



News from NACHA

Though many consumers have adopted online bill payment and have sharply reduced the amount of checks they write, businesses are still writing checks for most of their purchases. The main reason, according to John Sarich, executive vice president of sales and marketing for RemitPro, Inc., is that businesses still need a way to track payments among several different accounts for bookkeeping purposes.

For this reason, the use of checks for business-to-business payments is not expected to decline anytime soon. However, with the onset of Check 21 and the recent adoption of rules for business-to-business check images enterprising companies can still accept checks from their business partners while benefiting from the faster processing and other benefits that the use of the new rules and technologies afford.

According to Tower Group, U.S. consumer bill payments are expected to total 22.4 billion items this year, a growth of more than 2 percent over a year ago.

The continuing of movement of consumer and business checks from paper-based transactions to electronic transactions is one of the major themes that were discussed at the recent NACHA Payments 2007 Conference in Chicago.

By using Remote Deposit Capture devices, businesses can not only quickly convert checks from consumers into Automated Clearinghouse (ACH) transactions, but as a result of the new NACHA rules, can now do so for business-to-business payments, so financial institutions and third parties are offering this capability to their corporate customers.

“Scores of financial institutions of all sizes across the U.S. are jumping on the remote bandwagon, with a majority of banks partnering with a third party to offer solutions,” says Jacob Jegher, senior analyst with Celent, LLC. Yet many of these systems are point solutions that capture images of checks, but do little else. More sophisticated systems enable the corporate use to cut not only processing time, but also simplify the accounting and bookkeeping processes.

“Many of the banks can’t do by themselves what RemitPro does,” Sarich says.

By processing checks more quickly businesses get funds more expeditiously, enabling them to deposit cash received more into interest-bearing accounts in an accelerated

fashion, use the cash to pay off debt – cutting interest rate expense – or have access to the money sooner for current spending needs.

Using Remote Deposit Capture enables businesses to cut settlement time by a couple of days, Sarich says. This enables companies that invest cash on hand to earn tens of thousands of dollars or more in interest income.

Wholesale bank customers want solutions that enable them to integrate easily with other systems as they try to manage hundreds, even thousands of global supply chain relationships (including banks).

To meet these demands in a cost-effective manner, TowerGroup believes, banks must partner with technology providers offering deep expertise in business-to-bank integration – defined by TowerGroup as the technology used to manage the connections between the applications running at a bank, and the financial and accounting systems of its corporate or other wholesale clients.

“Banks must demonstrate their commitment to providing corporate customers with robust and flexible integration solutions,” said Susan Feinberg, Research Director of the Wholesale Banking practice at TowerGroup and author of the research. “With clients expecting higher levels of resiliency and service quality, real-time integration to accounting and treasury systems, and faster implementation of new products and services, banks need to choose the solution provider that best aligns with their strategy to meet clients’ objectives.”

This includes the ability to interface directly with accounting systems, eliminating the need to hand-enter information from the images, such as different sub-accounts for different payments. Many payers may use a single check to pay a bill that the corporation tracks in different sub-accounts, like different types of corporate insurance accounts (e.g., corporate auto, corporate umbrella coverage, etc.) or different brokerage funds (for 401k payments).

“We’re seeing a lot of interest from the accounts receivable side of businesses,” Sarich says. This is particularly true of companies like insurance firms or brokerages that might have several branch locations each receiving a handful of corporate checks on almost a daily basis.

Receiving checks this way brings up several issues, from settlement to accounting to regulatory requirements.

The brokerages themselves promise settlement with their clients within a specified number of days. If the check comes into the office late or is held up in delivery (as in the days following 9-11), the brokerages have to honor settlement agreements, even if the check itself hasn’t cleared.

Remote Deposit Capture solves this problem because the items convert the check to an image that can be used to start the settlement process.

Brokerages receive checks from commercial and consumer customers that include funds for several different accounts (e.g., Mutual Fund A, Mutual Fund B, etc.). With traditional check processing methods, each check needs to be entered separately during processing. Any time data is rekeyed, it delays the accounting process and there's a chance for human error.

Therefore, Sarich says, corporate users should look for Remote Deposit Capture solutions that enable them to configure the client workstation in order to credit checks to multiple accounts as they are being scanned. This capability should be available in real-time as well as in batch mode for flexibility of back office systems. A smart client implementation enables a user to continue scanning even during a network outage. The ability to post funds directly to the proper account enables data to be easily mined or incorporated into existing process monitoring and/or business rules systems.

In addition to enhanced cash flow, businesses benefit from reducing paper archives and storage. Images from RDC systems can be stored in a company's document management system or in the system of an application services provider.

Another advantage of converting paper checks to electronic images is the reduced chance of fraud. Check conversion technology enables the business user to positively identify the check writer as the person or business entity that they purport to be. This is important not only in reducing losses from check fraud, still in excess of \$10 billion annually, according to some estimates, but also in abiding by new check cashing rules adopted since 9-11.

By capturing the information off the check more quickly, a company can quickly identify fraud attempts. Law enforcement officials and check fraud experts agree that quick identification of fraud attempts is one of the best ways to detect them and, if necessary, recover funds.

Internal control is important in deterring fraud as well, Sarich points out. Therefore, it is important to select a Remote Deposit Capture System that enables an administrator to have the flexibility to set user permissions in line with the company's security policy.

Post-911 rules as well as good business practices require that those who accept checks, particularly large checks, verify the identity of the customer, whether an individual or a business, and, if the company accepting the check is an insurance or brokerage firm, OFAC screening is an additional requirement for compliance with the USA PATRIOT Act. Sarich urges that companies look for Remote Deposit Capture solutions that offer this capability.

About RemitPro, Inc.

RemitPro accelerates funds while minimizing risk through its industry leading remote deposit capture and customer authentication services. RemitPro provides Software as a Service which enables improved operational control, lower costs, and accelerated availability of funds. The RemitPro product family includes industry leading eRemitPro for remote deposit capture delivering real-time integration to accounts receivable applications, RiskAlert for customer authentication/identity validation and OFAC screening, and ICLExchange+ for normalizing standard-variant X.9.37 files among corporations and financial organizations. For more information call 877-861-0005 or email sales@remitpro.com.