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MULTI-HOUSING WORLD

SEARCH RESULTS

COLLECTIONS IMPROVED WITH SURETY BOND

July 2, 2007

Livingston, N.J.—In the nearly five years since its strategic alliance with SureDeposit was first announced, ResidentCheck, based in Dallas, Texas, reports collection results from residents that had paid the one-time surety bond premium to SureDeposit at move-in were 27 percent higher than those from residents that had paid the traditional security deposit amount. ResidentCheck is a national provider of resident screening, multifamily collections and employee screening.

SureDeposit is a provider of security deposit alternatives for the multifamily industry. According to Jorge Baldor, president of ResidentCheck, "While quality initial resident screening has proven to positively impact resident payment performance both during and beyond occupancy, no collection efforts are 100 percent guaranteed. However, we have consistently seen a link between the security deposit alternative and our ability to improve collections for our mutual multifamily clients.

"One of the reasons for the improved collections lies in the fact that SureDeposit relieves the owner of the responsibility for collections. Once the resident moves out, the communication is between SureDeposit, ResidentCheck as the collections agent and the resident. The owner no longer has to get involved," Baldor explained. "As a result, discussions about maintenance issues, loud neighbors, parking problems and other common explanations for non-payment become less central to the collection efforts."

In addition, the reporting and administrative responsibility for collections that SureDeposit assumes on behalf of the owner or management firm allows ResidentCheck to reduce the lapse time between move-out and when the surety assigns ResidentCheck the file to pursue for collections.

According to the American Collectors Association, for every 30 days an account remains dormant, it is 16 percent less likely to be collected. This is because debtors become more difficult to locate. After six months, the U.S. Post Offices removes address forward requests, and Directory Assistance drops old phone numbers. In addition, debtors that have secured another apartment or home or car, for example, are less likely to repay their debt if they skip rent or damage an apartment. "Lastly, many renters assume that if they were not immediately contacted after their move-out, their debt has been somehow forgiven," notes Baldor.

Another reason that collections are much improved with SureDeposit's security deposit alternative, according to ResidentCheck, is because the bondholder signs an agreement that stipulates that failure to comply with the lease terms may affect the ability to rent future residences or obtain insurance. ResidentCheck reports to all three national credit bureaus.

"We have found that renters tend to be more accountable to a third-party surety than to the owner that holds their traditional security deposit amount until move out," adds Baldor.

SureDeposit has more than one million units in nearly 3,300 communities under agreement.

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