

Rental Arrears Collection and Recovery

Policy Ref: C098

Version:	2.0.2	Created Date:	03/09/2015
Created By:	Pauline Samantha	Approved By:	CEO
Last Modified By:	Pauline Samantha	Last Modified Date:	07/08/2020

PURPOSE

To take necessary steps regarding rental arrears

Maximises income from rent and service charges by the administration of an efficient rent collection service

Complies with the NT Residential Tenancy Act

Ensures that rents and charges are affordable and sustainable for new tenants

SCOPE

This policy applies to all YRHAC tenants.

POLICY

YRHAC will, in the event of any tenant falling into rent arrears, take all necessary steps to reach an agreement with the tenant on the recovery of such arrears. Failing such agreement, YRHAC will take action if necessary through the NTCAT to recover possession of the property leased to that tenant.

YRHAC is committed to achieving sustainable tenancies and, in dealing with all matters of arrears, will adopt a sensitive approach to any financial difficulties being experienced by a tenant with a view to maintaining the tenancy and if appropriate, will refer the tenant to a support service for financial or other counselling or assistance.

All tenants have a responsibility to ensure their rent and service charge is paid to the Corporation by the due date. Rent is due on the Friday of each week (in the case of weekly tenancies) in accordance with the terms of the Tenancy Agreement.

All staff involved in the raising of rent statements/ invoices are responsible for ensuring that the information contained is correct to reduce the risk of queries and subsequent late payments. They are also required to provide the relevant information and documentation for any debt collection process.

The Corporation will ensure that a variety of payment methods are available for tenants (and former tenants) to enable them to pay their rent, service charge and recharge in a manner which suits their circumstances.

Make a point of keeping records of all email, mail and phone correspondence with tenants/ clients during the debt collection period – records of any missed payment dates previously agreed to are helpful if the process escalates.

Ensure that staff are aware of YRHAC payment terms, customer invoicing and debt recovery procedures. Property managers should go through relevant tenancy policies and procedures as part of their induction and periodical meetings.

Ensure that all clients receive a proper explanation of the payment terms and the consequences of non-payment when they sign the tenancy agreement.

The Corporation will seek to recover the cost of a repair from the tenant (including past tenant) where the responsibility for the repair is clearly that of the tenant. Routine reactive maintenance repairs caused by fair wear and tear are the responsibility of the Corporation.

Each property manager is responsible for managing the implementation of this policy and for ensuring that it is applied consistently across all tenants/ clients.

PROCEDURES

Rental Collection and Recovery Procedures:

Use the following steps as an escalation process to contact tenants/ clients about an outstanding payment.

Note: It is important to keep a record of all verbal/ written contact (attempts) made with the tenants.

1a. Contact with a friendly payment reminder

Since Yilli practices two-week advance payment, a tenant should always have credit in their account, except for non-rent charges. Once a tenant falls behind in rent (account turned zero/ negative on Chintaro) the property Manager should give a friendly payment reminder. Give tenants/ clients a courtesy reminder by phoning, emailing or sending them a letter and the invoice/ payment record. Include payment options, banking details and contact information in the reminder to make it easier for the customer to pay quickly.

Contacting them may be enough to get the invoice paid – they might have forgotten about the bill or there could be another minor issue that's easily and quickly resolved.

Example of friendly reminder letter, printed out on YRHAC letterhead:

Dear Mr. (tenant's name),

This is a friendly reminder that the following invoice is now 14 days overdue

Invoice Amount: (insert invoice amount here and attach an invoice/ Chintaro report)

We understand that oversights happen but would appreciate prompt payment of this amount. Could you please let me know when I can expect payment? If payment has already been made please disregard this email.

Thanks in advance for your cooperation.

Best regards,
(name)

1b. Creating a payment plan

If the tenant is not able to clear the rent arrears in a lump sum ask the tenant to write down their income and outgoings and work out what they can afford to pay via a payment plan.

Refer tenants TSP (Tenancy Support Program) or Financial Counselling from other agencies to seek advice from them. This may help tenants to find out whether they are entitled to any other benefits.

Come to an agreement with the tenant about how much they can pay towards their rent arrears (in addition to their rent), when payments will be made and when the rent arrears will be cleared. Confirm what has been agreed in writing and make sure the tenant sign on it.

Payment plan must be monitored closely, if tenants fail to fulfill the payment plan, the Corporation will follow its procedures in this regard.

2. Give RT03 Notice to Remedy Breach of Agreement to tenants

If the payment remains outstanding – and there's been no contact at all – consider visiting the tenant/ client in person to ask for payment. This could help facilitate a personal relationship with the tenant/ client and understand if there are any changes in their circumstances.

A tenant who are 4-weeks behind in rent (i.e.: has 14 days rental overdue in Chintaro) may be given a Notice to Remedy Breach (FORM RT03- Notice to Remedy Breach of Agreement - Unpaid Rent) signed by the CEO along with other supporting documents and rental statement. This is in line with the NT Residential Tenancy Act Section 96A. Make sure that all payments have been recorded and added up correctly.

RT03 will stipulate the amount of rent outstanding and will give the tenant **at least eight days after s/he receives the RT03** in which to pay it. Failure by the tenant to pay the arrears within the specified time frame could result in YRHAC applying to the NTCAT (RT01) for an order of termination of the tenancy and possession of the property.

3a. Lodge a Form 1 (RT01) Initiating Application with NTCAT (Tribunal)

If the tenant does not remedy the arrears by the date given in the RT03, YRHAC can proceed to lodge Form 1 (RT01) - initiating Application with NTCAT (Tribunal). Submission of RT01 must be accompanied with supporting documentation and affidavit evidence that the property manager has sent the RT03 and the tenant has received it.

There are fees associated with NTCAT services, property managers should consult with the CEO/ accountant before lodging the Form.

Once Form 1 lodged, NTCAT will give an order for the tenant to vacate the house, this order should be received between one to three weeks.

3b. Give RT05 Notice to Terminate Tenancy Agreement to the tenant

Alternatively, Property Managers can give a 42-days' Notice to Terminate Tenancy Agreement (RT05) to those tenants who are under periodical lease agreements.

Property Managers can give a minimum of 14-days' notice before the end of fixed-term tenancy. It is a good practice to put tenants into three-month fixed-term tenancy if they have no rental history.

Property Managers should choose the most efficient way to cut losses from bad debts and vacancies.

4. Consider using a debt collecting agency as a last resort

Consider using a debt collecting agency to collect the outstanding money from the tenants/ clients.

It is useful to check a list of fair debt collection practices from Consumer Affairs, NT Residential Tenancy Act and the Australian Competition and Consumer Commission (ACCC) to understand the boundaries of debt collection:

Ways to avoid bad debt occurring:

To reduce the possibility of bad debt:

Perform a thorough background check, TICA, reference check before offering housing/ services.

Collect bond up to four weeks rent and two-week advance rent payment.

All prospective new tenants will need to demonstrate that they have the resources to pay the rent.

Hand over the keys to the property when the bond has been paid in full.

Complete and sign entry condition report within three business days of starting the tenancy, include detailed photographs of the property condition, this can be used as conclusive evidence of the condition of the premise and charge the tenant for any damage.

Brief new tenants to make sure that tenants are aware of their obligations and rights.

Clearly state all payment options and information on your invoices or contracts to make it easier for clients/ tenants to pay you.

Clearly outline at the beginning the expected terms of rent payment.

Assist tenant to claim the welfare benefits or Commonwealth Rent Assistance they are entitled to.

Arrange a direct debit from tenant's Centerlink account.

Put new tenants under three-month probationary period.

Put tenants under short fixed-term agreement (e.g.: 3 months, 6 months) and renew the agreement every time property managers inspect the house.

Ask tenants periodically of any changes in their circumstances, for example if their income has increased or decreased or if there are any changes to their household.

Avoid rehousing tenants who have had bad debt with YRHAC in the past.

Keep regular contact with the clients/ tenants, record all their contact details.

Send an up-to-date rent statement regularly.

List all the co-tenants who are staying in the property and paying for the rent.

Set safe credit limits, not more than \$500, especially for general repair and maintenance.

Only do other service/ maintenance when previous payment has cleared.

Send invoices out as soon as a job is complete, or on a regular date.

Strive towards continuous improvement in its collection of rents and other charges by actively giving feedback to the management.

Rental Arrears Management, Reporting and Monitoring

Property Officers/ Managers must examine the rent status of each tenant on fortnightly basis and a rent arrears report to CEO will be printed on a fortnightly basis to ensure that potential arrears are picked up as quickly as possible.

The following procedures are to be followed each fortnightly when the arrears report is printed:

1. Highlight all tenants on the report who are in rental arrears of 14 days or more.
2. Establish if the arrears are going up or down and if any previous agreement (if any) is being met.
3. Follow steps as detailed under Rental Collection and Recovery Procedures.
4. Check to see the last action taken and if any letters have been sent, if the tenant has responded.
5. Check what next step is required in the process and ensure that a staff member takes responsibility to undertake the necessary action

All steps must be followed exactly as outlined in the process to ensure proper records are maintained which will assist staff if a NTCAT hearing is required. Only the approved standard letters will be used when corresponding with tenants for arrears and Income Collection and Debt Recovery Policy. All action must be recorded in the CHINTARO and tenant's folder to enable correct tracking and monitoring of each process.

Ethical and empathetic considerations in following Rental Collection and Recovery Procedures:

For each tenant noted in arrears, immediate action must be taken to ensure the arrears do not escalate. The action taken will be based on the assessment of the tenant's rent history, their known circumstances, the seriousness of the arrears, what the last step taken was and the approved arrears management process.

If you there are any doubts at this point that the tenant is still in residence (for instance the phone has been disconnected), go out to the house to have a look for signs of occupation. Do not enter the house even if you think it has been abandoned. Implement the process for taking possession after abandonment.

If in doubt about what steps to take discuss with the CEO.

Seek Accountant/ Finance Manager advice regarding the provision for doubtful debt and bad debt.

The Accountant/ Finance Manager will report on:

gross percentage of rent outstanding compared with the actual rent due; and
sundry debt outstanding;
former tenant debt outstanding;

