



# Credit Card Acceptance *in the Multifamily Industry*

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White Paper written and researched by  
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Sponsored by American Express



# Contributors



**Stephen Lefkovits**  
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Joshua Tree Consulting is a niche consulting practice that focuses on the multifamily industry. We are dedicated to the growth and success of the multifamily industry. We help our clients achieve success through studying and optimizing strategies and operational processes that are close to the heart of the business. More information and examples of our work may be found online at [www.joshuatreeconsulting.com](http://www.joshuatreeconsulting.com).

Stephen Lefkovits is principal of Joshua Tree Consulting. An industry veteran, Steve has worked as a Senior Vice President for BRE Properties and as a Vice President of the National Multi Housing Council. A frequent speaker and author on a variety of industry topics, he is frequently sought for his insights on the future of the business and the impact of technology on capital flows, strategies and operations.

Steve gained a capital markets background working for Prudential Securities and the New York State Housing Finance Agency. He has a master's degree from the Woodrow Wilson School of Public and International Affairs at Princeton, and has an undergraduate economics degree from Yale University.

Steve serves on the board of Mid Peninsula Housing Coalition, the leading low income housing developer in the San Francisco Bay Area. He also serves as a board member of Bay Area Scores, a youth non-profit. He is an avid landscape and nature photographer whose work may be seen at [www.pacific-landscapes.com](http://www.pacific-landscapes.com).



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Jamie Sue Gorski has over twenty years experience in multifamily real estate development and is a nationally recognized expert in branding and marketing real estate assets.

As Chief Marketing Officer for KSI, Ms. Gorski is responsible for KSI's strategic planning, brand development and standards implementation as well as Internet marketing and statistical market analysis. Ms. Gorski oversees a ten-person marketing department, that handles KSI's corporate identity as well as marketing efforts for property management, multifamily development, commercial and planned communities.

Prior to joining KSI Management, Ms. Gorski served as Vice President of Marketing for Archstone-Smith in Arlington, Virginia. Prior to the merger with Archstone, Jamie was Vice President of Marketing for Charles E. Smith Residential for over ten years.

Ms. Gorski has won numerous marketing awards including ten Pillars of the Industry awards for best brochures, best sales & marketing campaigns and best Internet marketing. She also won an international award for the Alban Tower's brochure.

At Ohio State University, Gorski received a B.S. in mathematics and was captain of the Ohio State swim team. She won a Big Ten Championship and was an NCAA National finalist. Ms. Gorski and her family reside in Annapolis, Maryland.

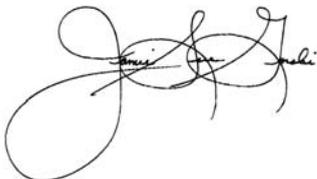
# F o r e w o r d

**A**lthough KSI Management's partnership with American Express is fairly recent, dating back only to June of last year, I had the pleasure of teaming up with them prior to joining KSI. In my prior dealings with the multifamily industry team at American Express, I had been impressed with their eagerness to learn about our needs as well as their commitment to find solutions that address them. It was this eagerness and commitment that helped American Express develop a unique and compelling rent payment and loyalty program. It was also a key factor in my decision to bring American Express on board at KSI. With a rapidly growing portfolio, we were looking to set our brand and our communities apart by demonstrating a unique commitment to resident satisfaction and by offering the most desired and cutting edge amenities in the market. The American Express program was a natural fit.

The American Express rent payment and loyalty program has been a hit with our residents because of its wide range of benefits. It allows our residents to earn significant rewards or cash back just for paying their rent with their American Express® Cards. It also provides them the convenience and security of knowing their rent will be paid automatically and on time regardless of personal schedules.

In addition, throughout our partnership, American Express has provided us with strong, dedicated support in developing a customized co-branded marketing strategy that allows us to maximize the resident loyalty, retention and acquisition benefits of their program. For instance, we have worked together on co-branded resident promotions and have collaborated on online, print and radio advertising. American Express even co-hosted several on-site resident events, to help increase resident satisfaction and foster a greater sense of community. We have also benefited from the powerful brand affiliation that American Express provides its partners by incorporating their name brand and logo into our advertising and PR efforts. KSI has found that promoting our partnership with American Express and the fact that residents can earn thousands of reward points from renting at KSI has attracted new residents and enhanced loyalty to our communities. In addition to driving new traffic and increasing loyalty, an added benefit is that residents who participate in the program tend to be the least price sensitive in terms of what they are willing to pay for rent.

As someone who always looks for ways to innovate and push the envelope in multifamily marketing, I am happy to endorse this program. As my friends and colleagues in the industry begin to evaluate investments for the upcoming year, I strongly recommend that they get in touch with the American Express team to learn more about all that this innovative program has to offer.



**Jamie Sue Gorski**

*Chief Marketing Officer, KSI Services, Inc.*

*Founded in 1977, KSI Services is ranked among the top 15 multi-family housing developers in the nation and the largest land developer in Metropolitan Washington. KSI has developed more than five million square feet of commercial space and more than 50,000 homes. Today, the company has over 8,000 apartments under management and approximately 5,000 units in development.*

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# The Value of Card Acceptance in the Multifamily Industry

By Stephen Lefkovits, Joshua Tree Consulting

American Express is putting significant resources behind meeting consumer demand for the ability to pay rent on credit cards. While consumers can put nearly any monthly bill on their cards, the convenience of automated credit card payments for rent has not yet fully penetrated the multifamily industry. However, we expect credit card acceptance in apartment communities to increase dramatically in the coming decade.

Therefore, this white paper intends to explain how credit card acceptance (specifically American Express Card acceptance) can benefit the multifamily industry and can help multifamily executives meet specific objectives such as attracting new residents, increasing the loyalty and satisfaction of current residents, and streamlining the rent collection process.

In particular, we look at the following topics:

- Payment trends and demographics in the multifamily industry
- Payment trends and demographics of American Express renters
- Benefits of American Express Card acceptance for automatic rent payment;
- Cost-Benefit Analysis of Card acceptance

## Payment Trends and Demographics in Multifamily

Credit cards and all forms of electronic payment are being looked at and promoted in the multifamily industry because of changing consumer behavior. According to the American Banking Association and the National Automated Clearing House Association, more payments are cleared electronically in the United States than are made by check. The reason is processing cost and convenience.

Check processing costs—hard and soft—are estimated by various observers at anywhere from \$3.00 to \$10.00 per check, depending on the number of transactions and the depth of the processing chain that is being looked at. This is why many banks are encouraging electronic payments. It allows them to remove labor-intensive check processing infrastructure when they can reduce the number of physical checks being cleared.

The table below is from an April 2005 Satisfacts Research, LLC survey of 951 renters in 16 states. It shows how our industry seems to lag behind consumer demand for automated electronic payments. Ours is one of the last high-dollar, high volume industries in which electronic payments have not penetrated. 80% of renters have internet at home, two thirds pay other bills online, but less than 10% use any form of electronic payment to pay their rent. The table below describes the demographics of the renters in the survey.

General Demographic Information	
Average age	34
Average rent	\$1,002
Average household income	\$57,854
Internet Usage	
% Using the Internet at home	80%
% Using the Internet at work	73%
% Using the Internet for online banking and bill paying	64%
Rent Payment Methods	
% Using handwritten checks	82%
% Using cashier's checks or money orders	9%
% Using online banking or automated payments (ACH)	6%
% Using other payment methods	3%
% Using credit cards	< 1%
No answer	< 1%

Credit cards and all forms of electronic payment are being looked at and promoted in the multifamily industry because of changing consumer behavior.

## Payment Trends and Demographics of American Express Renters

In particular, renters with American Express Cards are significantly more attracted to the ability to pay bills automatically. In fact, they were 16.7% more likely to use an automatic bill payment program than renters without American Express Cards in the survey conducted by Satisfacts Research. Renters with American Express Cards not only enjoyed the ability to pay their bills automatically, but also happened to be an extremely desirable group from a demographics perspective. Residents with American Express Cards paid average rents that were 11.3% higher and had household incomes that were 45.8% higher than residents without an American Express Card. Clearly, American Express renters are compelling demographically. Card acceptance can address their desires for convenience and value on their own terms, in exchange for the prospect of longer rental tenure, referrals and a greater sense of belonging in their rental home.

The table below provides more detail on the difference between American Express Cardmember renters and those without American Express.

	American Express Cardmembers	Non-American Express Cardmembers	Statistical Significance*
Average age	34	35	No
Average household income	\$71,889	\$49,298	Yes
Average rent	\$1,073	\$964	Yes
% Internet usage	87.8%	77.3%	Yes
% Online automatic bill payment	85.6%	68.9%	Yes

Source: Satisfacts Research, LLC, 2005.

American Express data may not include spend from issuer Cards.

## Benefits of American Express Card Acceptance

American Express has developed a unique automatic rent payment program that allows residents to earn rewards when they pay their rent using American Express® Cards. They have proven that they are committed to working with their multifamily partners in terms of leveraging American Express' numerous marketing channels and rewards and loyalty programs. Early adopters of this program have partnered with American Express because they believe it brings them numerous benefits including:

### Property Differentiation

- Card acceptance can help tip the scales in favor of a property that accepts the Card. According to Satisfacts Research, LLC, when deciding between two similar units at different properties, 40% of renters with American Express cards said that accepting credit cards that provide mileage or rewards points would tip their decision to the card accepting property.

### Increased Resident Satisfaction

- Property owners that accept American Express feel strongly about the value received from the program. According to Jim Cunningham, Executive Vice President at Casto Communities, "American Express Card users are our best residents on average—hands down—and we never have rent sensitivity issues from that group. They like the freedom to set up their rent payment to be automatically charged to their card. They like the ability to use the card for monthly expenses and to then benefit from the rewards program."

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### Unique Amenity Value

- According to a survey conducted by AB Research with residents at Card accepting properties, 89% of residents enrolled in the program saw rent payment on American Express Cards as a useful amenity—more than any other amenity at their properties, including fitness centers, pools, and business centers.

### Powerful Brand Affiliation

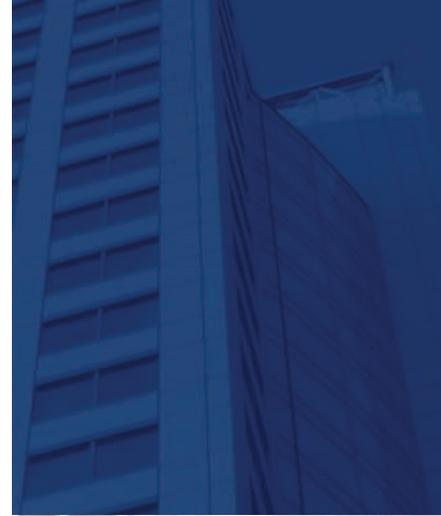
- American Express is one of the most highly valued brands in the world, and according to Interbrand and Business Week's 2005 Top 100 Global Brands list, it ranks ahead of Dell, Ford, Ebay, Nike, Pepsi and The Gap. Incredibly, Starbucks, Kellogg's, Harley and Yahoo also lag American Express in brand power. No other credit card issuer is even on the Business Week/Interbrand Top 100 list. The brand comes with one of the most recognized loyalty programs in existence—the Membership Rewards program.
- Multifamily executives report significant satisfaction with the marketing support they receive from American Express. Amy Weissberger, Director of Marketing at Morgan Properties says that Morgan has begun a co-branded "Life With Us Has Rewards" advertising campaign in all of its print and online ads, featuring the Membership Rewards program. Casto Properties' Executive Vice President Jim Cunningham reports that Casto "uses the Amex logo on all our print advertising and we even have a dedicated AMEX-only lease program called our Freedom Lease." Karen Kossov, Assistant Vice President of Sales and Marketing at KSI Management, uses the American Express logo and brand in its advertising and even in its onsite banners and flyers.
- American Express is also testing an online advertising lead-generation program with some well-known multifamily internet listing service providers. The program is designed to steer prospects who are Cardmembers to properties that accept American Express Cards. The objective of this program is to drive incremental traffic and leads to Card accepting properties by leveraging the power of the American Express brand.

### Workflow Cost Savings.

- Encouraging electronic payments, including credit cards, reduces the administrative costs of handling checks and cash. Jayne Taylor, Chief Financial Officer at Olen Properties says, "With checks we have a real cost in banking fees, check processing fees, late payments and returned checks. With renters who pay with American Express we get paid on the first of the month, have almost no disputes and it helps to minimize our check handling. It's a great amenity that provides financial workflow benefits."

### Resident Loyalty and Retention

- According to Satisfacts Research, LLC, 36.3% of surveyed residents said a credit card rent payment program would positively impact their decision to renew (positively impact equaled points 4 and 5 on a 5-point scale, with 5 being major impact).
- In addition, 26.7% or more than 1 in 4 residents with an American Express Card stated that earning miles or points by paying rent on a credit card would have a major impact on their decision to renew their lease as compared to 17.0% for residents without an American Express Card (major impact equaled point 5).



More than 1 in 4 residents with an American Express Card stated that earning miles or points by paying rent on a credit card would have a major impact on their decision to renew their lease.

## Cost-Benefit Analysis of Card Acceptance

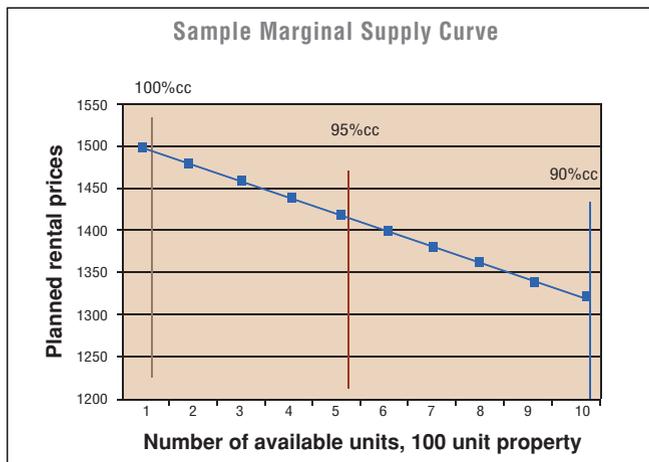
Resident retention is financially valuable because turnover has a high cost. On average the industry assigns a \$2,500 per unit cost to turnover. The Satisfacts survey data underscores that one in four renters expect that using an American Express card would have a major impact on their renewal decision. Thus, we expect that Card acceptance can positively impact resident retention, and hence the bottom line.

We believe that the financial value of reducing turnover has two parts.

- Reducing the total annual hard and soft costs of turning a unit; and
- Reducing the supply of available units. The smaller the supply, the greater the rent at which they can be leased.

The more units are filled, the higher the rent that can be charged on those remaining available. To estimate the value of constrained supply, managers can review their marginal supply curve if they use a revenue management system. Or, you can construct one on the back of an envelope by estimating how you raise rents in response to a declining number of available units. The financial benefit isn't just the rent on the incremental leases brought in by the marketing, it's also the higher rents you can get on the smaller number of remaining available units.

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This theoretical insight is confirmed by the experience of executives like Karen Kossow, Assistant Vice President of Sales and Marketing for KSI Management. American Express's marketing impact translates into higher occupancy and rents. According to Kossow, promoting American Express cards to pay rent has helped fill two of their high-rise lease-ups. "Our rents have gone from \$2.30 per square foot with concessions to \$2.44 without concessions, and we're contemplating additional \$50 rent increases on some unit types. Our gains in rent have more than made up for the discount rate."

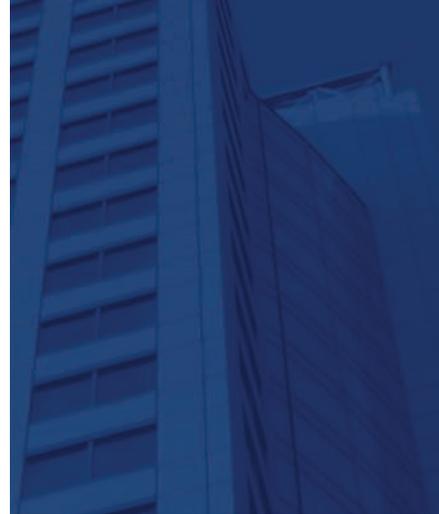
No one believes that a decision maker should give sole credit for retention to any single factor or program. Community managers, maintenance teams, design, location and interest rates are all part of the decision to stay or go.

The retention impact of American Express should not be minimized however. American Express provides the opportunity for merchants to leverage its rewards programs, eliminating the development, training and servicing associated with creating an in-house loyalty program. Furthermore, these programs are easily trackable and do not cloud the sales process since they are well known to consumers and do not require lengthy explanation.

In terms of costs for increased resident retention and other benefits outlined above (e.g. reducing lease incentives), many property owners and managers misunderstand the actual expense they incur by paying the discount fee. In actuality, it is fairly low since it is only charged on the rental revenue of renters who actually charge their rent. As an example, if the credit card company's discount rate is two percent, and 10 percent of the property's residents charge their rent, the owner is only paying out 0.2 percent of total revenue collected. On \$100,000 in revenue and 10% program participation (\$10,000 in charge volume), this translates into a \$200 discount to total revenue.

## Conclusions

- Renters who are American Express Cardmembers are a very attractive renter demographic and they are extremely loyal to American Express and its reward programs. That loyalty impacts their future rental choices in favor of communities where American Express Cards are accepted for rental payments.
- Renters who pay rent with American Express rate it as a more useful amenity than swimming pools, fitness centers, business centers and high-speed internet. As a result, American Express Card acceptance should certainly be considered when making investment decisions on marketing and amenities at multifamily properties.
- American Express adds marketing value through the use of its top-tier brand name, its co-op marketing and the implicit draw of its loyalty program. Owners can maximize the value by raising rents on remaining units in response to incremental leases garnered by program participation.
- The cost of program participation is lower than most apartment owners initially calculate. The discount rate is only applied to the volume charged on credit cards, not total community revenue. With a 10% participation rate, the discount is only .2% of total revenue, or \$200 per \$100,000 of total rent collected.
- All forms of automated payments are on the rise as consumers learn to expect the convenience. The multifamily industry as a whole has a significant opportunity to drive workflow savings by encouraging electronic payments and reducing the number of checks handled. Automated rent payments made through American Express come with benefits that are not typically derived from other forms of payment including the potential for attracting new residents, enhancing the loyalty and retention of current residents and even increasing resident satisfaction by leveraging the brand power and marketing assets that American Express has to offer.



Automated rent payments made through American Express come with benefits that are not typically derived from other forms of payment... attracting new residents, enhancing the loyalty and retention of current residents and even increasing resident satisfaction.

# Credit Card Convenience Fees in the Multifamily Industry

By Stephen Lefkovits, Joshua Tree Consulting

Americans use electronic forms of payment for more than half of their bill payments. One notable exception to this is their rent. As more apartment owners consider accepting credit cards for payments, a common conversation at industry gatherings is who should pay the merchant discount rate and whether it should be passed along to renters when they charge their rent.

## Merchant Fee Options

Since apartment firms started accepting debit and credit cards for rent payment, owners and others have debated who should pay the merchant discount rate charged by Visa, MasterCard or American Express—renter or owner. Theoretically, a property owner has five basic options:

1. Pay the full fee.
2. Pass a percentage of the fee back to the resident.
3. Charge residents a flat convenience fee.
4. Negotiate with credit card companies to change the terms of the transactions.
5. Refuse credit cards.

However, large credit card issuers do not allow passing through a percentage fee to residents (option #2) and option #4 is also off the table since even large merchants that take in billions in credit card payments, like airlines or hotels, do not get to dictate terms with credit card companies. For purposes of this paper, we will focus on the remaining three options.

Property managers must decide between absorbing the discount rate, charging residents a flat convenience fee (restrictions apply)<sup>1</sup> and not accepting credit cards. This white paper examines recent research on convenience fees and how residents perceive them. It is designed to assist property owners in thinking through their options and determining the appropriate policy that works for their portfolio.

According to NACHA and the American Banking Association, electronic forms of payment transact more than half of all consumer bill payments. Given this general shift away from check writing, we expect owners' practices to change with the general shift in consumer behavior. Whether these payments will be made by ACH or credit card is still up for grabs. Policies concerning convenience fees will be a determining factor.

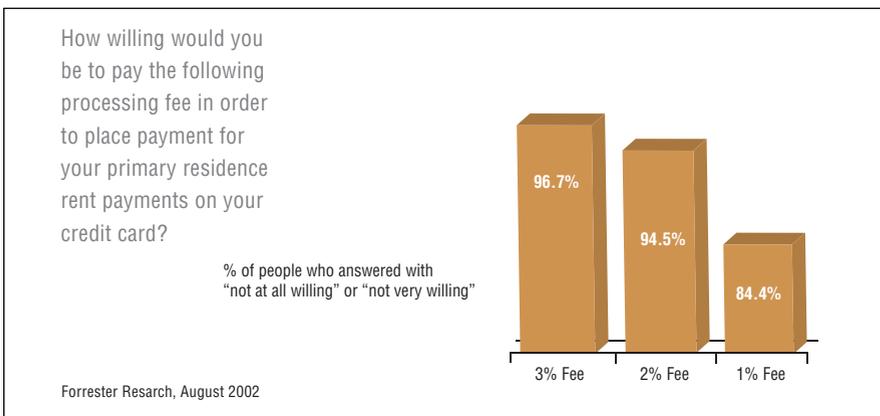
<sup>1</sup> American Express does not allow any type of convenience fee.

A common conversation at industry gatherings is who should pay the merchant discount rate and whether it should be passed along to renters when they charge their rent.

## Renters' Attitudes About Convenience Fees

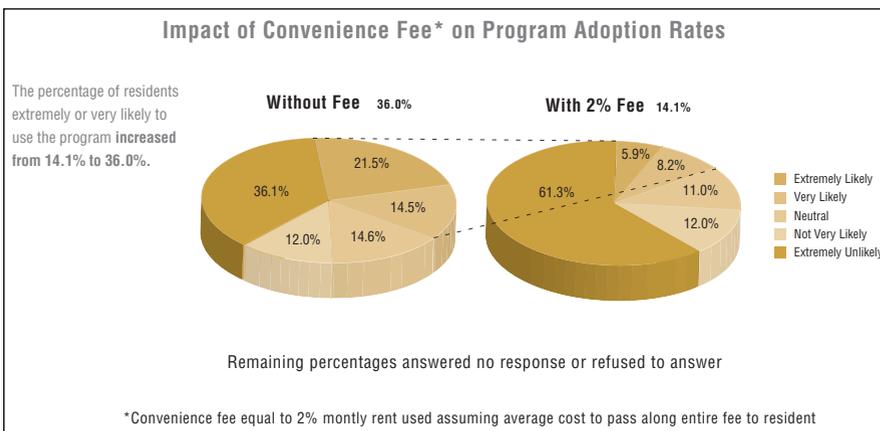
Renters are clear and unambiguous. They strongly dislike paying convenience fees, and are extremely unlikely to use a credit card if they must pay a surcharge to do so. In an August 2002 study, Forrester Research asked renters, "How willing would you be to pay the following processing fee in order to place payment for your primary residence rent payments on your credit card?"

Fully 96.7 percent said they were "not at all willing" or "not very willing" if they were going to be charged a three percent fee. Even at a lower two percent fee, 94.5 percent gave the same answer.

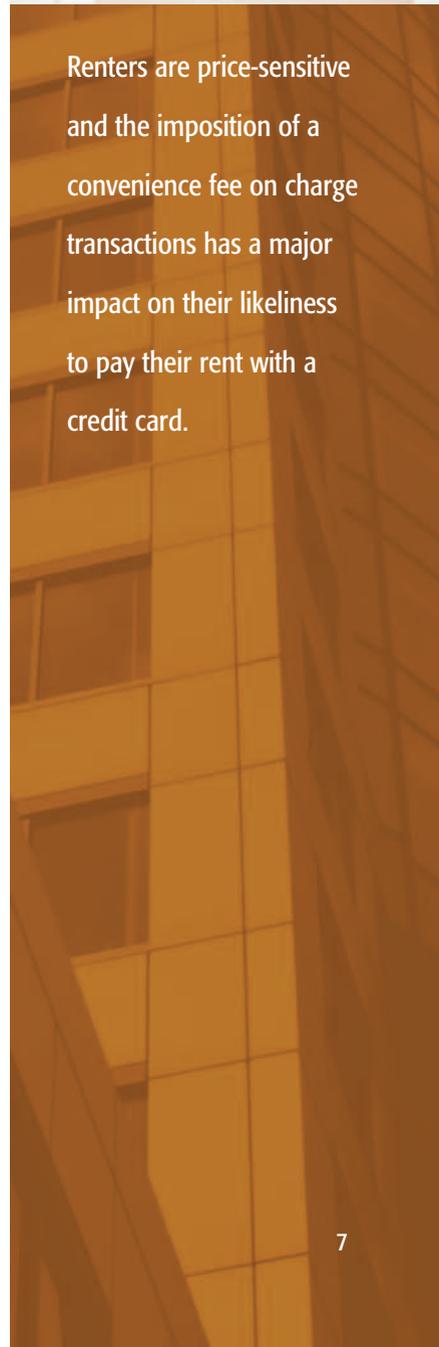
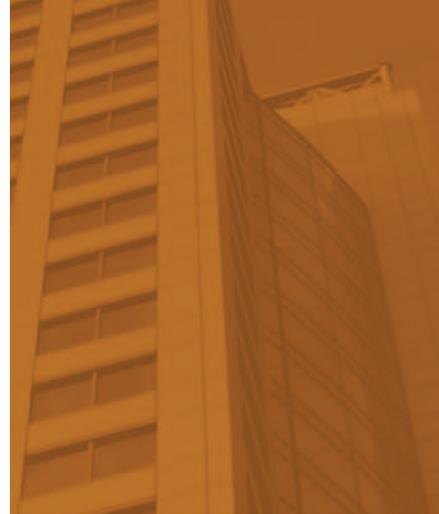


A 2005 phone survey of 951 current apartment residents by Satisfacts Research, a leading resident satisfaction survey firm, found similar resistance to convenience fees. In that research, eliminating the two percent convenience fee nearly tripled the number of residents who said they were "extremely likely" or "very likely" to use an apartment property's credit card program. When the fee was completely eliminated, reluctance to using a credit card for rent payment dropped from 61 percent to 36 percent.

Research clearly indicates that renters are price-sensitive and the imposition of a convenience fee on charge transactions has a major impact on their likeliness to pay their rent with a credit card.



Expected adoption rates among residents who were extremely or very likely to use the program increased by 155% or nearly tripled when a monthly convenience fee was removed.



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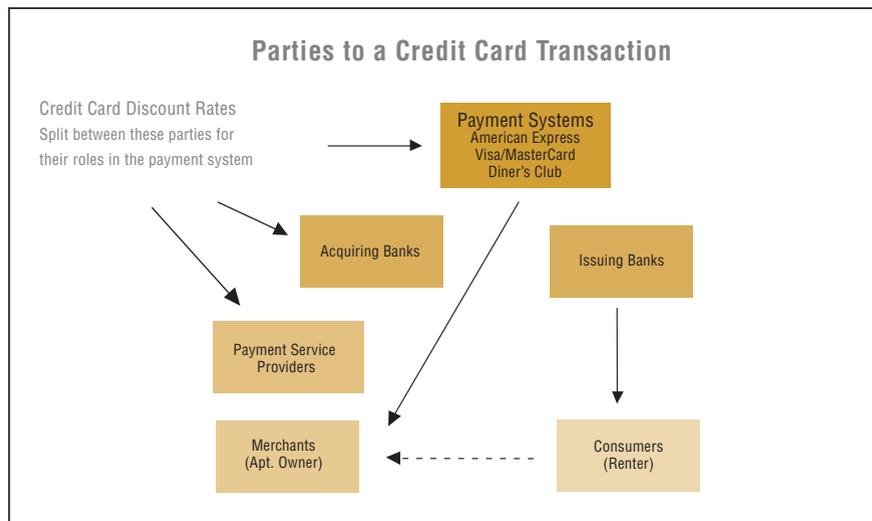
While American Express has relationships with most Payment Service Providers, it often establishes a direct business relationship with merchants in this sector and plays an active role in servicing the accounts.

The apartment sector's actual experience with credit card programs confirms these research findings. According to Payment Service Network (PSN), which provides electronic payment solutions to 367 multifamily clients that own nearly 600,000 units, convenience fees discourage credit card usage. Brent Hoffmann, PSN's Vice President for Sales, reports that 7-10 percent of renters will use their credit cards when no convenience fee is charged. That number drops to 3-6 percent when a fee is applied, however.

### Merchant Discount Rates

The process of accepting all credit and charge cards is similar for all merchants. Credit card companies charge merchants for their services by discounting the total transaction amount received by the merchant. This is called the discount rate. These rates typically range from 1.5 – 3.0 % of the amount of all transactions. At its most basic, when a charge is made by a valid cardholder the issuing bank disburses the amount of the purchase to the merchant's bank account, minus the discount rate.

In reality, though, there are usually additional parties involved in transactions, and the discount rate compensates all of them. For example, merchants are connected to the credit card companies by "acquiring banks." These banks aggregate merchants and enter their collective transactions into the credit card company's payment system. Typically, they also settle payments and resolve disputes.



Acquiring banks, in turn, might use independent companies, sometimes referred to as payment service providers (PSPs), to act as a liaison between the bank and the merchant. These intermediaries recruit new merchants to accept credit cards, provide the equipment to process charges and generally service the accounts to ensure a smoothly functioning relationship between the merchant and the bank. Firms that provide this service to the apartment sector include Service First, Payment Service Network, Realm and RentPayment.com. While American Express has relationships with most PSPs, it often establishes a direct business relationship with merchants in this sector and plays an active role in servicing the accounts.

### Discount Rate Rationale

When credit cards were originally marketed in the late 1950's and early 1960's, they were sold to merchants on two basic premises:

1. Cards would help reduce collections costs; and
2. Cards would bring merchants new, incremental customers.

Merchants had a clear financial reason to accept credit cards; not only were they reducing their risk, they were opening themselves up to new business and new revenue. To them, the discount rate was the cost of new revenue, and easily justified.

### Apartment Owners and the Discount Rate

For retail merchants, credit losses on checks can run over five percent of sales if the risk is unmanaged. Credit losses in professionally managed apartment communities typically run less than one percent of rental revenue. Because of this difference in behavior, credit assurance has never attracted apartment managers to accept credit cards. And until recent research, it's been difficult to try to directly attribute incremental rental revenue to the use of credit cards for rent.

Eager to offer electronic rent payment as a new resident amenity, some owners tried to pass along the discount rate expense to residents by charging them a percentage-based "convenience fee." They quickly discovered that charging fees discouraged residents from using the cards on a recurring basis. In addition, few residents thought it rational to spend two percent or more of their total rent just to get reward points, one of the key resident benefits that can be derived from credit card payments.

Residents did not need to pay the fee in order to make rent payment more convenient. They could create their own convenience at little or no charge through their bank's automatic bill payment option. As a result, firms charging percentage-based fees found few takers for their credit card programs. Participants were primarily: (1) residents facing financial difficulty; (2) heavy travelers; (3) students; and (4) short-term corporate renters who weren't paying the fees or were relatively insensitive to them.

### The Decline of Percentage-Based Convenience Fees to Renters

American Express has consistently prohibited passing through any type of fees to residents in the multifamily industry. And while other credit card companies have tacitly allowed percentage-based fees in the past, *Multihousing News* reports that the practice has stopped.

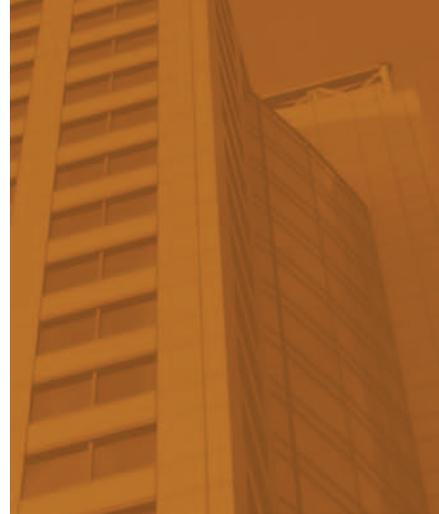
While percentage-based fees are no longer allowed, according to Payment Service Network's "Credit Card Rules and Regulations" taken from Visa's handbook of Systems and Operations, Visa regulations allow merchants to charge residents a flat, uniform convenience fee, but only to cover "value-added services." Specifically, merchants must provide customers with a specific, non-standard payment service beyond the basic card acceptance rendered for in-person payments. One example might be creating an online transaction medium that provides residents with detailed billing history and data downloads.

Further limiting the use of convenience fees are their requirement that the same fee be applied to all forms of payment accepted by the alternate payment channel. That means if a firm creates an online transaction center that also lets residents pay through ACH, wire transfer, or another credit card, if they charge a flat fee for a credit card transaction, they must charge the same fee for all other forms of payment.

These requirements have reduced the number of firms using pass-through credit card fees and are encouraging apartment owners to find new ways to justify absorbing these fees as a cost of doing business.

### The Value Delivered—The New Rationale for the Discount Rate

There are several other business reasons for apartment owners to accept credit cards without convenience fees. Listed here are the most prevalent reasons cited by firms contacted by Joshua Tree Consulting. (Note: *The value proposition of accepting credit cards is more fully explored in a companion white paper, "The Value of Card Acceptance in the Multifamily Industry".*)



Owners quickly discovered that charging fees discouraged residents from using credit cards on a recurring basis.



Eliminating convenience fees enables owners and managers to maximize the operational, marketing and competitive benefits realized from credit card acceptance.

### Marketing Advantage

- The brand names of the card companies, particularly American Express, help attract renters. According to Satisfacts, 26.7 percent of renters who also hold American Express Cards said that acceptance of their Card would have a “major impact” on their decision to renew their lease. Moreover, when deciding between two similar units at different properties, 40% of renters with American Express Cards said that accepting credit cards that provide mileage points would tip their decision to that property.
- This marketing impact translates into higher occupancy and rents. According to Karen Kossow, Assistant Vice President of Sales and Marketing for KSI Management, promoting American Express Cards to pay rent has helped fill two of their high-rise lease-ups. “Our rents have gone from \$2.30 per square foot with concessions to \$2.44 without concessions, and we’re contemplating additional \$50 rent increases on some unit types. Our gains in rent have more than made up for the discount rate. We get no push-back from our investors at the expense at all.”

### Negative Renter Perception of Surcharges

- Not only are residents unlikely to pay a large, recurring transaction fee, they are also likely to develop a negative attitude toward property owners who charge them. ACH transactions provide an easy point of reference for renters. At their highest, renters pay \$3 per transaction for an ACH transaction. Fairness issues come up when renters compare these fees with the idea of paying \$12.95 or more for a credit card transaction. Particularly because ACH transactions do not typically offer certain benefits of credit cards such as the ability to float payment and the potential to earn thousands of rewards or loyalty points.

### Workflow Cost Savings

- Encouraging electronic payments, including credit cards, reduces the administrative costs of handling checks and cash. The fee represents fair value to the vendors who facilitate those savings for the apartment firm.

### Low Marginal Cost of Acceptance to the Owner

- Many property owners misunderstand the actual expense they incur by paying the discount rate. In actuality, it is fairly low since it is only charged on the rental revenue of a small number of renters who actually charge their rent. As an example, if the credit card company’s discount rate is two percent, and 10 percent of the property’s residents charge their rent, the owner is only paying out 0.2 percent of total revenue collected. On \$100,000 in revenue, this translates into a \$200 discount to revenue.

### Conclusion

Charging renters a convenience fee is a serious and significant barrier to the successful rollout of a credit card payment program. Between the competitive pricing of ACH electronic payments, the perceived fairness issues and the negative tint it puts on the resident-owner relationship, we believe that convenience fees are unproductive and short-sighted.

Finally, owners should remember that residents balk at the idea of paying a convenience fee just because they want to use a different payment method. Even a one percent fee is highly objectionable, with 84.5 percent of those surveyed saying they would not pay it. PSN’s experience with declining participation under a renter surcharge model underscores this. A successful credit card program depends on the merchant accepting the discount rate. The payment service provider, the acquiring bank and the credit card company all have roles to play in providing a more efficient electronic delivery of funds to a merchant. The discount rate compensates them for that.

Accepting credit cards without cost to residents can help apartment owners and managers derive significant marketing value by contributing to increased asset differentiation and enhanced resident acquisition, loyalty and retention. It can also help achieve operational savings by automating and streamlining the rent collection process. However, much of these benefits disappear when residents are charged a convenience fee for Card payments, as illustrated by the dramatic drop in resident adoption rates. Eliminating convenience fees allows for the widest possible renter participation in using credit cards as a method of paying rent and thereby enables owners and managers to maximize the operational, marketing and competitive benefits realized from credit card acceptance.

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## American Express Multifamily Program Overview

American Express has developed a unique marketing package for property owners and managers to accept the American Express Card for automatic rent payments while allowing residents to accumulate loyalty and rewards points for paying their rent. This program has been developed by industry specialists to address the multifamily industry's continued search for better ways to attract and retain residents, increase resident satisfaction, develop new amenities and improve operational efficiencies. We are committed to working with property owners and managers to leverage our assets, including our numerous marketing channels and rewards and loyalty programs, in order to help maximize occupancy at their properties and overcome the key issues they face today.



For information on the American Express Multifamily Program

Call: 1-877-265-1841

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[www.americanexpress.com/multifamily](http://www.americanexpress.com/multifamily)