

CHARGEBACKS CAN COST YOU, BUT CANCELLING CREDIT CARD PAYMENTS IS NOT THE SOLUTION

If You Accept Credit Card Payments or Are Thinking About It, Read this!

By Michael Lightfoot

Recently, a regional manager of a larger property owner in northern California lost \$15,000 from credit card chargebacks during a single month - this was from two residents alone. One resident had disputed six months' worth of rent charges and the second resident at the same property initiated a chargeback on several months' rent. As a result, the owner stopped accepting credit card payments. However, another solution was found and the property was able to continue to accept credit card payments while removing all of the risk from future chargebacks through the use of digital certified funds.

This story, unfortunately, isn't an isolated incident. In the overall market, one study found that in 2019, 81 percent of individuals admitted to filing a chargeback out of convenience and many of the disputed cases were lost. While it is less common to see chargebacks

on rent payments, they can be a common occurrence on rental application fees and other property add-on services.

Even for a single property, chargebacks can have a marked effect on net operating income while taking a material amount of time for property managers to resolve. However, those that have moved to modernized rent payments platforms have been able to smoothly move past them. "Managing credit card chargebacks are a thing of the past for our properties," says Carrie Briggs, Vice President of Marketing and Revenue Management at FPI Management. "By having a provider that handles the dispute process for us, we are able to save an enormous amount of time and stress for our accounting teams and property managers. These time savings combined with the elimination of the financial losses have a significant impact on our properties' NOI."

Switching to more sophisticated digital payment platforms also means having access to a range of automation settings and alternative payment methods that reduce payment risk and can remove chargebacks altogether. With platforms like Domuso, for example, property managers can still accept traditional payment methods while offering and the ability to accept digital certified funds and setting automated payment logic to limit options for residents with a history of risky payment behavior.

Michael Lightfoot is the Chief Operating Officer of Domuso, a next-generation financial services platform offering a comprehensive suite of payment processing solutions for multifamily property owners and operators. He can be reached at milightfoot@domuso.com.

