

MoneyGram, Start-Up Eye E-Payments for Housing

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By William Launder

Two developments in payment systems could make it easier for consumers to make their rent or mortgage payments electronically, while streamlining payment processing for property managers and mortgage banks. MoneyGram International Inc. said Thursday that it had agreed to buy PropertyBridge Inc., an electronic payments company that lets people make rent payments online and at MoneyGram locations using credit cards, cash, or checks.

Separately, a new company called CardIt LLC also said Thursday that it would begin processing monthly mortgage payments made with credit cards. Gwenn Bezard, a research director at Aite Group LLC, said the moves could "switch a vast amount of bill payments away from checks and away from automated clearing house transactions to credit and debit cards"

Garrick Hoadley, the vice president of corporate development at MoneyGram, said the PropertyBridge service would help rental managers smooth out the flurry of check processing and deposit activities they deal with monthly during "rent week." "The front office is inundated with paper checks and bills and running back and forth to the bank" around the first of each month, he said. The service offers property managers — "who traditionally sat there waiting for everyone to come through with a check in hand" — more options, he added. The service is also ideally suited to MoneyGram's customer base, which is mostly immigrants and the underbanked who send money home or pay bills in-store and online.

The Minneapolis company is the largest provider of money orders in the United States and the second-largest money transmitter in the world, after Western Union. "It's pretty much a natural fit to our existing customer base," Mr. Hoadley said. MoneyGram hopes to tap a niche market for electronic rent processing by buying the Oakland, Calif., company, he said.

Research by Aite Group shows that the sector is underdeveloped — just half of all property managers offer an electronic payment option to renters, compared to two-thirds of other widely-used billers, such as utilities and mobile phone carriers. Mr. Hoadley said MoneyGram is interested "in all other payment verticals," such as insurance, dental co-pay, and tuition, and would consider expanding to additional bill-pay categories organically or through acquisitions. The terms of the deal, which is expected to close in the fourth quarter, were not disclosed. Like MoneyGram, CardIt believes it can serve a market that has been untapped because lenders are uninterested and sometimes legally prevented from accepting mortgage payments online.

Philip Mikal, a co-founder of CardIt, said that, with the exception of American Express Co., his company is the only one that lets people pay their mortgages online with a card; CardIt accepts MasterCard, Visa, and Discover cards. In May, Amex started a similar program that lets eligible borrowers make mortgage payments with American Express cards. "Previously, with a credit card you could buy a television or clothing, but you couldn't pay for your house," Mr. Mikal said. The company charges borrowers a fee of \$19.94 plus 2.94% of the transaction.

Both moves could raise eyebrows at fair lending advocacy organizations, Mr. Bezard suggested. "It's sort of worrisome" for consumers who carry a credit card balance "because you are basically taking out a loan to pay another loan." Cardholders who pay off their monthly balances "can reap some really nice rewards," though, he added.