



Understanding the Self-Storage Delinquency Process, From Lease Signing to Lien Sale

Presented by:

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The Cautionary Tale

\$5,080,000: Settlement for selling units before the notice deadline



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The Lesson

Delinquency management isn't just about collecting past-due rent, **it's about avoiding the \$5 million error.**



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The Foundation and Framework

- **20+** years experience in self-storage
- Overseen **1,500+** lien sales across **six** states
- **12+** court appearances representing storage owners



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The Blueprint

- Overview of delinquency in self-storage
- We're in the relationship business.
- Prevention and best practices
- The human factor
- Effective management techniques
- Role of technology and automation
- Legal and compliance essentials
- Key takeaways

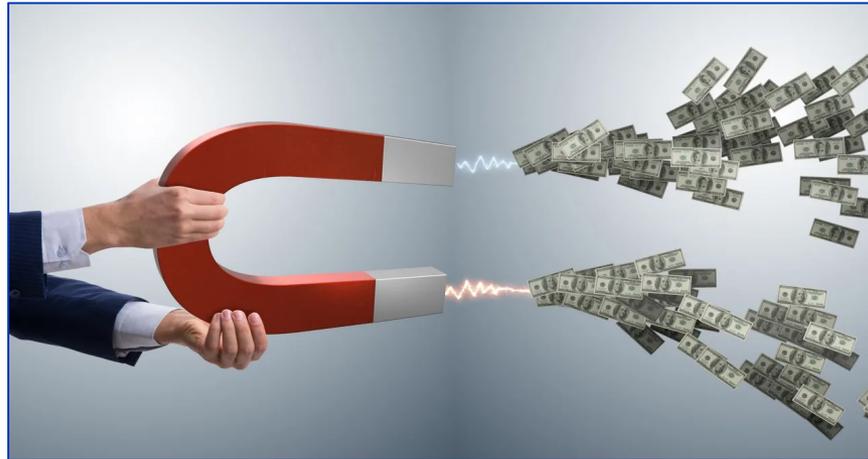


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Delinquent Tenant Management

- **Multi-faceted:** Proactive prevention, communication, compliance, clear processes
- **End-to-end lifecycle:** Move-in to payment to lien sale
- **Goal:** Balance empathy with precise procedures to minimize losses.



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When Does Delinquency Begin?

- At the rental agreement
- No grace period
- **Welcome call for online rentals:** Cover due date, offer autopay

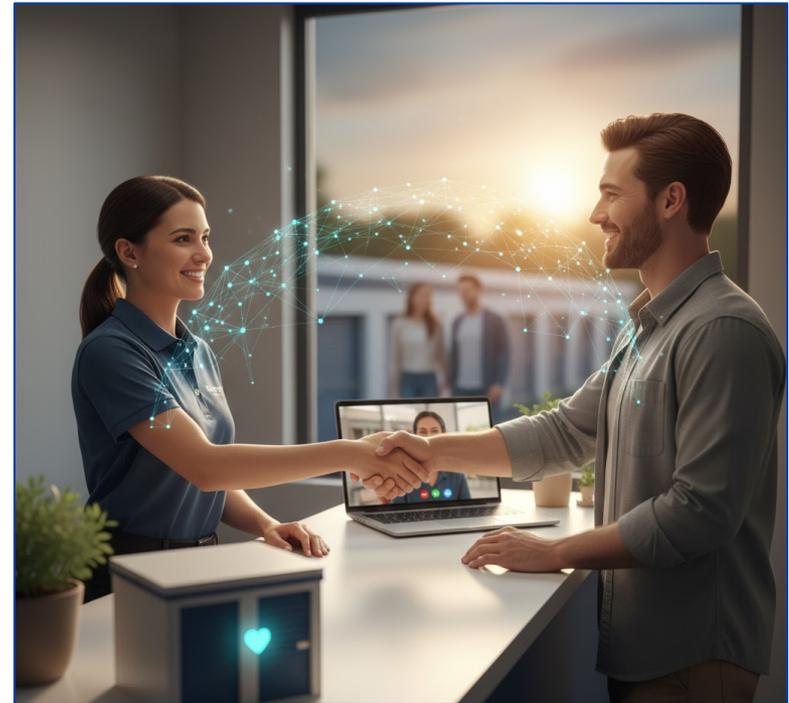


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Building Relationships and Prevention

- Foster trust from day one.
- **Proactive steps**
 - Early reminders
 - Flexible options
- **Benefits**
 - Reduces defaults
 - Builds loyalty



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Autopay: Your Labor-Free Employee

■ Offer at rental

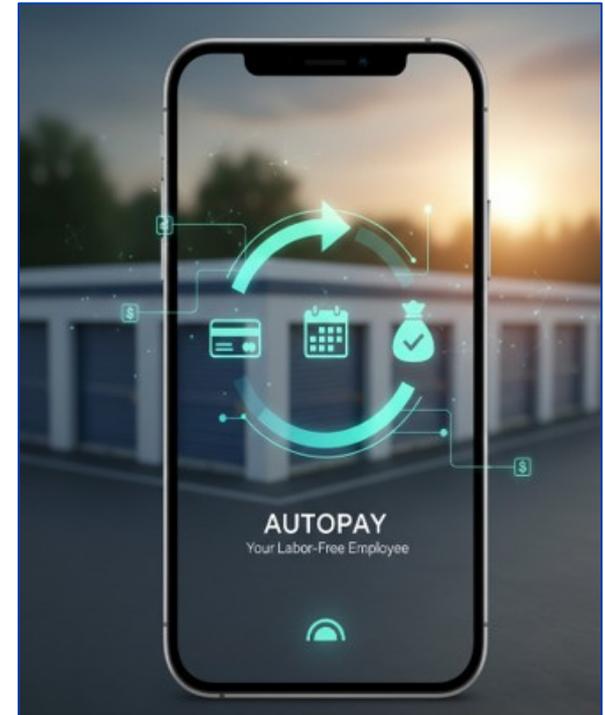
- Allow card charge on a convenient day for the tenant (1st to the 10th).

■ Online rentals

- Default to autopay (opt-out required).
- Solicit every payment interaction.

■ Stats

- Tenants on autopay stay longer and have lower delinquency.



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Going Cashless and Choosing Software

- **Operational efficiency:** Eliminates the liability and labor hours associated with manual bank runs.
- **Encourages recurring revenue:** Naturally shifts tenant behavior toward autopay.
- **Enhanced security:** Minimizes onsite theft risks and creates a digital-only paper trail that's easier to audit.



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The 'Human Factor' (Psychology of Debt)

■ The Forgetters

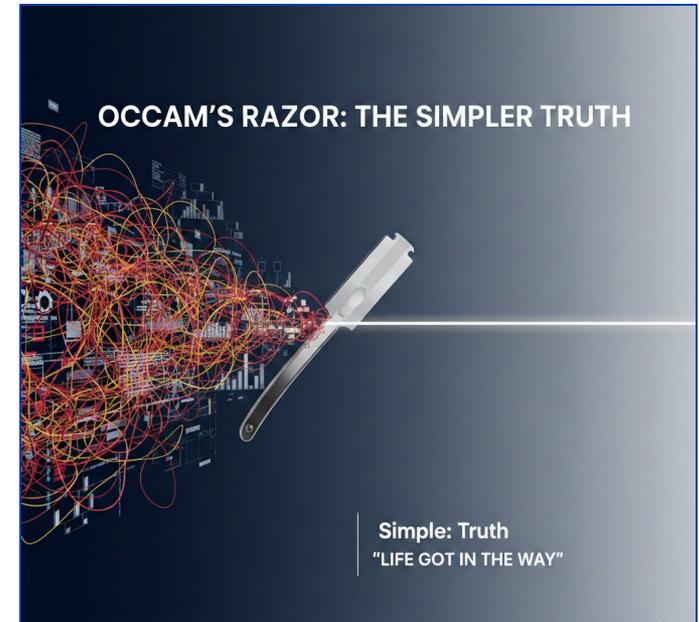
- Fixed by automation/autopay

■ The Strugglers

- Fixed by payment plans/settlements

■ The Ghosters

- The ones that require the full NLS process



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Communication Guidelines

■ Calls:

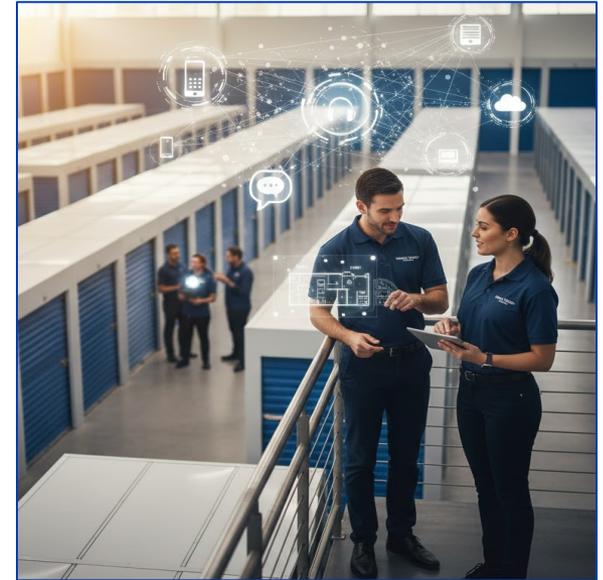
- Courtesy (pre-late fee), late, lien, auction
- Call before late fee – retain leverage

■ Treat with dignity:

- Use LARA (listen, acknowledge, respond, apply)
- Follow FDCPA and third-party disclosure laws

"We have two ears and one mouth so that we can listen twice as much as we speak.

" —Epictetus



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Proactive Approach

Spot high-risk tenants with data.

- Prepaid cards
- Heavy discounts
- Late in the first 60 days
- Declined autopay



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Reviewing Tenant History

- **Payment history:** Patterns vs. one-offs
- **Lease adherence:** Damage, rule violations
- **Communication:** Avoiding contact vs. seeking solutions



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Automation, AI and the Auction Process

- **Automate notices.**
 - Does the lease or your state allow email?
- Cross-reference tenant data.
- Calculate legal timelines.
- Verify fee structure.
- Confirm military status.
- Prepare to restart process quickly if needed.



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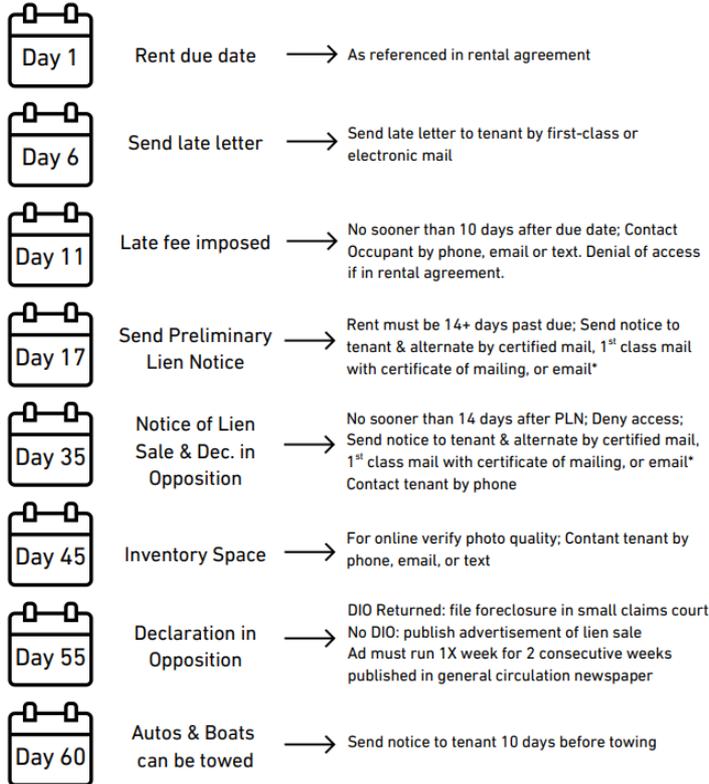


DTM Timeline (California)



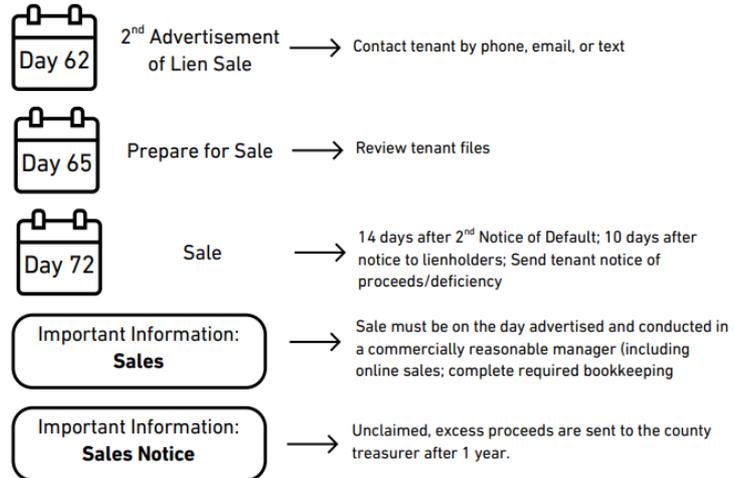
Delinquent Payment and Foreclosure Timeline

Note: Delinquency timelines vary by state. The below example is provided for California.



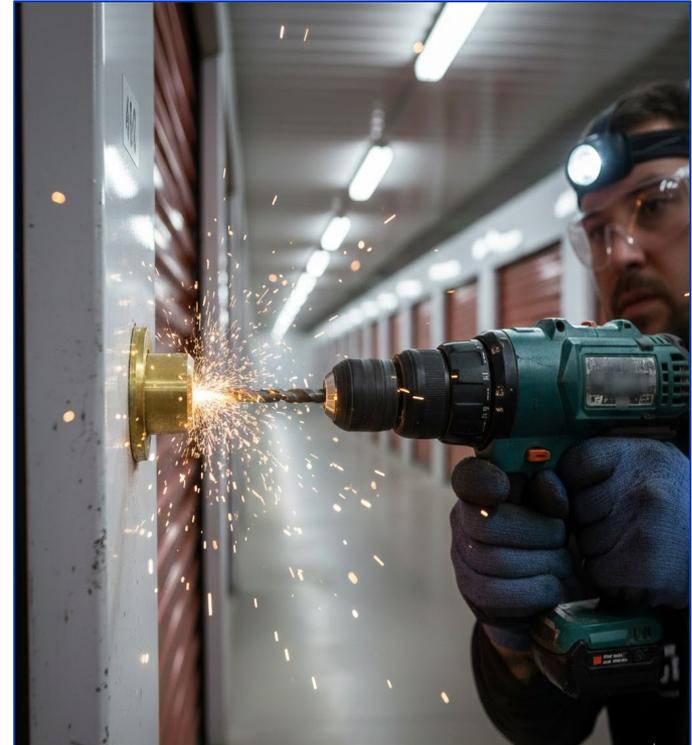
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Beyond the Notice

- **Lock-cuts**
 - Be timely and consistent (no favoritism).
- **Online auctions**
 - Offer efficiency and cost/time savings vs. in-person auction.
 - Wider bidder pool
 - Digital paper trail



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Using Collection Agencies

- **Use:** Outsource for unpaid rent/fees post-auction
- **Benefits:** Recover more without internal effort
- **Disadvantages:** High contingency fees/low recovery rates



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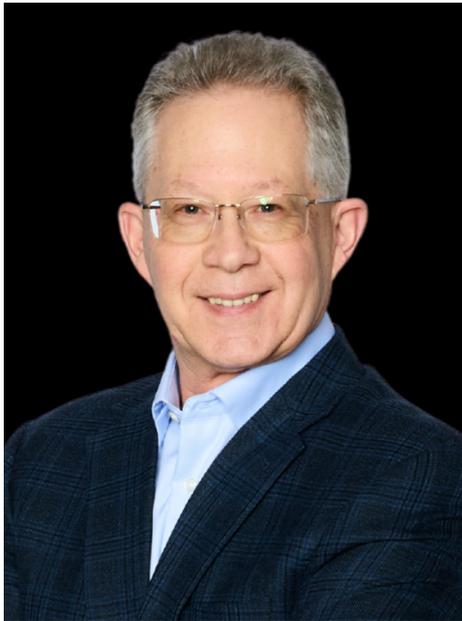
Key Considerations and Best Practices

- **Training:** Train staff on techniques, laws, empathy.
- **Technology:** Automate for accuracy.
- **Legal compliance:** Know state lien laws.
- **Documentation:** Audit trails for protection.
- **Negotiation:** Payment plans over liens

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Contact the Presenter



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Credits and Resources

Credits

- Editorial photography used with permission from **Inside Self-Storage Magazine**
- Concept art and process illustrations generated via AI to visualize the DTM “Blueprint”
- Data points derived from 20 years of internal portfolio management and court-verified proceedings

Referenced Legal Cases

- **REIT settlement case:** *Gomes v. Extra Space Storage Inc.*

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