

Briefly...

■ Need to Know

A special half-day economic summit will take place Wednesday, September 9 (the afternoon before the usual Thursday Opening Session), from 1:00 to 5:00 pm in Las Vegas. The pre-conference program will consist of three panels with topics surrounding today's most pressing issues: lenders and associated experts, brokers, and owner/operators. The Pre-Convention Program is \$195 for SSA Direct Members; \$225 for Indirect (Affiliate) Members; and \$295 for not-yet SSA members.

■ Utah Victory

A measure in the Utah legislature meant to improve the lien rights of state operators almost turned into a mess. A technical error would have required facility owners to physically post lien notices at no less than six neighborhood locations. Volunteers helped avert the calamity, resulting in a hybrid online and newspaper notification procedure. See page 48.

■ Legal Help

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What's In Your Customer's Wallet?

New credit card law raises important issues for storage businesses.

By Laura Williams-Tracy

New credit card legislation heralded as a break for debt-ridden consumers could mean more headaches for self storage operators.

In May, President Barack Obama signed into law new legislation that imposes sweeping restrictions on credit card issuers. The biggest changes impact how quickly banks can raise interest rates on existing balances, charge fees for automated payments and the earliest age at which someone can be issued a credit card.

The legislation takes effect in 2010 but could immediately begin having an impact on self storage operators who use credit cards to accept monthly rent payments.

Small business groups are divided about the impact of the new credit card regulations. The National Federation of Independent Business, an advocacy group, supported the bill. Yet the Small Business and Entrepreneurship Council said the regulations risk choking off an already tight credit market.

Banks opposed the legislation, and the result could be push-back from financial institutions that will try to make up lost revenue from credit cards by further clamping down on merchants that violate their credit card processing agreements. That's where self storage operators might see the impact most.

"It's definitely more important than ever that we are PCI compliant, because if you are not you can be fined," says Loma Cox, executive vice president of Merchant Services Network, a nationwide credit card processor specializing in the self storage industry based in Wellington, Florida.

PCI-DSS compliance, which stands for Payment Card Industry Data Security Standard, is a worldwide security standard for the credit card industry that prevents fraud.

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Cox says recent legal troubles for Heartland Payment Systems, which had its security breached by hackers and faces \$12.6 million in fines from clients such as MasterCard, should serve as a warning to all self storage operators who accept credit cards.

“Whether your company does one transaction a year or thousands, you still have to be compliant,” Cox says.

Credit card use is growing within the self storage industry. Cox says 55 percent of overall customers use credit or debit cards to process storage rent payments monthly. That’s among a population of an estimated 700 million credit cards in circulation in the United States, according to a *Nilson Report* last year.

Experts say self storage operators should pay more attention to the fine print of their merchant processing agreement and avoid practices that unwittingly violate those agreements.

For example, self storage operators who offer customers promotions to pay six months rent and get the seventh month free may be violating their agreement. Most

processing agreements say merchants can’t take payment for services that will be performed more than 60 days in advance of the charge, but operators charge the full six months for such advertised promotions.

Once a company loses its credit card processing services because of a violation, finding a new vendor to process credit card payments can be expensive and difficult to find.

“The self storage industry is more entwined with credit cards than it ever has been before,” from monthly payments to unmanned kiosks with credit card payment capabilities, says Scott Zucker, an attorney with Weissmann, Zucker & Euster, P.C., an Atlanta-based law firm with expertise in the self storage industry.

New ways of thinking about credit cards is especially tricky for self storage operators who had moved toward the payment method to avoid charging late fees. After several lawsuits found late fees to be punitive, many self storage operators had moved to collecting a credit card number that would be charged if regular rent payments were late. Industry watchers say there could be new fees for non-swiped cards, as in the case of the lease addendum that allows the credit card to be billed.

Zucker says it would be wise for operators to ask their credit card processing service to point out what changes they can expect from the recent legislation.

Eddie Myers, president and COO of Payment Processing Inc. in Newark, California, says he doesn’t expect the legislation to result in big changes in credit card processing agreements.

“I don’t know that you are going to see in the self storage space a big impact,” Myers says, and he especially doesn’t expect a shift back toward paying monthly storage rentals with checks or cash instead of plastic.

“Paying with a credit card is too much of a consumer convenience,” Myers says.

More likely, he says, the new legislation will impact buyer behavior. As card users find that their credit limits are curtailed and the cost of using the card is higher, they will limit credit card use to necessities, not discretionary spending. Myers says most self storage customers see the storage space as a necessity, not a cost they can cut.

As for higher fees, Myers says he doesn’t think banks will push fees toward independent credit card processors and the pressure to remain competitively priced will keep Visa, MasterCard and others from raising their rates significantly.

“Banks need the credit card processors as much as we need them,” Myers says. ❖

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