

## 5 Ways to Improve Resident Receivables

Have you noticed that your receivables go up as your vacancy goes down? Have you noticed that the majority of people moving out of your property owe rent? Resident receivables seem to grow without any control, and that growth ends up costing you money.

Receivables cost you and your property money in two ways. The first is the opportunity cost of loaning money to residents (receivables are in essence an unsecured loan to residents). Every dollar in receivables is a dollar less for you and your property.

The second cost of receivables is the loss suffered when delinquent residents either move out or they are evicted. In either case, at best you may get your “resident loan” back from the security deposit. At worst, the deposit isn’t enough to cover the rent, damages, and administrative costs of the moveout-eviction.

So what’s the answer? How do you keep your receivables at their lowest level possible? Before I go into specifics, keep in mind that you won’t eliminate receivables. No matter what you do and how consistent you are, there will always be receivables. Your goal will be, and should be, to reduce receivables to a consistently low level.

There are five basic methods to maintaining a low receivable level. These five methods are:

1. Move in the right residents.
2. Set a clear-cut policy regarding late payments.
3. Consistently apply the late payment policy.
4. Immediately take legal action against all residents paying late.
5. Review the receivable list every month.

**Move in the right residents:** Screen all new move-ins for their ability to pay the rent. The biggest mistake people make is allowing “good” people to move in; when it’s obvious they can’t afford the rent. This method will not eliminate all problems, but it will eliminate the obvious ones.

**Set a clear-cut policy regarding late payments:** Set a simple policy and publish it. Make the policy simple, we’re talking late rent payments – if they’re late charge a late fee. If they don’t pay up after the late fee, begin eviction proceedings.

Don’t complicate the policy with too many variables. Complicated policies create confusion. The last thing you want regarding rent payments is confusion. One of the best motivators for paying rent timely is understanding the late payment policy.

**Consistently apply the late payment policy:** The biggest mistake you can make, next to complicated policies, is applying policies inconsistently. Consistently applying the policy allows residents and staff to know what the rules are and how they will be enforced. Everyone has a reason for being late and everyone is planning on bringing in the payment “later this week.” If you want to make exceptions for certain people, then write those exceptions into the policy. If they can’t be written into the policy, they probably shouldn’t be used. Applying the late payment policy consistently, along with having a clear-cut policy, is one of the best motivators for timely rent payments.

**Immediately take legal action against all residents paying late:** “Do not pass go and do not collect \$200.” If a resident does not pay, begin the eviction process. It doesn’t matter what promises are made or how trustworthy the resident may be. The only legal recourse you have is the eviction process. If you do not initiate the eviction process, you have no other recourse except to start the process later. With the amount of time that it takes to complete the eviction process, you can’t start the process too soon. Even if you decide to be generous later, it never hurts to have the eviction as an option.

**Review the receivables list every month:** Make sure that you or one of your staff review the receivables list each and every month. The person reviewing the list should not be the one that is responsible for collecting the receivables – think of it like a bank reconciliation and keep the functions separate. Having to answer the “hows and whys” of the receivables list is the best motivator for people responsible for collections.

**Keeping your receivables under control can provide an immediate boost to your cash flow and your future property value. So keep pushing to get those receivables lower – it’s for your own benefit.**