

## DEALING WITH DELINQUENCIES

## How To Reduce Delinquencies In A Downturn

By Pam Badar

**D**ue to the downturn in the economy, rental collection delinquency has noticeably increased. Thus, it is becoming more difficult to chase down tenants and reduce delinquent accounts. Below are a few helpful hints to help property managers supervise and ultimately avoid future delinquent accounts. These guidelines are intended to help managers remedy existing delinquent accounts, as well as avoid future delinquencies.

A property manager's initial contact with a new renter is crucial. In today's service environment, managers should establish their customer's storage needs quickly; however, taking time with each customer is important to a property manager's success.

### Correct Information Is Crucial

This process begins with information gathering. At the time of rental, gather as much contact information for the tenant as possible. Be certain to obtain work, cellular, and home telephone numbers. Contact information could include relatives with telephone numbers and addresses, as well as alternate contacts. In this day of modern technology, almost everyone has an e-mail address. Make sure to ask the new tenant for his or her e-mail address as it can be another source of communication. This allows managers to have an additional contact in the event they need to send a friendly reminder that the rent is due. Each state has a legal process to reclaim the use of a unit or parking space that has become delinquent. Check your state self-storage lien laws for more information.

Many software systems allow online payments for the convenience of the tenant. If applicable, at the time of rental, managers should inform the new tenant that payment can be submitted online. Payment options include credit card auto pay or auto debit.



Traditionally, delinquencies occur with tenants who pay with cash or check. Although credit cards do charge a merchant fee, managers collect monthly rent on time resulting in long-term tenants.

### Reinforcing Due Dates

Due dates are an important part of the lease presentation. Rent is due either on the first of the month or on an anniversary date and that information needs to be stated at least three times during the lease presentation for reinforcement. For example, if the rent is due on the first of the month, the tenant is technically late on the second, although there can be a grace period allowed before the late fee is assessed. To make an impact on the new customer, reinforce that the rent is due on the first and late on the second.

### Accurate Data Entry

Additionally, when the tenant's information is entered into the software system, accuracy is imperative. A mini-audit or double-check system is valuable in the long run. If two managers are working, have one manager check and initial the other manager's input for accuracy. Be careful when entering information into the database. Many managers use the information from the computer software as their only source for tenant contact information. Therefore, if the numbers are transposed, the manager may reach a wrong number or a number that has been disconnected. What's more, if a lien sale notice is sent to an address that was entered incorrectly, the facility may wind up with a wrongful sale lawsuit.

Here is an example of an instance in which a property manager completed the delinquent process perfectly, but still ended up with

The economy may be to blame for an increase in delinquencies, but a facility's best defense against them is its manager. Managers should enforce due dates and late fees, make courtesy calls, and work with delinquent tenants to get them paid up.

an eviction/auction. The tenant's (Mrs. Smith) rent is due on the first of the month and she has not made payment as of the 10<sup>th</sup> of the month. Telephone contact was made with Mrs. Smith (unit number A23), who was over 10 days delinquent. Mrs. Smith stated that she would come into the office and make a payment by the 25<sup>th</sup> of the month, but she was a "no show" and her account remained unpaid as of the 26<sup>th</sup>. Another attempt was made to contact Mrs. Smith, who again agreed to come into the office to make her payment by the 10<sup>th</sup> of the following month. Mrs. Smith's rent is now 40 days delinquent. Telephone contact was made again with Mrs. Smith to notify her that her account was in "lien" status and is subject to additional fees added to the monthly rent. Although Mrs. Smith is concerned that she may lose her stored goods and promises to pay by the end of the second month, her account has been delinquent for 60 days and her goods are now advertised for auction. Again, Mrs.

Smith is a "no-show" and does not stick to her commitment of paying, which resulted in the unit being auctioned.

Each state has its own lien laws to allow the self-storage owner to regain the use of the unit by "auctioning" the stored goods of the entire unit as a one time sale. Although property managers have processed the delinquent tenant unit through the legal process, it is the owner's choice to either work with the tenant by accepting partial payments until the account is paid in full or continue with the auction process.

#### The Delinquent Process

Courtesy calls are made within the few days of delinquency. When making delinquent calls, a manager should state both his/her name and the facility name in the introduction rather than the facility name alone. Customers respond more favorable to an individual rather than a company. Be diligent in the collection process. Once you reach a person, stay with them until


you receive a commitment. Make calls early in the day or late afternoon as most tenants work and are not home during working hours. When a promise of payment is received, managers should create some sort of tracking system.

Most software systems contain a reminder list which notifies the manager on duty that the delinquent tenant has made a commitment to come in on a specified day to make a payment. This way, if the commitment is not delivered upon, an immediate follow-up call can be placed. If managers come up to a dead end and all numbers have been disconnected, research on Google™ or 411.com to see if there is a new listing. In the mean time they keep the same assigned number, so make a note of what the recorded message states and check back at a later date to see if the number has been reactivated.

#### Show Compassion

As property managers, we have all heard sad stories. People may have experienced a death in the family, been in a car accident, lost a job, or are facing some other life changing event. It is important that managers show compassion when listening to their tenants' stories. However, managers need to stay focused on the goal of getting a payment and/or a payment plan regardless of the tenant's situation. Try to remind the delinquent tenant that their goods may be sold if they do not pay.

When working with a delinquent tenant, ask them to pay half of the late fees and catch up the following month as long as the rent is current. This shows that management is willing to work with the tenant to keep them in current status. Once managers have completed the legal process of processing the delinquent tenant through the states statutes, managers may choose to keep the tenant and work with them as to not auction their goods and continue with the process. Keep

this in mind: Self-storage is in the business of renting units, not selling them! 



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