

## Tips for Property Managers to Avoid Rent Payment Fraud

Rent payment fraud can result in significant financial impacts on property rental businesses. With various payment types available, numerous fraud tactics exist, so property managers should ensure they are aware of these schemes while taking measures to mitigate the risk of such fraud occurring.

This article provides information about common types of rent payment fraud and offers tips on how to prevent them.

### Understanding Rent Payment Fraud

Rent payment fraud can take various forms, but the outcome is usually the same. It causes disruptions in rent charges, leading to the loss of rental income, and requires significant time and resources to address it.

Common types of rent payment fraud include:

- **Automated Clearing House (ACH) payment disputes**—Payment through the ACH network may be quick and convenient, but a renter can dispute an ACH charge, and if successful, the money may be pulled out of the property manager's account.
- **Debit/credit card chargebacks**—If a tenant makes a rent payment via debit or credit card, they can dispute the payment with the card's issuer. If successful, the bank may move forward with a chargeback, which results in the property manager losing the rental funds.
- **Peer-to-peer (P2P) fraud**—P2P services provided by platforms such as Venmo or PayPal are generally not

designed for rent payments. Furthermore, risks still exist even if a property manager sets up a business account with these tools. For example, renters can dispute payments made through P2P platforms whose user agreements generally favor the buyer, and the property manager may be unable to keep the money.

---

There are several different ways rent payment fraud can occur, and property managers should be prepared to identify them.

---

- **Offline fraud**—Tenants bouncing a check, stopping a payment on one or using counterfeit money orders are offline fraudulent tactics that may be utilized. Additionally, cash fraud techniques where a tenant claims the money was miscounted or stolen out of a drop box may also occur.

### Tips to Prevent Rent Payment Fraud

The following are several measures property managers can take to prevent rent payment fraud:

- **Conduct tenant screening.** Thorough tenant screening through identity verification, credit checks and background checks can help identify potentially problematic renters. The fact that a property

---

Provided by SCS Agency Inc

# Tips for Property Managers to Avoid Rent Payment Fraud

---

manager conducts tenant screenings may also serve as a deterrent to fraudulent renters. However, property managers must ensure their practices meet applicable fair housing laws.

- **Understand common fraudulent tactics.** Keeping abreast of standard and emerging rent payment fraud tactics can help property managers identify deceitful schemes and stop them from occurring.
- **Maintain communication with tenants.** By keeping an open line of communication with tenants, property managers may discover a chargeback was made by mistake or that they can prevent fraud by discussing a rent payment extension or waiving a late payment fee. These strategies can be more cost-effective than addressing a chargeback.
- **Use rent payment technology.** Although all payment forms have vulnerabilities, using rent payment technology with automation and digital collection offers increased transparency and efficiency. It also generates a payment record, which can be useful if disputes arise.
- **Carefully inspect payment instruments.** By carefully examining checks and money orders, property managers may be able to detect when an individual is trying to use counterfeits.
- **Keep thorough records.** Having thorough records that include signed leases, payment histories and receipts can help resolve disputes, defend against chargeback claims, and demonstrate when and how payments were made.

While considering these tips, property managers must also be familiar with laws regarding tenants' rights, which vary by state. An attorney can help them navigate these laws.

## Conclusion

Understanding and preventing rent payment fraud is essential to a property manager's role. By knowing how rent payment fraud can occur and taking steps to prevent it, they can help mitigate risks and protect their business's finances.

Contact us today for more risk management guidance.