



Get the Check out of Here and Let the Cash In - Electronic Payment and Receipt Alternatives

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Agenda

- ▶ Bill Payment Consolidation
- ▶ Same Day ACH Rule Changes
- ▶ Questions
- ▶ Conclusion

Trends



- ▶ 80% of U.S. households with Internet access now bank online - 72.5 million U.S. households
- ▶ Nearly 36.4 million households pay bills online
- ▶ 30% of mobile-banking users receive or pay bills using their phones

Gaps

Despite the volume of electronic consumer-to-business bill payments surpassing the volume of check bill payments nearly 10 years ago, a number of issues and gaps remain - inhibiting further growth and quality. These gaps include:

- ▶ bank and third-party bill payment vendors sending millions of checks to billers who don't have electronic routing instructions
- ▶ bill payments originated from bank bill pay sites are the leading source of bill payment exceptions, resulting in un-postable payments
- ▶ Online bill pay website vendors maintain unique biller profiles which causes complexity while processing payments.

Cost to Billers to Process Exceptions

- ▶ A recent study by NACHA- The Electronic Payments Association® puts the average “non-post” or exception rate for electronic payments at approximately 1 percent of total payment volume. While this number is significant on its own merit, it’s even more eye opening when the circumstance is quantified. Most industry experts agree the cost of resolving these exceptions is about \$5.58 per item.

Types of Billers

- ▶ Government/Municipalities - water and sewer payments
- ▶ Property Management Companies
- ▶ Mortgage Companies
- ▶ Credit Card Companies
- ▶ Medical/Healthcare Providers
- ▶ Insurance Companies
- ▶ Utilities

Challenge for Billers

- ▶ Stubs/coupons are not provided with payment
- ▶ Often times the incorrect account number or no account number is provided
- ▶ Applying payment is challenging and time consuming

Bill Pay Consolidation Solution

- ▶ A solution that automates the handling of payments that are generated via online bill payment platforms. Thereby consolidating the payments and delivering funds and posting data to clients electronically instead of allowing those transactions to become slow moving checks.

Bill Pay Consolidation Solution

- ▶ Receive one file, one deposit for bank bill payments
- ▶ Reduce exceptions from this channel
- ▶ Eliminate Check payments from Online Bank Bill Pay
- ▶ Enjoy good fund payments right from consumer bank accounts
- ▶ Maintain biller definitions and receive payment data from all bill pay vendors with one partner



Bill Pay Consolidation Solution

- Process

The solution works as follows:

- ▶ consolidates items received from concentrators and other third parties each business day
- ▶ scrubs the data against an account file (if available)
- ▶ runs the data against a repairs file (this updates account information based on previously entered information)
- ▶ creates an output file of data per client specifications that is placed on an SFTP site for retrieval by the client at a pre-designated time.
- ▶ An ACH credit is generated that matches the funds indicated by the data file and sent to clients designated bank account/s.
- ▶ Provides a web based portal through which a client can research and enter “repairs”

Bill Pay Consolidation Solution

- Benefits

- ▶ Eliminates the costly and time consuming processing of online bill payments.
- ▶ Consolidates bill payment activity into one daily ACH file.
- ▶ Provides a web-based portal that allows a client to “repair” any transactions that cannot be automatically applied, so that the next time the payment is received, no manual intervention is required to apply the funds

Best Practices

Electronic Payment facilitators use a number of ways to work through these gaps, increase electronic efficiency and reduce related operating costs. The most effective mechanisms include:

- ▶ The use of well-defined account number “masks” to allow consumers to only input information that meets preset mask
- ▶ Use of “scrub” files to capture and return invalid payments to the originator ;
- ▶ Use of a “repairs” process that automatically applies the payment to a previously “repaired” account ;
- ▶ maintaining direct connections with multiple electronic bill pay providers who process online bill payment data
- ▶ Update account acceptance criteria as required

NACHA Rule Change - Same Day ACH

- ▶ NACHA has adopted a new rule to allow for same day ACH entries. The rule will be implemented across three different phases, the first of which is in September of 2016.
- ▶ The rule states that all RDFIs (receiving financial institution) will be required to receive same day ACH transactions.
- ▶ It does not mandate that an ODFI (originating financial institution) has to offer the capability to their clients.

Same Day ACH Transactions

- ▶ There are certain criteria that need to be met in order to be considered eligible for same day processing.
 - ▶ The transaction must be less than \$25,000
 - ▶ It cannot be an IAT (international ACH transaction)
 - ▶ It cannot be an ENR (automated enrollment entry)
- ▶ Prenotifications, remittance information and notifications of change are eligible.
- ▶ According to NACHA, 99% of the current ACH volume meets the criteria to be considered same day.

Phase One

- ▶ The first phase of the rule change goes into effect on September 23, 2016.
- ▶ This phase will require that all funds related to same day ACH credit entries must be made available at the end of the processing day for the RDFI.
- ▶ This phase only impacts credit entries.

Phase Two

- ▶ Phase two goes into effect on September 15, 2017.
- ▶ This phase will allow for originators to begin submitting ACH debit entries with same day effective dates.
- ▶ The RDFI still has until the end of their processing day to make the funds available.

Phase Three

- ▶ The final phase of the rule change goes into effect on March 16, 2018.
- ▶ This phase requires that funds related to same day transactions be available at 5:00 P.M. local time for the RDFI.

Originator Actions

- ▶ Discuss same day ACH with your financial institution to make sure it is cost effective. Your financial institution should also notify you of any changes you might need to make to your current processing procedure to allow for the transactions to be considered for same day.

Resources for Originators

- ▶ NACHA website

<https://www.nacha.org/rules/same-day-ach-moving-payments-faster>

- ▶ Federal Reserve website

https://www.frbervices.org/resourcecenter/sameday_ach/index.html