



# Effect of Automatic Payments (ACH) on Rental Late Fees

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Can automatic payments prevent late fees and  
save renters money?

# The Effects of Automatic Rent Payments on Tenant Late Fees

## SUMMARY

An analysis of rent payment data reveals how renters can save money by paying rent online and using automatic payment options to avoid late fees.

Monthly rent accounts for a large portion of a renter's income. With rental markets tightening in large cities and rural areas, renters need to be diligent in finding a good rental that meets their needs and fits within their budget. While tenants do not have definitive power to influence the market rate for rentals in their area, they do have the power to lower their monthly payments in other ways--namely through ensuring that no additional fees are assessed at the time that rent becomes due. According to the data, automatic payments may be the answer to lower out-of-pocket costs for renters.

[Rentec Direct](#) recently analyzed data based on one year of rental payment behaviors, representing data from 13,000 property managers and more than 100,000 renters. The outcomes of the study showed significant differences in timely rent payments based on the implementation of automatic payment technology (ACH).



## KEY TAKEAWAYS

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- Paying rent online results in fewer late rent charges
- Renters who do not pay rent online are more likely to pay late rent fees
- Renters who set up monthly, automatic rent payments are less likely to pay late rent fees
- Renters who pay rent online are less likely to pay rent late



## BACKGROUND

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If you rent your home, it is common practice to pay rent to your landlord or property manager each month. This routine bill, is often the biggest housing expense paid by a renter. A lease agreement will outline how much rent is due and on what day, often the same day each month. The lease will also include information about what happens if rent is paid after the due date and how late fees will be charged to the tenant. State and local laws determine how much and how often late fees can be charged to a renter.

Late rent fees can be avoided by paying rent on time.

Common ways to pay to a landlord or property manager are by cash, check, or through online rent payment systems. Online rent payment systems allow a renter to directly and securely connect a bank account to their landlord's or property manager's account. If your landlord or property manager offers online payments, they are most likely using the system described above, known as ACH payments. It's the same system that one might use to pay an electric bill, student loan payment, or mortgage payment online.

ACH online payment systems allow users to set up recurring automatic payments to take place on a designated date each month. Automatic payments eliminate the need to manually initiate a payment each month. For bills that are the same amount each month, like a rent payment, using automatic payment options can be extremely convenient.



## FINDINGS

How many renters were given the option to make online rent payments via ACH in 2017?

### ACH ADOPTION RATES [2017]

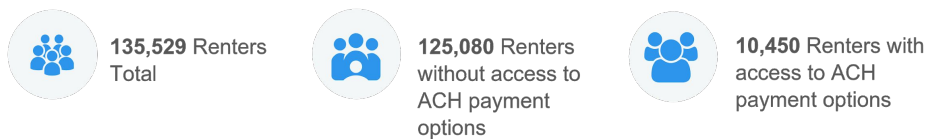


Figure 1.1

Rentec Direct reviewed rent payment data from 135,529 renters in 2017. It was discovered that of the the 135,529 renters using Rentec Direct, 7% (10,450 renters) were given the option to make make rental payments online via ACH (See Figure 1.1). By the end of 2017, at the time of analysis, 11,559 renters made a rent payment online via the ACH payments available in their Rentec Direct Tenant Portal.

#### Rate of ACH Adoption within Rentec Direct for 2017

- 135,529 renters total
- 125,080 renters with no ACH enabled
- 10,450 renters with ACH currently enabled
- 11,559 renters have made an ACH payment at some point

## FINDINGS

When given the option to make a rent payment online via ACH, how do scheduled payments versus manual one-time payments impact the occurrence of late fees?

### Late Fees Related to ACH Rent Payment Use

Of the 10,450 renters who had the option to make a rent payment via the ACH online payment system, only 3,480 (33%) renters were charged a late fee in 2017 when they scheduled recurring monthly rent payments. 4,932 renters (47%) were charged a late fee if they did not schedule monthly rent payments, and were making manual ACH rent payments (See Figure 1.2). 77,299 renters who did not have ACH rent payment options enabled were charged a late fee in 2017.

### Late Fee Charges Related to ACH Payment Scheduling for Rentec Direct Renters in 2017

Of 10,450 renters with ACH currently enabled:

- 3,480 renters with ACH enabled and scheduled monthly rent payments were charged a late fee in 2017 (33%)
- 4,932 renters with ACH enabled but not scheduled, were charged a late fee in 2017 (47%)

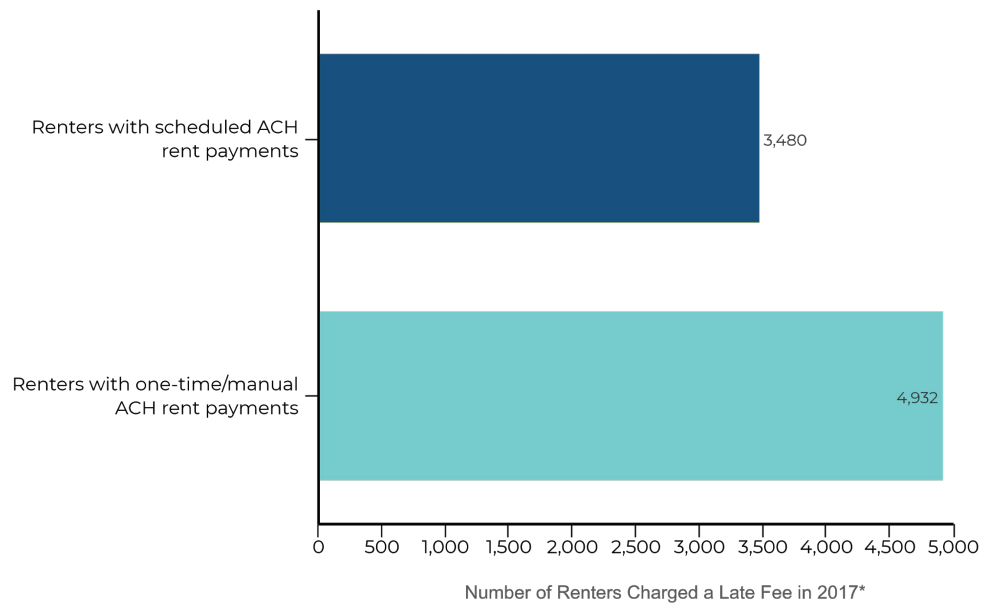
### Late Fee Charges For Rentec Direct Renters without ACH Rent Payment Options in 2017

Of the 125,080 renters analyzed without ACH rent payment options, 77,299 were charged a late rent fee in 2017 (57%).



## FINDINGS

### LATE FEES RELATED TO ACH PAYMENT SCHEDULING :



\*Based on data from Rentec Direct rent payment system in 2017.

Figure 1.2



## ANALYSIS

### ACH ADOPTION RATES

In order to set up recurring online rent payments via ACH, your landlord or property manager must give their renters this option. The ACH Payment system by Rentec Direct allows landlords and property managers to accept automatic payments from tenants after the tenant provides authorization to debit a checking or savings account for their rental payment. This is done through an easy-to-use online management interface, and then the system takes care of the rest of the transaction on a monthly (or single time) basis.

Rate of ACH Adoption Among Renters 2017

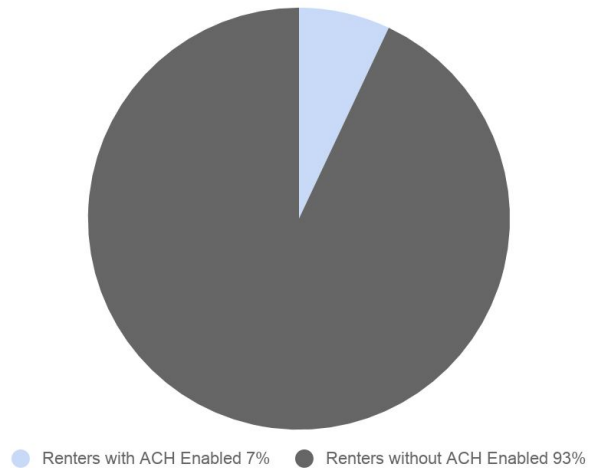


Figure 1.3

The data in this study was limited to information obtained from Rentec software, but clearly illustrates adoption rates for ACH payments. Out of more than 135,000 renters using the Rentec Direct Tenant Portal, only 7 percent had enabled automatic rent payments (See Figure 1.3). This is in part to the fact that some property manager users have not implemented the option in their accounts.





## How do ACH rent payment options affect late fees?

So how does ACH implementation affect late fees?

Quite significantly. Our data shows that those who are actively using ACH to pay their monthly rent had a 24 percent lower rate of paying late fees than those not using ACH at all. Without any ACH set up at all, the rate of late fees skyrockets to nearly 60 percent.

### Frequency of Late Fees Related to ACH Rent Payment Adoption

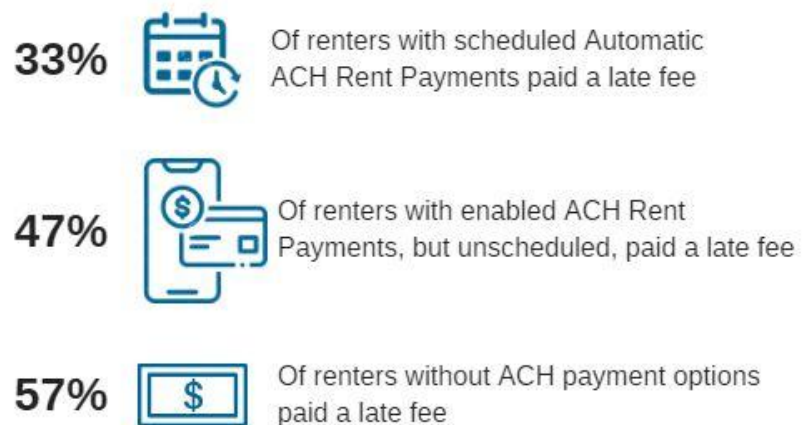


Figure 1.4



## SUMMARY

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## ABOUT THE RESEARCH

[Rentec Direct](#) analyzed rent payment data and late fees charged by clients using Rentec Direct's property management software platform in 2017. Data represents information from 13,000 property managers and 135,529 tenants.

*\*\*Please note: This data was pulled from Rentec Direct clients using the company's software platform. Data meant to show trends only, may not be a representative sample of industry as a whole.*

## ABOUT RENTEC DIRECT

Rentec Direct offers industry leading property management software and tenant screening solutions for real estate professionals. Features include online rent payments, tenant and owner portals, the industry's largest vacancy listing syndication network, full property, tenant, and owner accounting, 1099-MISC reporting, QuickBooks™ Sync and more. Rentec Direct was named to the 2018 Inc 5000 List of Fastest-Growing Private Companies and the 2017 Entrepreneur360 list for Best Entrepreneurial Companies in America.

<http://www.rentecdirect.com>