

Ready to Pay Rent With a Credit Card?

By Erica Sandberg / Published August 05, 2014 / [CreditCards.com](#)



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Would you put your rent on a credit card?

As more landlords offer the option, having the option to charge your rent also opens other doors. Racking up rewards, for instance, is a pleasant upgrade. Others, such as paying extra fees and falling into debt, are far worse than a noisy neighbor.

Shift from Checks Underway

While 70% of renters still pay by check, credit cards are gaining traction, says Ben Trueheart, vice president of product management for PayLease, a company that partners with property managers to electronically collect rent payments.

"There is a rapid decline in paper checks," says Trueheart. "They will go away, no doubt. Some property management companies are adamant -- you must pay online with a card," says Trueheart. "It's a growing trend."

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Numbers from the [Federal Reserve Payment Study](#) back that up: Payments made via paper check have dropped by more than half since 2000, from 41.9 billion in 2000 to 18.3 billion in 2012.

In the place of checks, rent payment processing businesses are stepping in to facilitate account transactions between renters and landlords. Some are sweetening the pie to boost credit card participation. RentMoola, for example, offers a rewards program to tenants, allowing them to accrue points for charging their rent. The points can be exchanged for travel deals and discounts on upscale transportation services and local restaurants.

"Property managers are feeling the pressure to switch to electronic payments," says Andrew McLeod, vice president of global strategy for RentMoola. "Most renters are young and have never used checks. They're fresh out of college, and this is the way they want to pay. It's a shift."

Why Pay Rent with Plastic?

Not all electronic rental payment systems are set up to accept credit cards. eRentPayment, for example, arranges to have money withdrawn from funds in a checking account. A property owner can also set up a PayPal account, allowing renters to pay online.

However, says McLeod, the major advantage for consumers to charge their rent is the ability to earn points or claim cash back from their credit card's rewards program.

"If you have a credit card with rewards, some let you earn up to 5% back for travel or cash to go into a savings plan," says McLeod. "Students can really benefit because, depending on the credit card, they can use points for tuition." Various banks and financial institutions offer higher education credit card rewards programs. State Employees Federal Credit Union, for instance, grants points for purchases that can be used toward tuition.

For cardholders who pay off balances every month, charging for rewards can make sense. As of April 2014, the median [rental price](#) of a studio or one-bedroom apartment in the U.S. is \$769, and depending on where you live, that cost can be substantially higher. So a direct benefit of such sizable and frequent expenditures is that points accumulate quickly and regularly.

Electronic or credit card payments help tenants in other ways, too, asserts McLeod: "The convenience of being able to pay with your card is awesome. You can pay from anywhere. You don't need to have all the money in your account."

Enter Zip Co

So far, many renters using the electronic system agree. Marc Philobos, a New York City-based salesman who uses RentMoola, is enthusiastic about the service. "I get the points on my card, but also like the relationship they have with other companies." The company offers "Moolaperks" through partnerships with other companies.

Rent is often the biggest outlay people make every month, and control over tight funds can be very attractive. "Putting a check in the mail, you don't know when it will be cashed," says Trueheart. "This way there is no delay, no confusion."

Some landlords are letting renters pay weekly via credit card, so they can ease into the large expense. For roommate situations, it bypasses the need to collect from multiple people, and instead have everyone pay their own portion.

Additionally, charging when you don't have all the cash can prevent bounced check fees in the event that you don't have sufficient funds in your checking account. Penalties commonly include a \$25 fee from the landlord, another (frequently larger) fee from the bank, and sometimes a revocation of checking accounts. The ability to charge rent can even act as a temporary stop-gap measure to avert an eviction for nonpayment when funds run unexpectedly short.

The problem, of course, when using credit cards this way is that the relief can be temporary and the cure costly. Charging three \$1,500 rent payments, for instance, can present an insurmountable bill for someone already struggling. At an interest rate of 15%, they would still have to make at least the [minimum payment](#) of around \$100, while interest compounds on the remainder.

Extra costs

Even if you don't fall into debt, there's another catch: transaction fees. The companies that set up electronic payments charge for the service, and the property manager or landlord decides who pays the fees.

Typical costs for these card transactions are around 2.75% of the amount sent, as it is with RentMoola. That translates to \$27.50 for a \$1,000 rent payment. As for who absorbs that cost, "It's much better if it's assumed by the property manager, but a lot of time profits are so low that they push it off to the tenant," says McLeod.

Such is the case for Oliver Overton-Morgan, who owns Absolut Realty, a medium-sized property management firm in Orlando, Florida. His company passes the cost of credit card payments to the resident, though a flat fee is charged depending on the rent. For instance, tenants pay \$17 for rents of less than \$900, \$27 for rents between \$900-\$1,250, and \$37 for rents up to \$3,000.

Scott Androvic, a real estate broker for Patriot Properties & Higgins Group out of Stamford, Connecticut, who also has invested in several rental units, picks up the fee for his renters, seeing it as a simple way to keep good tenants happy.

To ease the pain of paying a transaction fee, RentMoola tried to ease the pain. "The reason we offer perks and discounts is to offset the cost. We have partnerships with Zipcar, Uber, Amazon, all the cable and Internet phone providers," says McLeod. "Our system is all about giving back to the tenant. We want to make it a tenant-friendly solution."

Philobos says he doesn't even know who is paying the credit card transaction fee. "I'll have to check," he laughs. "But the points I'm getting on my American Express card make whatever it could be more than worth it."

What landlords have to gain

The advantages for landlords are multifold. "They know in real time whether the funds are there, and it saves a lot of administrative effort," says McLeod, who cites a property management company that owns 50,000 units. "Imagine the truckload of checks they have to go through every month. Electronic transfers are much more efficient."

Paylease's Trueheart emphasizes the time-saving angle, too. Paper checks require landlords to go to the bank to make deposits, often multiple times a month. Also, says Trueheart, "They are manually updating software. That's an accounting nightmare!" With integrated software, books are instantly updated.

Plus, online payments reduce common security troubles. Property owners and managers don't have to deal with broken-into mail boxes, stolen mail and checks rewritten to cash, all of which cause headaches and delays.

Overton-Morgan from Absolut Realty decided to accept credit cards because it helps the renter remain in positive standing: "We feel that sometimes if a tenant has a tight month and needs to move funds around temporarily, it is convenient to be able make a timely payment by using their credit card."

"I only have three properties and it made my life easier," says rental unit owner Androvic. "Paper checks in the mail can come late. My tenants are super excited about it. For the few dollars it costs me, it makes sense. The reward is that I get paid on time."

But then There's Debt

Not everyone praises the trend. One doubter is Anthony Kirlew, founder of personal finance blog FiscallySound.com. "As a personal finance consultant and former real estate professional, I cannot advise paying rent with a credit card, nor can I endorse the practice," says Kirlew. "Sadly, the pattern for many is to charge with good intentions, fail to plan for unexpected life events, then take the easy way out with a bankruptcy and start the cycle over again."

So who does Kirlew believe might be an appropriate candidate for charging rent? "The rare exception to the rule would be the person who maintains a budget well, carries no debt, has reserves for emergencies, and only uses the card to amass rewards such as cash-back or travel incentives."

Gail Cunningham, spokeswoman for the National Foundation for Credit Counseling, also has words of warning: "If a person is charging their rent because they don't have the cash available, that's a red flag that needs attention."

Card balances can spiral out of control, particularly with such important charges as rent. "By not facing reality, a person potentially creates a debt beyond which they can recover. Since a roof over your head is a priority, instead of hoping things will get better and putting Band-Aids on the problem, reach out immediately for help." Many of the agencies working under the NFCC umbrella are certified to conduct housing counseling, including landlord-tenant assistance.

Still, not everyone is bound for trouble. For some tenants, amassing unpayable debt this way isn't a concern. Philobos, who sends the full balance of the bill right away, says, "I'm going to pay for it anyway."

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