**Resident Rewards Guide**

(by Robert Locke RMP, MPM and attorney Monica Gilroy)

**Everything a Property Manager Needs to Know to Build a Safe**

**and Profitable Resident Rewards Package**

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**Get a FREE Resident Rewards Package at** [www.trainingpropertymanagers.com/rewards](https://www.trainingpropertymanagers.com/resident-rewards-package/)

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Resident Rewards Packages have been around for decades but some managers are just waking up to the real benefits of them and it’s the current catnip of the industry. **You can build one haphazardly (and go back over and over to redo it as you discover the issues) or follow these guidelines and use a more strategic and thoughtful approach.** Build them right and you’ll make money while keeping your liability down. Build them badly and you’ll keep tweaking it to a better model as you figure out how they really work. Build it badly and you’ll add unforeseen and unnecessary liability to your company.

**The idea of a Resident Rewards Package is to build a package of benefits for the tenants** (perks you might call them) that will make the tenant comfortable with the fee you attach without giving them much help with a cost/benefit analysis.

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**I. Why Resident Rewards Packages work**

**A. The power of multiple offerings**

By only offering one product or service, applicants have an opportunity to weigh the cost/benefit relationship and do some comparative shopping. They might not feel the value of a furnace filter (delivered to their home every 60 days for $10 a month) is worthwhile if they compare to a year’s supply of the same filter from Home Depot for $40 a year. If, on the other hand, you package lots of benefits into a Resident Rewards Package, it's more difficult for them to weigh the value of that service against the cost you're placing on it.   **You want to make their cost/value comparison much harder and eliminate comparative shopping.**

Cable TV providers offer "basic" service (300 channels) and then throw in Stars, HBO, Movies, AND sports channels into a package and price it as a package. They figured out that comparing prices is made intentionally impossible when selecting cable TV services so let's learn from them and bundle up our benefits package**.** Bundle up tons of benefits and set a price they can't compare with alternatives.

**B. The added cost of rewards doesn't create a problem for residents because it's a fraction of what they expected to pay in rent.**

When someone is planning to pay $1,000 a month, and you tell them about an additional $25 a month for a massive package of really great perks, they absorb it and don't fuss.

Last summer, our family booked ten rooms at Lake Lanier Resort for our annual lake weekend. They advertised $200 a night per room, which is a bargain. When I got ready to check out, the $200 a night bill totaled out to $243 a night. Why? Because of county resort tax, parking charges, entertainment fees, state entertainment tax, and so on. We all know the posted price of most services these days isn't what the final bill will be. A 10% add-on tax wasn't posted; however, it's no surprise. When residents are prepared to spend $1,000 for a deposit and $1,000 a month for rent, an extra 2% or 3% doesn't drive them away.It's just too small to fuss about compared to what they expected to pay, especially if there's a good list of benefits connected with it.

**C. The situation's momentum is just too great to back out over a 3% change in the cost.**

Take a moment and think about what a want-to-be renter has to do to get to the approval stage of the application process. They have to decide where and what they want to rent (school system, zip code, distance to work, county, number of bedrooms, two-story or ranch, in a swim/tennis community, etc). They start their search for suitable rental listings. When they find available rentals that fit their criteria, they have to read through the descriptions and watch videos. This can add another couple of hours to the process. They then have to reach out and schedule a showing, load up in the car, find their way to the property, and preview several properties, investing even more time. Then they go home and locate the property they like again and complete an application, pay an application fee and sit back for a few days and wait for a response from the manager. It's time-consuming.

They get the approval call from the manager who goes over the costs to move in and lays out the Resident Rewards Package. Now, because the package has lots of great benefits and they are tired of the process, they agree to the extra $35 a month so they can get on with the arduous moving process. They accept the additional costs because it has good value AND they are tired of the process. Backing up and starting the process again isn't a pleasant option.

**Conclusion:** We moved 40 to 50 new tenants a month into our properties for years and a $35 a month rewards package didn’t bother any of them.

**II. Putting a dollar value on each reward**

Before we jump into listing possible benefits, we need to address adding a dollar value to each service to give the resident perspective for what they are getting for $35 a month. We want to wow them with a lot of rewards that are well worth the monthly charge and a great way to do that is to assign a value for each included benefit. Everyone won’t have this reaction, but most will if you build it according to this document, and when they do, you’ve accomplished your goal.

Remember the last time a middle-schooler came to your door to sell you a book of coupons from local businesses? It was an inch thick with coupons and each one had a dollar value on it. The front cover said something like, “Get $600 worth of coupons for only $45.” We all responded the same way, “WOW, what a bargain. How can I go wrong?” We knew that we would never use many of these coupons, but the bargain was just too good to pass up. We want to use this same marketing strategy to build value to our Resident Rewards Package.

That is the goal with a resident rewards package. **Make it look like a lot by adding a dollar value to each benefit you list on your resident reward document.** You should use a reasonable dollar value or readers will suspect you’re scamming them.

**There are four categories of benefits that you might use to build your rewards packages:**

**1. Benefits that cost little to nothing**

**2. Benefits that may alter future revenue**

**3. Outside vendors that cost nothing AND help the resident**

**4. Benefits that carry an actual hard cost**

**III. Benefit Category #1 - Benefits that cost little to nothing**

**This category's premise is that applicants don't know what you do for them, so create a list of things that you are currently doing already and make them sound like a unique benefit for the resident.**The applicant's lack of knowledge can work to your advantage. These are reasons that sound good vs. good sound reasons, but they add value to your benefits package and get residents comfortable with the cost. Now let’s list some examples.

**A. Give them a copy of the move-in (and move-out) inspection (and photos if you take them) to protect them from inappropriate charges against their deposit at move-out.**Most managers already do this. Still, incoming residents don't always know that. Most managers do a pretty thorough move-in inspection to document the condition of the property before the resident takes possession, creating a benchmark for charging damages after move-out and keeping some (or all) of their deposit. It's pretty easy to send residents these inspections and photos, so they have the documented condition of the property before taking possession. Some managers already post that report in the resident's portal, but applicants don't always know that. Cost to you? Nothing. **You're already doing it. You're simply creating value out of something you already do.** Value to the resident? $300? (It costs you plenty to send someone to the property and do this inspection, but you're doing it anyway, so the extra cost to you is zero, and it sounds good to applicants looking over your rewards package and price. It's impressive, and they like the idea of being protected from erroneous charges at move out).

**B. 24-hour emergency hotline.**Many managers already have this. Whether you use an outside maintenance service, virtual assistant or set it up in-house, residents are impressed with the idea. Set it up for emergencies, and you'll be a better manager. Cost to you? Something, but very little. Value? $50? **Remember, you get to make up the value, whether it's an actual amount or a projected amount it doesn’t matter.**You get to decide. Don't inflate too much (think middle-schooler coupon book example). It builds value to your benefits package and costs you nothing extra.

**C. Early move-in privileges without prorating rent.**Once the application is approved and you have the money, you can give them possession (as soon as the property is ready) without charging prorated rent. I know your initial reaction is that it will never work in your market but, trust me, it will. You don't have to prorate rent, and the owner will be thrilled when you explain why you gave them a week's possession without charging rent. We did this for decades on thousands of move-ins, and residents loved us for it. (See the training video in the library that came with this package. Trust me, you'll start doing it right away, and it looks great on a benefits package.) If you think it through and share your reasons with the occasional owners that ask, you'll do this from now on. Cost to you? Nothing. This is a BIG value! A week's rent or more. $400?

**Watch Myth #21 in the Myth’s video library titled "*Must a manager prorate the rent when the resident moves in early?*" See it at www.trainingpropertymanagers.com/myths**

Residents love the idea of starting the moving process a week or two before the actual rent start date. Moving is a hassle and having possession of the property early makes moving much more manageable. **Owners, when they found out what we did (and most of them didn't) and we explained it adequately (after the fact), were okay with it.** We explained the benefits and why we did it, they were okay with it, and so will you be if you watch the video. So, what's a week of free rent worth in your market? Watch the video and you too will be convinced.

**D. Waive the online rent payment fee.**It sounds strange to call this a "benefit" because we all want residents to pay online, but many companies have a small charge for online payment privileges. Utility companies often charge customers a $4.95 service charge for online payments. Here you get to brag that you don't charge for online payments, even though you never did. Here's the thing: residents don't know any better, so it can be considered a benefit to them. Your cost? Nothing. Value? $5 a month or maybe $60 a year? Every little bit helps as we build the total value of the entire package offering.

**E. Waive the personal check fee.**Again, it sounds odd, too, but many residents are accustomed to paying a service charge for paying with a personal statement. Many managers charge a $10 processing fee for a personal check because of the hassle factor of depositing it. We all prefer online payments, and many don't take personal checks. However, you can add $2 a month for this benefit to your Resident Rewards Package and make money on EVERY resident, not just the ones that use a personal check. Your cost? Nothing. Value?

**F. Remove the late check-out penalty.**It's likely your residents will delay their move out by a day or two. Some managers attempt to charge residents a severe penalty (like $200 a day) every day they aren't out of the property, but that money is rent and goes to the owner. You should have this kind of a daily holdover charge in your lease. It should be punitive. Then, show a little grace and give them a break by not charging for two days late move-out penalty at $200 a day but rather the prorated daily rent. You don't have to go overboard and let it go for six days, but they're going to drag it out anyway, so why not get a benefit out of it. The owner receives the prorated rent at the monthly rental rate, and you look good to the resident when you waive the punitive rent amount. Your cost? Nothing. Value? $400?

**G. Re-key property before new possession.**There are two different benefits here.Most managers do this anyway to make a smooth move-in (but the resident doesn't know this) and charge the owner. Residents don't know what's expected in your model, so you can make this look like a benefit even though you're doing it anyway. It sounds good. Your cost? Nothing. Value? $175

**H. Batteries for smoke and CO detectors.**You can buy a case of these at wholesale prices from any home supply store. We found them on the internet, and our maintenance and leasing team kept a small supply in their trunks. Cheap and easy.

**I. Free use of moving equipment (truck, trailer, totes, dollys, carts, etc.)**Several of our clients provide moving equipment to any resident moving in. Several managers offer vans and rent them to residents or offer them for free. The liabilities can be managed and it's a big perk for residents.

**J. Free one-time key replacement.**Residents lose keys. You can replace them for $4. Some managers charge $100 as if it's a big inconvenience to them when in fact it's cheap and easy to give them a new key. Your cost? $4.00. Value? $75?

**K. Offer a 24/7 move-in schedule.**We're all moving to the remote move-in model where we don't meet the resident to make an on-site move-in inspection. With coded lock boxes and other remote move-in strategies, the resident can take possession any time day or night. Promote the idea that if they want to take control on the weekend, late at night, during the Superbowl, or during the COVID pandemic is okay. You can accommodate them and they will love it. Your cost? Nothing. Value? $200 (your cost of sending a person to the property to meet them and execute a move in inspection at 7 pm on a Saturday night).

**L. Buyer assistance rebate.**Many managers also sell houses and would love to handcuff the resident to them for this extra service. Some managers rebate the resident costs of the Resident Rewards Package, where others offer to rebate part of the commission. Whether you buy them a refrigerator or waive their last month's rent, there are things you can do to pull the resident back to you when they are done leasing and ready to buy. Whatever your model, list it as another benefit in your Resident Rewards Package and add a great value for it. Your cost? Nothing (and you’ll receive a sales commission). Value? $500?

Since this list of benefits are things you already do, and cost you little or nothing, you can give it away to your low-end residents (Section 8 residents and residents protected under the CARES ACT) or charge them a nominal amount just to cover your costs (like $8 a month). We'll address categories of residents and different charges for the Resident Rewards Package later in this document.

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**Note:** This workbook is detailed because we want you to think through options for your Resident Rewards Package before you throw one together (or adopt someone else's package) without thinking it through. Do this thoughtfully and you’ll avoid the frustration of having to redo it over the first few months.

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**IV. Benefit Category #2: Benefits that may alter future revenue**

The idea here is to look into the future and see if there are some revenue streams that you may only get sometimes and use to **collect smaller amounts every month all the time**. Let’s look at some examples.

**A. Waive rapid refund fee.**Many managers offer vacating residents a quick refund of their security deposit for a small price. When you think it through, you can probably decide how much you will charge the resident for damages within three to five days after taking back possession. Georgia managers are required to identify charges for damages within three days of taking possession so IT CAN BE DONE. At one point, we were moving 25 residents out a month and got the process down to three days. It’s not rocket science to have that number within a week and offer to return their deposit quickly for a small convenience fee. We had a 10-day and a 20-day refund fee program. Georgia required us to produce it in 30 days, so we offered a rapid refund program for a fee. Some residents liked the idea of getting their money back quickly. Some took us up on it and were happy to suffer the slight financial loss to get their money quickly. Your cost? Many won’t use it. Value? $75?

**B. Waive credit card fee for specific charges.**Some managers say they don’t take credit cards or they charge a fee to take a credit card and we all know why. If this is your strategy, you need to rethink it. We always took credit cards when the money went to us (not rent or deposit). Why? Because we could absorb the minor hit if something came back. Most of the time, $50 and $150 credit card charges didn’t come back, so we were happy to let residents use a credit card when it was our money, and we were willing to take the risk. Your cost? The credit card service charge. Value? $35?

**C. Waive one late fee.**For 20 years, we gave each resident moving in a late fee coupon (kind of a get-out-of-jail free card). It helped them get over the requirement to pay rent on the first or pay a significant late fee. You could stipulate rent must be in by the 5th as a condition. It leans in the direction of kindness towards residents. Your cost? $? Value? $75?

**D. Waive one NSF check.**Same argument as above. You can add conditions to this as you will only waive the fee if replaced by a certified check within three days of the NSF or if it’s replaced without chasing it. This sounds really generous and well worth the cost, but most residents will never bounce a check, so you’re collecting on something that will only happen 3% of the time. Some managers knee-jerk against this idea because they feel it promotes bad behavior. It’s your call. Your cost? $? Value? $75?

**E. Waive the renewal fee.**We charged owners (and residents) a renewal fee every time the lease renewed for the past 30 years. The change for residents wasn’t much ($75 to $100). You can charge a small amount in an RRP and not criticize when they renew.**This strategy gets you your money earlier and on all residents, not just the ones continuing**. Your cost? Whatever you collected last year, divided by 12. Value? $100-150? It depends on what your resident renewal fee is.

**F. Waive a six-month property visit fee.**We visited every property every six months to see if the walls were still standing and check the filter. This was not a full-blown home inspection but a 10-minute walk-through. We used staff, college students, and part-time helpers. We charged the owner and naturally the resident. We waived this fee from the resident in our benefits package. Your cost to get this done might be $20? Value? $50 (or whatever the lease says is the six-month property visit charge). Remember there are two a year. At $25 each, it saves them $50 a year. Not a considerable value but, remember, you’re stacking up discounts so it’s the total you’re building, not focusing on each item.

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**Note:** If you’re wondering how you get all these fees from tenants, consider signing up for our video series “Revenue Generating Strategies” that attorney Monica Gilroy and I do. You can find it at [www.trainingpropertymanagers.com/revenue-strategies](https://www.trainingpropertymanagers.com/revenue-strategies).

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**V. Hidden benefits for the manager when waiving a fee strategy**

There are some exciting benefits to the manager with this idea.

**1) You get future fees before they come due.** If you package up a waived late fee in your Resident Rewards Package, you’re collecting it in small amounts before it’s due. Receiving money in advance of its due date is always a good thing. Add waiving a lease renewal fee in your package, and you start receiving it monthly instead of waiting until they renew.

**2) You get the revenue even if they don’t owe it.** Some residents won’t renew, but you’ll get your renewal fee starting the first month they move in if you include it in an Residents Rewards Package. Many of our residents were never late, yet we collected money monthly for a late fee in our package.

3) **You receive the revenue monthly instead of sporadically.** Staff think they should be paid every two weeks, not when you have the income to pay them. If you’re collecting some of your revenue monthly, you even-out your income and are better able to manage cash flow. Many managers struggle with the slump in revenue during the winter months and gush with income in the summer when everyone is moving. An RRP package evens out your income and makes managing cash flow easier.

**VI. Benefit Category #3: Outside vendors that cost nothing**

There are plenty of vendors you can partner with that offer great value to your residents at no cost to you. We’ll identify some of them as we flesh out this document. They will make you look good to your residents, cost you nothing, and, in some cases, make you money.

**A. Allow residents to pay at local retail stores.**The PayNearMe system isn’t perfect, but it gives residents a wide range of payment options. This seems to work best for low-income renters. Go to [www.paynearme.com](https://www.paynearme.com) and sign up. You may need to make some minor adjustments in your system, but in the final analysis, it works when residents need a way to pay other than online or by personal check. Cost to you? N/A. Value? $50?

**B. Provide utility setup service to help with move-in.**Citizen Home Solutions has cracked the code for helping residents with utilities before move-in. This service removes the risk of residents not changing over utilities at move-in. Residents pay nothing for the service, and you get a referral fee when residents connect with their great program. Your Cost? Nothing. They pay you a small referral fee. Value? $50? It’s one less hassle for the resident, and they appreciate it. You get credit for providing the service, but neither you nor the resident pays for the service. They are not active in all markets so the first challenge is, are they active in your market? Go to <https://www.pmcpartner.com/crown>  for more information.

**C. Partner with YOUR vendors to offer their services at a reduced price.**We had our primary vendors offer a 25% discount when our residents paid for and used their service. We had lawn care companies participate, house cleaners, pest control companies, and movers. We created vendor coupons we gave every resident moving in. (We’ve included an example along with this package.) Your cost? N/A. Value? $100 if they use the vendor, plus they are using YOUR vendor, so you can better control the vendor and resident.

**D. Residents can pay a small monthly fee instead of posting a hefty security deposit.**Instead of requiring a new resident to post a significant security deposit, why not embrace a security deposit alternative? The best option we’ve seen is Obligo. Reach out to www.myobligo.com for more information. It doesn’t take a rocket scientist to figure out that if the resident doesn’t have to pay $1,500 for a security deposit, maybe they have more to pay YOU some extra fees. Cost to you? N/A. Value? Priceless

**Warning:**If you need to connect with outside vendors for some of these services, DON’T WAIT. Start building our Resident Rewards Package with what you already have and launch it IMMEDIATELY. Otherwise, you’ll be weeks before you launch and miss out on a lot of income. Start now with a basic Resident Rewards Package and let relationships grow over the coming months as you make your connections.

**VII. Benefit Category #4: Benefits that carry an actual hard cost**

Now we get into things that cost you money, and hopefully, you get to mark up what you’re paying and make a spread.

**Caution:** As you make your choices about what to include in your rewards package, make sure you don’t load it up with services that cost you big money, carry small margins, and have little benefit to you. A furnace filter helps the resident breathe a little better and might lower their power bill a little but it eats up a lot of your Resident Rewards Package profit. As a stand-alone product it only has a 20% markup (pay them $10 a month and sell to the tenant at $12 a month). The benefits go to the resident, and they are small. Paying $10 a month eats into your Resident Rewards Package profits by 35% to 40%. This goes for renters insurance and other high-priced services with small margins and doesn’t make you much money. If you embrace these kinds of services, figure out a way to do it outside your rewards package. Sell the service to the owner but don’t contaminate your Resident Rewards Package with them. **A rewards package should be designed to make you money first and foremost.** Don’t forget the priority here is to help you survive so keep this in mind as you select services for your package. If you are already committed to one of these higher-priced services, it’s likely your contract with the provider is renewable at some date. Log that date into your calendar alert system and rethink the service when your contract with them is up. Maybe you can replace it with a more profitable service, or don’t replace it at all and simply increase your profit margin. We’re not against any service. **What we’re against is managers bailing out of the business because they can’t generate enough profit to survive.** Focus on earnings as you select services to add to your benefits package.

Be sure to watch the video “*What to Include in Your Resident Rewards Package*” in our video library provided with this document.

**Check out** [**www.filtersdelivered.com/crown**](https://www.filtersdelivered.com/crown) **for a wholesale filter delivery service and enter the marketing code “crown” at checkout for a discount. We get no referral fee from these folks. They simply have the best wholesale filter delivery service we can find. Costs are 30% to 50% cheaper than the popular filter delivery service.**

**Watch the training videos at** [**www.gilroyfirm.com/about-filters**](https://www.gilroyfirm.com/about-filters) **for a comprehensive discussion of how NOT to solve the furnace filter problem.**

**A. Provide a credit restoration program for all residents and raise their FICO score by reporting their rent payment history to the credit bureaus monthly.**Just like mortgage companies and credit card companies, you can easily report residents to the credit bureaus and make money doing it.

Don’t confuse this new reporting service with other credit reporting plans that only report to Experian and can’t diminish the resident’s credit score when they don’t pay their rent or outstanding charges. The Appfolio solution only says positive credit and does NOT report to Equifax or TransUnion, so residents don’t care that you report them. There is no threat to the residents unless you can lower their credit score when they don’t pay, and that’s only done through Equifax and TransUnion. Go to [www.PowerOverResidents.com](https://www.powerovertenant.com) to find out more about this new reporting service.

Your cost for this service is $3 a month, and managers selling it as a stand-alone service usually charge the resident $8 and $10 a month and get no pushback. That’s 300% markup and makes this service VERY PROFITABLE for you. You can pop it in your Resident Rewards Package and it garners excellent appreciation. This is a great money maker and a phenomenal step-up in the industry for managers using it. This service gives you power over residents as you’ve never had before and is an economical and powerful tool for your Resident Rewards Package.

**Watch the video “*The New Credit Reporting Model*” on the library we included in this package or go to**[**www.trainingpropertymanagers.com/rewards**](http://www.trainingpropertymanagers.com/rewards)**.**

**B. Provide identity theft protection.**This is part of the new credit reporting program. It only costs you $2 a month, and you can add $4-6 a month as a stand-alone service. You can easily sell it for 400% more than you’re paying for the service as stand-alone produce. It’s so cheap you can give it away (to your section 8 and low rent-paying residents) or mark it up without getting any resistance from residents. This is a no-brainer!

These two financial services have significant benefits for the resident and allow substantial profit margins for the manager.

**VIII. Who, when, and how much to charge residents**

We have training videos on this so I won't go into great detail in this document. Watch the videos.

**Who to charge.**

Resident Rewards Packages are for every resident and should NEVER be optional for the resident. You are not inviting the resident to pay an application fee, late fee, NSF charge, or early termination fee in your lease. These expenses (the Resident Rewards Package) are just part of your model. The key here is applicants pick houses, not managers, so when they apply, they find out what that manager's model is and what the costs might be under their model. You're not asking. You're informing the applicant what it takes to rent from you. The truth under section I of this document confirms the driving factors as to why this works and covers this issue. Your mindset must be this is how you do it at XYX Management and, if they want this property, this is the way it's done.If your benefits package is full of great values, they'll cave in and sign the lease. Not because you're forcing them to, but because the benefits package is worth it to them. They are tired of the search process, and it's chump-change compared to what they expected to pay.

**The bottom line is, you include everyone in some version of a rewards package.**This doesn't mean you charge everybody the same price because some can’t afford $25 a month and some can afford $55 a month. Your Section 8 residents won't be able to pay the same as your $4,000 a month residents. Students need a smaller package than your $2,000 a month residents.

You charge some and not others or charge something, but it can be different for different resident categories—more on this in the following pages.

**When to charge.**

Since you can't force a current tenant to pay for something they didn't agree to in the original lease, likely, you can't get them to start paying for a rewards package mid-lease. That leaves implementation to new leases and renewals. Since you're settingnew lease terms at these two dates, it's easy to engage new residents and renewals. This is a strategic revenue generator because it takes a full 12 months to get it fully implemented. So, choose your benefits and your vendor relationships very carefully.

One trick is to inform current tenants that they can enroll now, mid-lease, or it will be mandatory at renewal. This strategy makes it easy to get them onboard at renewal since they had been informed well in advance of that date.

Occasionally you'll get some pushback from current residents on this matter, and YOU get to decide if you charge them anything. Offer a discounted price until the renewal date or delay the charges until renewal. It's pretty easy to wait for payments with some services to start the charges at renewal date and give them a free ride in the meantime. **There is so much profit in this strategy you can afford to waive the cost for a while.** If they're three months from renewal, you could start credit reporting or identity theft protection immediately because you don't start paying the service provider until the tenants are paying you. Your delay in delivering the service provider allows you to delay charging the resident.

If an applicant screams too loudly (and you are desperate for a resident in this property), you could split the cost for the first six months and forgo some of the profit for a while. **You don't have to make your entire profit margin on every resident every month**. Sometimes it's worth splitting the cost with them for a time so they will take occupancy. Feel free to cut deals with residents to get them into the program and pay the total price later in their occupancy. Don't let rules drive your rewards package. It should be operated by sound business judgment and flexibility.

**How much to charge.**

**There does not need to be a relationship between your cost for a service and how much you charge residents for it.**When we grocery shop we don't know what a store pays for a product and your residents don't need to know how much you're paying for a service. A face mask can cost $.06 to make, and they can sell for $8 each. You can pay $2 a month for identity theft and sell it for $8 a month. Credit reporting will cost you $3 a month, and it easily sells to the resident as a stand-alone service for $8-$10 a month. You can charge $25 a month (plus $5 per adult) for your Resident Rewards Package and make lots of profit just on those two services every month plus the things you already do in benefit category #1 and #2. It's easy for residents to find a replacement source for identity theft protection, but if you bundle one up in a long list of other benefits and services, it's hard for the applicant to compare prices.

**In the final analysis, the most you can charge has to do with what the market will bear in your area and has nothing to do with what these services cost you.**

One common strategy is setting a base price (like $30 a month) then add a fee per adult to cover the added costs of more than one adult living in the property. We often see $35 a month plus $5 a month per adult. **This strategy satisfies the question of how to make this a per property price when you don't know how many adults you include in the credit reporting benefit.**You can have one Resident Rewards Package document and still cover the cost of multiple adults.

There seems to be a benchmark (fee tolerance level) for charging residents for a Resident Rewards Package. **Managers seem to get 3% to 4% of the rent without getting much pushback from residents.** We are NOT suggesting you set the resident's cost as a percentage of the rent. No. We're only suggesting a fee ceiling benchmark of about 3% of the rent. One of our clients charges $65 a month (plus $5 per adult) but only on his $2,000 a month (and up) customers. When someone is prepared to pay $1,200 a month rent, and you add a $25 a month or $35 a month charge, it's not likely to drive them away. **There's so much profit on the paying residents you can afford to give it away to the low-end payers**. Hotels often add 20-30% additional charges (to the quoted room rate) and guests just go along with it. Americans have adjusted to small additions to the quoted cost of just about everything.

**Here's a great strategy to think about. If you're unsure how much residents will pay, start where you’re comfortable and keep moving the price up until you start seeing applicants walk away from approved applications.**We constantly hear clients say that price will never work in their market yet they don't know what the ceiling is until they experiment. If you convince yourself that $20 a month is all people will pay, you're doing yourself a huge disservice. How do you know what they will pay until you've tried to get more? If you're nervous about pricing, start low and increase it every month as you test the market. **Until you lose one out of ten applicants over the Resident Rewards Package costs, you're walking away from more profit for yourself**. Don't listen to your skepticism. We're all pretty skeptical and can recite in seconds why it won’t work. Remember the adage that says “if you think you can't, you're right”. **Don't talk yourself into a low fee structure until you test it on 100 applicants.**

**If you're nervous,** start with the category #1 benefits (the things you already do that cost you nothing) and begin adding category #2 and #3 benefits over time and see how it goes. Keep adding more minor services/charges until it starts causing a severe speed bump in your application approval processing. Don't cave in when one applicant pushes back. **Test your current pricing with 20 applications and respond to their reaction**. That is the only way you can figure out what the fee ceiling is for each resident category.

**IX. Different Resident Rewards Packages for different groups**

If your resident base is all about the same meaning (students, Section 8, commercial, all are under $800 a month, or if all your residents are between $1,200 a month and $1,500 a month), you DON'T need to read this section.

The bigger you get, the more diverse a resident base you develop. It’s not uncommon to have a few Section 8 residents, some stand-alone under $1,000 a month and some over $2,000 a month. You’ll likely have some students and some protected by the CARES ACT.**The wider the diversity of residents you have, the harder it is to build one package that fits everyone.** If you set the charge at $10 a month to accommodate your low-end residents, you’ll miss out on all the profit in the high-end resident. If you place your Resident Rewards Package charges at $60 a month for the $2,000 a month resident, you’ll choke the residents paying $800 a month. The challenge then becomes **how to build an package that fits all your different categories of residents.**

**It’s evident to every manager that they treat different residents differently.** They are afraid to talk about it because they’re all afraid of being accused of a fair housing discussion. Still, it’s obvious they qualify Section 8 applicants differently than stand-alone applicants paying $4,000 a month. We manage student rentals differently than commercial residents and we should. Cosigners are treated one way and residents protected under the CARES ACT another. We just don’t talk about it. **In this conversation, we need to address this head-on and make it work effectively for our larger managers who have a wide variety of residents.**

**So, you can have one Resident Rewards Package for all residents if they are similar or multiple packages for different slices of your resident base.**

**Here’s the challenge.** We all want it easy. Keeping it simple is always preferred and if you have a homogeneous resident base, then, by all means, have one package. Simple is always better unless you’re losing tons of money in the process. **Sometimes, when a lot of money is at stake, it’s worth getting a little more complicated.**

Building anrewards package for your low rent payers (like Section 8 tenants) when you want to give it awaycan be simple. Let’s call this your “Special” Resident Rewards Package. Kind of like a special needs package. Simply list benefits from category #1 that costs you nothing. Keep the cost cheap, maybe even free. Add asecond package (say $15 a month plus $5 per adult) for your low rent payers, and call this your “Basic” package. Add a “Premium” Resident Rewards Package for your higher-end residents and a “VIP” Resident Rewards Package for your very high-end and commercial residents. If you keep the cost around 3% of the rent, you’ll likely have no problem getting applicant acceptance and after you set it up the administration is really simple.

**We have a video addressing just this issue, and you can watch it in the video library.**

**X. Never identify a third-party vendor's name in your lease or rewards package (by attorney Monica Gilroy)**

This part of the Resident Rewards Package guide addresses **the most significant mistake managers make in building their package.** Many third-party vendors want you to lock them (and their product or service) into your model as a permanent fixture and handcuff you (and your resident) to them by contract. They do this by inviting you to add their name to your lease or extension of your lease (exhibits and addendum) so they become permanently and contractually connected to you (and your resident) forever. **This is a terrible idea, and you should never do this.** Naming them in the lease contractually handcuffs you to them and their defaults, mistakes, lousy performance, failures, class action litigation, and bad service. Watch Monica's video on this, so you hear it directly from a property management litigator who has handled lawsuits on this issue. We've added it to the video library connected to this guide.

**Vendors come and go.**We lost several good NARPM vendors during the COVID pandemic. If you handcuff yourself contractually to one in the lease, you're exposing your company to risks that will make it harder for you to control your landlord/tenant relationship. To make things worse, if another vendor comes along (and they always do) with a better or cheaper service, you'll have difficulty disconnecting the first one because you've locked yourself into them contractually through your lease.

**In your lease you can identify the Resident Rewards Package without identifying a specific service provider underwriting one of the benefits.**You don't have to name them. (See our examples of customized Resident Rewards Packages). Most products and services require you to have a service agreement, and your management company indeed should sign a service agreement with them outside the lease. **The lease should only address promises YOU make with the resident and things YOU have control over.** Business relationships are built on written agreements, but you shouldn't identify them in your contract with the resident. Only YOU should be making contractual promises to your resident in the lease. If a vendor needs something signed by the resident, let them, but you don't need to be a signature party to their promises, and you shouldn't.

The rule for protecting yourself is **never to add a third-party vendor name in the lease contract with your residents**. If you partner with an outside service provider (and you should), keep them off your documents. **Only put in the lease things that you control and don't partner with other companies in making contractual promises to the resident.**

**XI. Never make the Resident Rewards Package an exhibit or addendum to the lease**

**The exhibit/addendum language you're trying to avoid sounds something like this**, "Attached hereto and made a part of the lease by reference." This language in any document legally attaches it to the original lease and YOUR promises to the resident. **You don't want this kind of language in any document unless YOU ALONE have control over delivering the promises made in that document.**

**Remember, exhibits and addendums are part of the original lease agreement, so don't be fooled by adopting a vendor's exhibit or addendum to embrace their product or service.**Let them make their agreement with you (in a service agreement) or the resident (without your signature) through a stand-alone housekeeping document that YOU don't sign. Have the resident sign theirs if you need to, but **you shouldn't sign it as you have no control over the delivery of those services.**You don't need to be a party to their product or service promised to the resident. Let the service provider and the resident sign something if you must but NOT YOU. Watch Ms. Gilroy's video and you'll be convinced.

**WARNING: We just discovered another reason to never add an outside third-party vendor to your contracts with the residents**. We recently had a company's sale fall apart when the buying company didn't like the vendor the selling company tied into the leases between the selling company and their residents. The buying company didn't want to deal with that particular vendor. When the selling company asked the vendor to give up their position with the 450 tenants the vendor refused and would not compromise their lease position. The vendors strategy worked in that they contractually handcuffed themselves to the residents via the lease, so the buyer backed out. The message, **don't limit the sale of your company by naming outside third-party vendors in your lease, exhibits, addendums, or Resident Rewards Package.** There are enough tripping points when selling your company to complicate it more by making this mistake.

**XII. Add a date to your Resident Rewards Package document**

Your Resident Rewards Package document will evolve no matter how much time you spend setting it up in the beginning. New services will arrive, you'll change your thinking on things, and you'll learn as you go. When you want to add or delete benefits in your Resident Rewards Package document, you will create confusion in the future unless you date each version of your Resident Rewards Package document. We recommend you put it somewhere in the bottom right corner. In our examples, we show it in the last box. Something simple like "Jan 2021" or "1.21" just so your staff can give it a quick look when they ask if it's your most recent version.

**XIII. Bulletproof your company against the liabilities of a badly crafted Resident Rewards Package.**

Anytime you make promises to someone, you run the risk that they might hold you to them. So, when you make promises to tenants about identity theft protection, insurance coverage, or discounts on local restaurants and your underwriter (outside service provider) fails to perform, the tenant may come after someone for that disappointment. **That someone probably is you.** People look to the ones they know (like you) to fuss, file an online complaint, or a legal action. The longer you're offering a Resident Rewards Package, the bigger your chances are that someone will be disappointed with the promised benefit and try to hold you accountable. So, the question here is, **how do you protect yourself from claims from tenants when your package’s services fail to meet their expectations or outside service providers fail to perform as promised?** The sister question is, **how and where do I disclose this information (to owners and tenants), and how do I prevent the tenant from holding me accountable for outside vendor's failures?**

**First,** we posted a library of 10 videos titled "*Exposing the Hazards of a Resident Rewards Package*." It's free. It describes in detail the liabilities you expose yourself to when building a Resident Rewards Package.

**Secondly,** Monica drafted the language you need to protect yourself from these hazards.

It's titled "*Bulletproofing Your Company From a Badly Crafted Resident Rewards Package*." This legal document is her legal language and strategy to remove (or at least diminish) the effects of a poorly crafted document. You can copy and paste her language into your PMA, website, application, lease, and Resident Rewards Package document, and instantly, you'll be as protected as you can be. Watch the videos, and you'll see why you need this legal protection.

The property management business is hazardous especially for those who ignore the risks easily eliminated by some simple disclosures, exculpatory language, and thoughtful strategies. Think this through in advance and protect yourself, or suffer the consequences when it happens.

**XIV. Protect yourself from bad internet reviews when residents get upset about your Resident Rewards Package**

Anytime you make promises to tenants (whether real or imagined), and the service doesn't quite live up to their expectations, **you subject yourself to being bashed on the internet.** The internet has become the place to express disappointment with any service provider even when they performed exactly as promised. **So, how do managers protect themselves from getting bashed on the internet when tenants are upset over a failed promise?** Sometimes you can control this, but when you partner with an outside service provider, THEY can let the tenant down, and YOU will feel the tenant's wrath on the web.

We dealt with this for years and finally came up with **a foolproof way to eliminate bad internet reviews foreve**r. We found that a non-disparaging stipulation in the lease didn't work very well. Tenants either don't read the lease or don't think we had any power to enforce the terms of the non disparaging language. We collaborated with Monica and came up with a bulletproof strategy for ending bad reviews forever.You can find it on her site at [www.gilroyfirm.com/](https://www.gilroyfirm.com/propertymanagement)bad-reviews. It changed Crown’s BBB rating from a C- to an A+ and our Google Rating to 4.7.

**If you're going to make promises in a Resident Rewards Package, make sure you're insulated from bad reviews when things don't go exactly as planned. Put this document in place and protect yourself from bad reviews forever.**

**XV. Video library**

There is a library of training videos to address issues regarding a Resident Rewards Package. They are intended to be a supplement to this document and not a replacement. Assign them to staff and view them yourself as time allows.

**XVI. Exhibits, examples, and more resources**

Attached you’ll find several exhibits and examples to learn from as you attempt to digest the material in this workbook. We'll add more as questions arise and the needs reveal themselves. For now, print these exhibits and use them for the tooling up of the benefits package you're building.

**There are many trainers and vendors in the marketplace with thoughts about Resident Rewards Packages, and you should learn from them all.** Some vendors have examples of benefits you can have for free as long as you include their service. Since they are all selling a product or service, you should be suspicious about their advice (as you should be with ours), so consider the source and follow your instincts.This certainly is not the complete package on Resident Rewards, and as you learn from others, your package will evolve and grow over time. You'll add and delete regularly, so get started with something now, recognizing that it will morph over time.

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**Get a FREE Resident Rewards Package at** [www.trainingpropertymanagers.com/rewards](https://www.freeresidentrewardspackage.com)

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**At Your Service**

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**Other resources you might like**

**1. Body Armor is a series of videos Robert and Monica** are building to help managers protect themselves from the hazards of the property management business. View it at [www.gilroyfirm.com/body-armor](https://www.gilroyfirm.com/body-armor).

**2. Eliminating Bad Reviews Forever** document and training can be found on [www.gilroyfirm.com/bad-reviews](https://www.gilroyfirm.com/bad-reviews)

**3. Building a customized management agreement with Monica** can be found at [www.gilroyfirm.com/property-management](https://www.gilroyfirm.com/property-management)

**4. Building a customized lease agreement with Monica** can be found at [www.gilroyfirm.com/property-management](https://www.gilroyfirm.com/property-management)

**5. Generating Revenue Strategies is a series of videos** by Monica and Robert addressing the strategies of generating revenues for property managers. Find it at [www.gilroyfirm.com/revenue-strategies](https://www.gilroyfirm.com/revenue-strategies)

**6. Staging Your Company to Sell** addresses the things managers need to do to prepare for the ultimate event of selling your management business. Find it at [www.gilroyfirm.com/staging](https://www.gilroyfirm.com/staging).