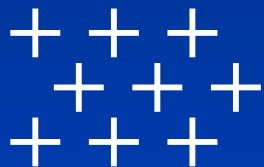




Understanding the Self-Storage Delinquency Process, From Lease Signing to Lien Sale

Presented by:

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StoragePro Management Inc.



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Overtime with the Experts

If you have questions and would like to speak to the presenter(s) at the end of this seminar, please follow them over to Room 305 for “Overtime With the Experts.”

This will help us clear the stage and set the room for the next presenter. Plus, you’ll have 30 minutes to converse in an open, roundtable format.

THANK YOU!

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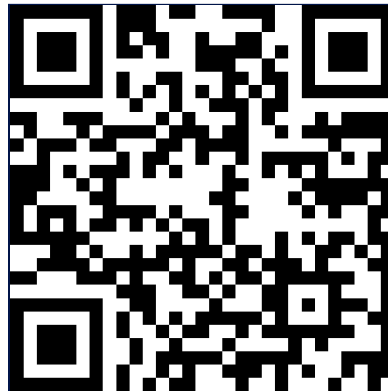




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The Cautionary Tale

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

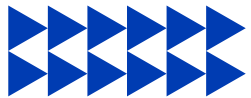


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The Lesson

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

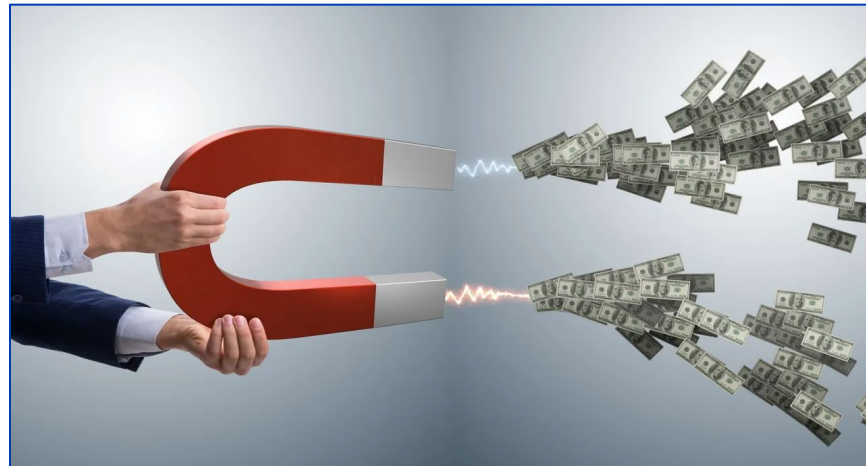


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Delinquent Tenant Management

- **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

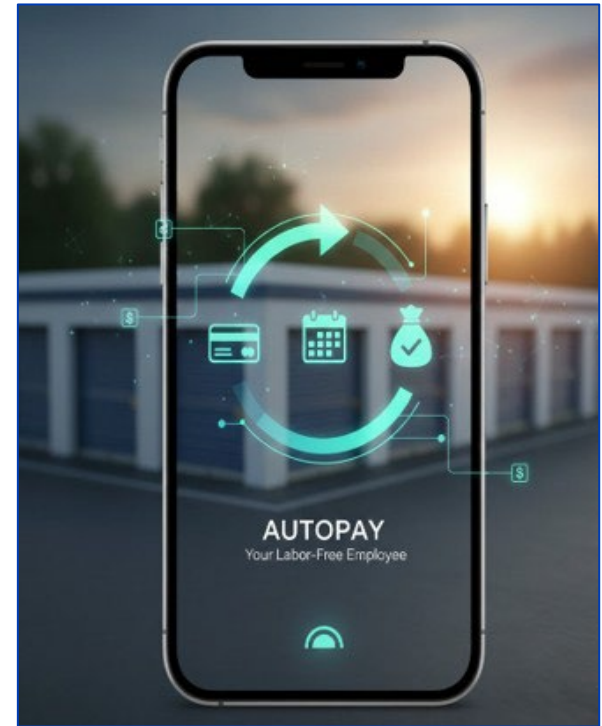


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Autopay: Your Labor-Free Employee

- **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.

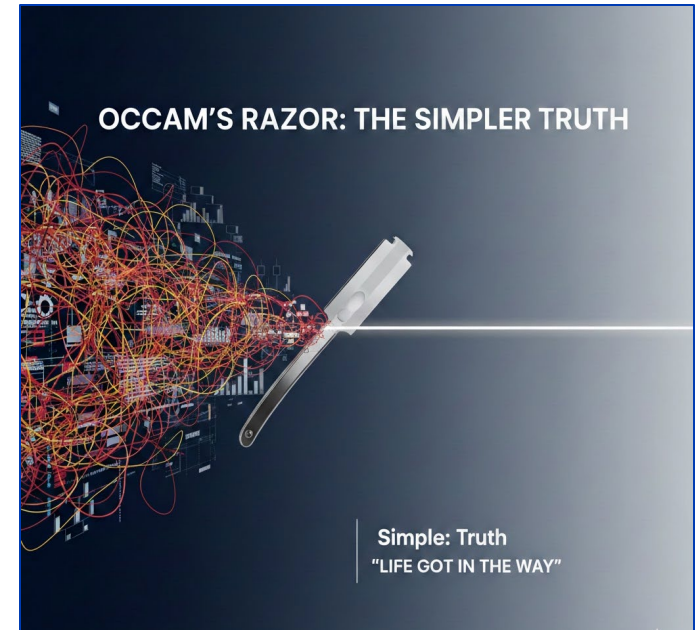


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The 'Human Factor' (Psychology of Debt)

- **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.

 Day 1	Rent due date	→ As referenced in rental agreement
 Day 6	Send late letter	→ Send late letter to tenant by first-class or electronic mail
 Day 11	Late fee imposed	→ No sooner than 10 days after due date; Contact Occupant by phone, email or text. Denial of access if in rental agreement.
 Day 17	Send Preliminary Lien Notice	→ Rent must be 14+ days past due; Send notice to tenant & alternate by certified mail, 1 st class mail with certificate of mailing, or email*
 Day 35	Notice of Lien Sale & Dec. in Opposition	→ No sooner than 14 days after PLN; Deny access; Send notice to tenant & alternate by certified mail, 1 st class mail with certificate of mailing, or email* Contact tenant by phone
 Day 45	Inventory Space	→ For online verify photo quality; Contact tenant by phone, email, or text
 Day 55	Declaration in Opposition	→ DIO Returned: file foreclosure in small claims court No DIO: publish advertisement of lien sale Ad must run 1X week for 2 consecutive weeks published in general circulation newspaper
 Day 60	Autos & Boats can be towed	→ Send notice to tenant 10 days before towing

Delinquent Payment and Foreclosure Timeline

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

 Day 62	2 nd Advertisement of Lien Sale	→ Contact tenant by phone, email, or text
 Day 65	Prepare for Sale	→ Review tenant files
 Day 72	Sale	→ 14 days after 2 nd Notice of Default; 10 days after notice to lienholders; Send tenant notice of proceeds/deficiency
Important Information: Sales		→ Sale must be on the day advertised and conducted in a commercially reasonable manner (including online sales; complete required bookkeeping)
Important Information: Sales Notice		→ Unclaimed, excess proceeds are sent to the county treasurer after 1 year.

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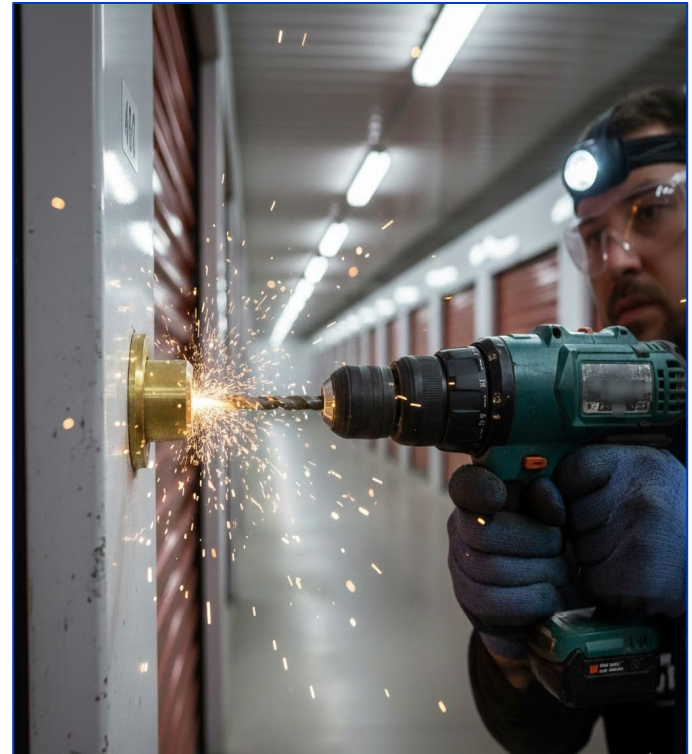
Beyond the Notice

- **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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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

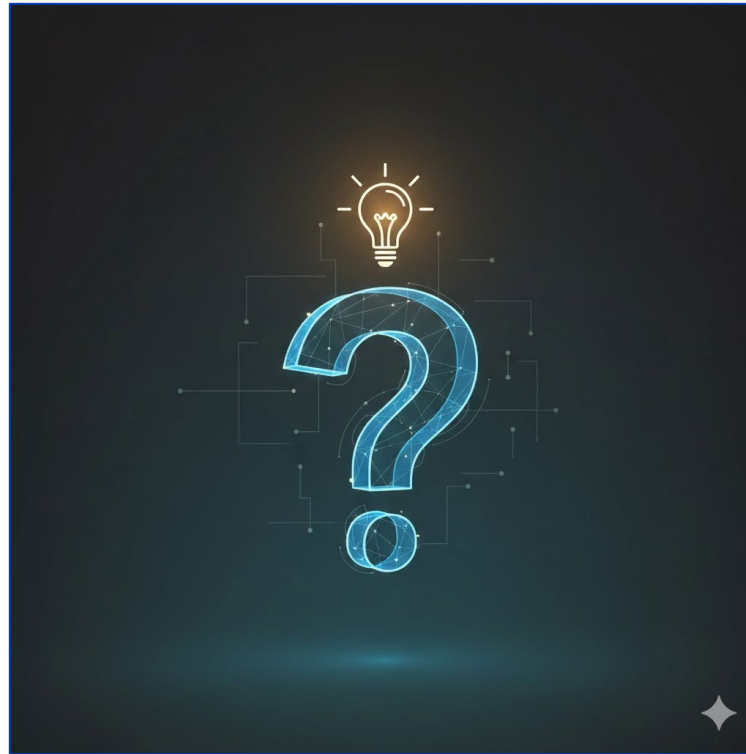
Referenced Legal Cases

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

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Q&A



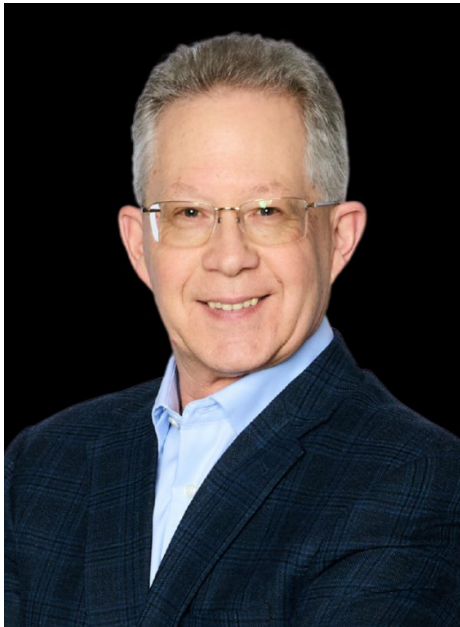
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