

STUDENT HOUSING

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MAY/JUNE 2011

CITY LIVING

Developing urban student housing projects takes a unique skill set, but the payoff is worth the extra effort



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HOW SOCIAL MEDIA, PROMOTIONS PLAY A VITAL ROLE IN RECRUITING STUDENT RENTERS

INNOVATOR AWARDS WINNERS

SMARTER OPERATIONS: CONNECT AND COLLECT

CONNECT AND COLLECT

Communicating the billing process to a new generation of student housing residents.

By Dan Marcec

The collections process is as old as time itself — or at least it goes back as far as the first person who ignored a delinquent bill. While the goal is always to avoid getting to the point where a bill has to go to collections, if it is in fact necessary, communicating in an effective manner not only to inform debtors, but also to treat them with respect, is crucial.

Collections in student housing can be more complex than for traditional apartments because of guarantors' involvement, but that doesn't necessarily make it more difficult. Due to the fact that many guarantors are in a financially sound position, going to them when a student resident is unavailable or unreachable can help streamline settling debts. On top of that, young people in this day and age are much more accessible via non-traditional channels, which makes it easier to find and connect with them — even if that means looking on 10 social media sites.

Regardless, billing and collections in today's student housing environment can require some creative navigation, but by understanding how to communicate through the right channels and capture the right information, properties can streamline the process. With that in mind, *Student Housing Business* spoke with experts in the field to examine how to collect on time and keep profits flowing to the bottom line.

TAKING ON TECHNOLOGY AT THE PROPERTY LEVEL

At the property level, Jennifer Cassidy of Campus Advantage says that the company has seen an increase in non-payments over the past two years, mostly resulting from the economy, and as a result pursuing billing on-property is an active, full-time effort.

"We've seen a shift in the way we communicate with residents, and while we're still issuing late notices that rent was due as in the past, now we'll post on Facebook, do text blasts and email blasts, and use the Internet and social media," says Cassidy, who is vice president of operations for Campus Advantage. "Students today check social media 15 times a day, but they check the mail once a week."

Moving toward technology solutions sounds like a simple conclusion, but just because there are more opportunities to connect with residents doesn't make them any easier to track down. But providing multiple payment options is one of the ways in which this process can be streamlined.

"The most significant change is the increased population of people who pay online, and billings and collections have eased tremendously with the ability to make ACH transactions or credit card payments online," says Miles Orth, senior vice president and chief operating officer for Campus Apartments. "In addition, we sought to develop a mobile application that

would support our current residents with practical features such as automated monthly rent, payments via credit card and even maintenance requests to keep up with our resident's technology demands."

Jeff Nolin, senior vice president of sales and marketing for Hunter Warfield, agrees that electronic payments have made collecting more accessible for residents.

"The billing and collections process itself hasn't seen huge changes, and it's still driven by picking up the phone and talking to the debtor, and letting them know what they need to do," Nolin says. "But at the same time, in the past you just hoped they'd send a check. Now we can collect through ACH, check by phone, credit card, and electronic billing, all of which helps dramatically."

CAPTURING THE CORRECT DATA, THE FIRST TIME

Though the goal is to avoid the collections process all together, it's going to happen. Student housing billing can be more complicated than traditional apartment rentals also because the units are rented by the bedroom, but there are also common area charges, and terms run almost universally from August to August, but often the units are unoccupied for several of those months. These are just some of the issues that inevitably occur for every property manager. So when the collections

process does go into effect, having the right data organized in the right place is the key.

"The goal in collections is always recovering as quickly as we can for our clients, but in student housing especially, we have to determine what is the proper amount they owe," says Marilyn Lohonen, vice president of marketing for Southern Management Systems. "Because most student properties have individual leases, you have to make clear up front the responsibility for each lease, and make sure to get all the right information when they fill out their applications and lease agreements so there's no dispute."

Most people will only fill out the information that's required, and oftentimes it's unclear exactly what that required information

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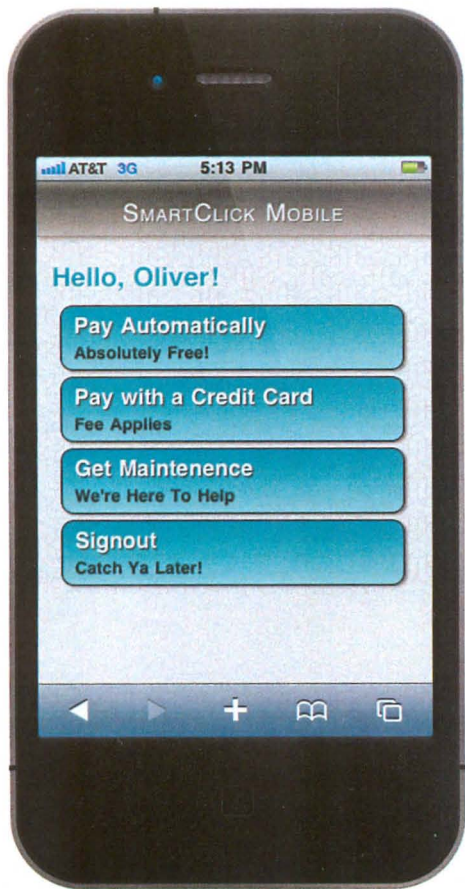
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Campus Apartments launched its SmartClick Mobile app for iPhone and Android – the first mobile application in the student housing industry – in December 2010. SmartClick Mobile is a free application that allows residents to pay rent, submit service requests, and is accessible from any web browser.

should be. That's why it's crucial for property managers to pay attention to the details from the outset, because if an account does have to go to collections, there's a better chance of it getting paid.

"The biggest key to billing is the relationship with and communication with resident and guarantor prior to move-out," says Lohonen. "Collecting updated information is like building a house. If we don't have a good foundation, we won't get the return."

The solution is to find a way to streamline that data collection

up front, both when the lease is signed, and to update that contact information when the student moves out — both for the resident *and* the guarantor. Then, once that information is in hand, it can ease the follow-up process for the collections agency.

"Electronic data exchanges are still a huge challenge for student housing billing and collections, and unfortunately, exchanging accounts records and account record data still leans towards being a manual process," says Ray Stein, senior vice president of operations for BYL Companies.

"But with that said, there's a tremendous opportunity to ease the exchange of data — account records, financial transactions, and account record updates — between internal and external

business partners to streamline billing and collections."

That's where collections companies have the expertise when they come in and take over accounts. Because property managers have



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scores of other issues to handle, collections professionals understand how to come in and work with delinquent payments, understanding the timing — and the service — required to clear the account.

“Clients always want to know the right time to place an account for collections, and generally, the sooner you place, the better results you get,” says Nolin. “But there are certain idiosyncrasies, where placing it too early can create bad feelings and bad PR, but on the other hand, if you wait too long you have a problem.”

From the property side, Nolin suggests to send a final statement within 30 days after move-out, and then give a firm date to pay. Within that statement, explain that it’s a final bill, because people often see something and throw it away assuming they’ll

get another one. Sending multiple bills can create bad blood as well, and could jeopardize the relationship, creating a greater chance the bill goes unpaid. So a simple definitive statement of the entirety of what is owed on the account with a firm deadline of when it should be paid will do. After that, it’s up to the lessee, and if they don’t pay, it passes onto the collections agent who handles it from there.

“Giving the guarantor 30 days to pay or make arrangements is not unreasonable, and at the end of that time, if neither of those things are accomplished, it needs to be placed for collections,” says Nolin. “I think that people tend to want some type of fancy scientific answers or solutions to this, but it really is about being up front, making sure you have good information.” **SHB**

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TALKING POINTS

Does a student housing project need to be within walking distance to campus in order to succeed?

Better than 50 percent of the properties we manage are not within walking distance from the university they serve and they are still successful. Success is seldom limited by one factor. With regard to distance only, as long as the property is located within a reasonable distance from the university and students have some method of transportation to that university then success is absolutely achievable.



MCGRATH

— Ryan McGrath, CCIM, CPM
Chief Operating Officer, Asset Campus Housing

Location is extremely important, but a good location doesn't necessarily need to be "within walking distance." A good location for a successful cottage deal might be two to three miles from campus, particularly if there are barriers to entry in the submarket, there isn't a comparable-sized site closer to campus, the land is priced so that the developer can charge reasonable rents, and it's in a market where the students have proven they will drive or ride a bus to class. There have been many unsuccessful student housing deals within walking distance of campus due to the developer having too high of a basis in his project and being unable to get his pro forma rents. In situations like this, the guy who buys the project from the bank is the one who often succeeds.



ROGERS

— J. Wesley Rogers, President & CEO
Landmark Properties, Inc.

As much as we many times pitch that it does, I think the answer is it depends. It depends on many factors such as the construct of the existing student housing stock, location of campus attractions, barrier to entry in the core, price elasticity of the market, transportation infrastructure as well as the regional culture. Unfortunately it's not a simple formula.



SHASTRI

— Rajen Shastri
Chief Investment Officer,
Co-Chief Operating Officer
Campus Acquisitions