strides coming up to speed with online technologies. But there are numerous management companies – mainly ones with smaller unit counts – that have yet to leverage the conveniences offered by websites and e-payment solutions. Those who have don’t seem to be using them to their full potential as is evident through low utilization rates. Property management companies should take a close look at their e-payment solution and analyze if there are any feasible solutions to improve the usage rate. Increasing the adoption rate will not only improve ROI but will maximize the conveniences associated with the solution.
ABOUT PAYLEASE

PayLease, LLC, is a leading electronic payments provider for the property management industry, specifically targeting the multifamily, single family, HOA and commercial markets. PayLease provides property managers the ability to accept and manage rent payments and HOA payments through a secure online interface. With PayLease, residents are able to pay their property manager using an E-check or with a credit card. Since its inception in 2003, PayLease has grown to serve thousands of property management companies nationwide and is among the fastest growing technology companies in the United States. For more information, please visit www.PayLease.com.

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