

Improve Your Cash Flow: Four Ways to Lower Your Payment Processing Costs

By Rich Morahan, Managing Editor

No matter how well run and profitable your operation is, you can never bank your money too fast or too cheaply. The *Telegram* examined the issue of technology-assisted banking with Josh Goldman of Bargold Storage Systems, Long Island City, New York. Josh has developed a four-part attack on payment processing that any facility, large or small, can benefit from. Implementing any one of these options can:

- Save you money on check and payment processing;
- Save you time on “bank runs”;
- Improve your receivables and cut down on collections;
- Provide customer service to attract and retain your customers.

Implementing a comprehensive payment processing system can maximize your profits, satisfy your customers and provide a major benefit to raise your facility above your competition.

Banks now offer many of the processes listed below as an added service. Be wary, however, of doing any of these methods directly with your own bank, since changing banks could some day turn out to be a complicated process. For this reason, Josh recommends working with a third party processor/clearing house.

Daily In-House Check Processing

Most customers still pay by check. Your goal is to get those checks processed and credited as soon as possible. Recording payments one at a time and making “bank runs” is non-productive time, for you or your manager. Josh solved that problem with a special in-house scanner that scans checks and eliminates the need to go to the bank. There is a cost for the scanner, but you can negotiate that cost with your check processing service. Payback will depend on the volume of checks processed.

The TellerScan 400ES is a two-sided countertop check scanner designed for Branch, Remote and Distributed Capture applications. The unit easily fits into any



window area. These scanners can accelerate check clearance, improve customer service, and prepare the bank for electronic check processing.

Once the checks are scanned, a file is created automatically for import into your property management system to update the accounts of those who paid. The images of the checks are sent to the clearing house and funds are transferred to your account on the next business day by Automated Clearing House (ACH) deposit. You are then required to destroy the physical checks within 14 days.

Outsourced Lockbox Check Processing

If your operation reaches a certain volume (over 200 checks a day) outside lock box payment is a cost-effective option. This system scans checks, posts questionable transactions to a website for your resolution and approval, imports a file to your facility's property management system, processes the checks, and transfers the funds to your account on the next business day by Automated Clearing House (ACH) deposit.

Checks will be with us for the foreseeable future, but the two following check-free options, Automatic Monthly Debits and Online Payments, are as convenient and user friendly for your customers as they are convenient and cost-effective for you.

Automated Monthly Debits

Josh calls this method “the cheapest way to clear money.” When he introduced this program to his renters, he thought that he would need some premium or incentive to get them to sign up, but he soon realized that the benefits to the renter in convenience and regular payments made this option attractive enough for renters without any incentives. The payment files are sent to the clearing house at the end of each month, and funds are transferred three business days later. As with the other options, a file is imported into Josh's property management system. Most of the popular self-storage property management systems can accommodate this type of information.

Once this system is in place, move outs of long time occupants will not be such a negative. The long time occupant was probably not on automatic debit; each new occupant, on the other hand, becomes a likely candidate for the program.

What About “Bounced Payments”?

For all three options, “bounced payments” can be resubmitted up to a date determined by the facility. This is extremely useful. Since your bank never gets a bounced check and the clearing house is the party notified, there are no bank fees associated with a bounced check. When they are resubmitted for collection (they can be represented up to two times) by the clearing house (this process can be automatic) a bounced check fee can still be charged to the customer. Therefore it is more profit for you as the operator.

Online Payments

“The wave of the future,” although for a number of operators, the future is already here. With this option, the facility automatically generates and transmits email bills each month. There is an immediate payment option offered with the email, which can be a link either to the clearing house's secure site or a secure section of your own web site. Renters set up their billing information for their first payment, and then the information is retained. The payment file is uploaded to the clearing house and a file is imported to the facility's property management system daily. Funds are transferred the next business day.



Phone payment can be integrated into this system with an option that allows your operator to enter the information onto a form to transmit to the Clearing House directly on the above mentioned web sites.

The beauty of these options is that you can take advantage of all three separately—You can choose either in house or out sourced check processing, along with automated and email payment. Of course, if you have a Kiosk on site, that's gives you an additional form of electronic payment. Whatever your situation, if you want to get started slowly, you can implement one and then go from there.

Credit Card Payments?

What is your money worth? Credit card payments may seem like another easy way to get out from under checks and cash, but there's a cost to credit card billing, a *big cost*. Look at the chart below, which breaks down credit card transaction costs vs. ACH Debit:

Recurring Monthly Payment:			
The cost of processing a \$100 payment			
American Express (non-swiped)	\$3.50	3.50%	
Visa or MasterCard (non-swiped)	\$2.85	2.85%	
ACH Debit (Check)	\$0.65	Fixed	
Payment by Phone:			
American Express (non-swiped)	\$3.50	3.50%	
Visa or MasterCard (non-swiped)	\$2.85	2.85%	
ACH Debit (Check)	\$0.65	Fixed	
Payment via Your Website:			
American Express (non-swiped)	\$3.50	3.50%	
Visa or MasterCard (non-swiped)	\$2.85	2.85%	
ACH Debit (Check)	\$0.65	Fixed	
Processing costs for 250 units at \$100.00 per unit			
American Express (non-swiped)	3.50%	\$875.00	per month
Visa or MasterCard (non-swiped)	2.85%	\$721.00	per month
ACH Debit (Check)	Fixed	\$162.50	per month

Looks like a no brainer to us.

“Selling” Your Payment System to Your Renters

The best time to introduce your payment options is when a renter signs the lease. Point out how automatic debit or online payment will save the cost of stamps and an envelope, and will protect against late payments and late fees. Point out that debits from a renter's checking account are *interest free*, as opposed to credit card payments (Almost everyone carries a balance on their credit card, and pays interest.). Josh's experience has been that these options are an easy sell, and every renter you sign up means money in your pocket. A “free lock” might be an inexpensive incentive that ensures that a renter will have a quality lock on the unit, which is also to your advantage.

You've Got to Collect Money, So Why Not Do It the Cheapest Way?

You have three ways to save money on your payment processing:

1. You can scan and process the checks yourself, cut the bank processing charges and keep your manager on site where he or she belongs, or if the volume warrants, you can outsource this function;
2. You can sign your renters up for automatic debit, and dramatically reduce your billing overhead;
3. You can bill your renters by email, and again dramatically reduce your billing overhead.

And There's More

- A SSA study from a few years back indicated that renters on automatic payment tend to stay a few more months on average than those who are billed each month.
- Renters on automatic payment must *choose* not to pay their bill, rather than “forget” to pay it. Just think of all the collection reminders you won't be making.
- Many of your renters will appreciate the convenience of automatic or email billing.
- Do not let the bank get the float on your money; instead get your cash faster.
- By setting up payment systems through a clearing house you are free to move to any bank that you want. Changing banks is as simple as changing the routing numbers of the ACH transfers. Bank where you want and where you get the best service.
- Eliminate charge backs (credit cards).

How to Get Started

If you have any questions or require additional information you can email Josh at Bargold@msn.com.

The companies he uses are:

- **Creative Cash Flow Solutions, Inc**, Eric@ilovechecks.com, phone 631-229-0070, Eric Herman
- Automated ACH, daily Check Processing, Online payments, Credit Cards (if you still want to go this way, they have the best rates around) **KLIK**, jwoldar@klik.com, **Jay Woldar**
- Lockbox **Graphic Service Bureau**, mgustave@gsbprint.com, Mike Gustave
- Billing (Paper) and mailing house

You can also:

- Talk to your website provider and local merchants who have set up online bill paying options.
- Talk to your bank about automatic monthly debiting.
- Check with your local phone directory or Google© to learn about Check Clearing Houses.

Using automated payments is not the wave of the future, it is here. Efficiently capturing and processing monthly payments can significantly enhance your cash flow and increase the time your managers spend interacting with customers. Just because you take credit cards does not mean that it is the most efficient way to get your money. *It is actually the most expensive*. Plant the seeds to start converting (starting) people to automated debits and in a few years you will be saving a lot of money.