Direct Payment is the electronic transfer of funds to make payments – whether sending or receiving. It can be used to make one payment or set up automatic recurring payments. Set it and forget it!

Direct Payment allows consumers to pay their bills or tuition, donate to a favorite charity, make a purchase, or send money to a friend or family member electronically from a checking or savings account.

**How ACH Works**

**ACH Debit Explained/Direct Payment**

1. Sue needs to pay her power bill on the first of every month, but doesn’t want to have to remember to make a payment, much less mail a check. So, using her power company’s website, Sue schedules her monthly payment using Direct Payment. **“SET IT AND FORGET IT.”**

2. Sue’s power company obtains her authorization to take the payment from her bank account on the first of every month. The power company is known in ACH terms as the “Originator.”

3. The power company electronically sends a file with the payment details for Sue and other customers to its bank, known in ACH terms as the “Originating Depository Financial Institution” or “ODFI.” The ODFI sends the power company’s file along with files from other companies to an “ACH Operator.”

4. The ACH Operator – either the Federal Reserve or The Clearing House – sorts all of the payments it receives from all the ODFIs. In Sue’s case, it sends a file to Sue’s bank or credit union, known in ACH terms as the “Receiving Depository Financial Institution” or “RDFI,” that contains the details of Sue’s payment, and the payments of other account holders.

5. Sue’s bank – the RDFI – “posts” the power company’s payment to her account on the scheduled date, the first of the month (if the first is on a weekend or holiday, the payment is posted to her account on the next business day). In ACH terminology, Sue is the “Receiver.”

DirectDeposit.org
Direct Deposit puts consumers in control of their finances and allows them to access their pay quickly. Direct Deposit is fast and reliable, and it’s the way 93% of American workers get paid.

In addition to payroll, Direct Deposit can be used to receive: Travel and other employee expense reimbursements • Bonuses and commissions • Pension/401(k) disbursements • Annuities • Dividend and interest payments • Social Security and other government payments • Tax and other refunds