

How Are Your Rent Collections? by Craig A. Lane CCIM

The income from managed apartments is determined by the actual collection of rents, not by the number of occupied units. A fundamental aspect of effective property management is the rental management system, which enables rents and other income to be billed, recorded, collected and deposited.

A good management system efficiently records, reports, and manages income from tenants. A poor system, on the other hand, is likely to increase the amount of work, create tenant conflicts and reduce the amount of total collections.

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In cases where the rent management system is controlled from an on-site office, the on-site manager may be responsible for the system under the supervision of the property manager. In companies with no on-site office or staff, rents and other monies are mailed to manager's central office or to the bank. Regardless of the location of the collection records or the delegation of duties, a good rent management system is essential.

A consistent rent collection system is crucial to good property management operations. Operating expenses are funded by rental income, so any delay or decrease in this income affects all other aspects of the management process. Developing and maintaining effective rent collection policies requires a good tenant screening program, organized and accurate record keeping, and adherence to collection policies and procedures.

Each day, rent receipts should be recorded in the tenant ledgers and the rent roll should be totaled to ensure that the proper amounts have been posted. Charges and receipts for income other than rent should be coded for identification on the rent roll and tenant ledgers. Policy statements should be established for the following:

- Rent due date
- Date rent is considered delinquent
- Schedule of the late penalties/charges conforming to state and local laws
- Form of payment (check, cash, and so forth), and place to submit payment (on-site or central office, lockbox)
- Type, content, number and scheduled of delinquent notices (first notice, demand notice, writ of eviction), conforming to all pertinent laws
- Handling partial payments
- Eviction procedures

Tenants should be advised of rent collection policies when initially applying for tenancy, again at occupancy. An unenforced collection policy demonstrates poor management of the owner's investment.

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