

Nacha[®]

The ACH Network Responds to COVID's Impact on Corporate Payments

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COVID Impacts on ACH Payments

The onset of the pandemic had an immediate impact on the use of ACH payments, especially in March-June 2020

- Slowdown in economic activity– payroll, bill payment, B2B supplier payments
- Disruption or forbearance for certain recurring payments – loans, gym memberships
- Fewer check-initiated and in-person payments

Changes in behavior by consumers and businesses had a positive impact, as did Federal assistance

- Switch from paper to electronic payments
- Switch from in-person to remote payments
- Assistance and stimulus payments by ACH

Top 10 Ways the ACH Network Helped with Consumers and Corporate Payments



1. Getting Paid by Direct Deposit



2. Paying Bills From Home



3. Paying Suppliers and Vendors Remotely



4. Receiving Ongoing Donations



5. Government Assistance Payments by Direct Deposit



6. Unemployment Insurance by Direct Deposit



7. Tax Refunds and Other Refunds



8. Paying Personal Service Providers



9. Medical Claim Payments



10. Put Savings on Autopilot

Relief from Nacha Rules Obligations

Throughout the spring and summer of 2020, Nacha provided relief from some obligations under the Nacha Rules

- Extended time frames for responding to requests for documents (e.g., proof of authorization)
- Relief from signature requirements
 - Authorizations for check conversion payments; and Written Statements of Unauthorized Debits
- Relief from ACH return rate levels
 - On a case-by-case basis, accommodate higher return rates due to recurring payments disruptions
- Deferral of several Rules effective dates and enforcement
 - ACH Data security
 - Account validation for Internet-initiated debits

Additional Impact of COVID on Corporate Payments

Nacha conducted a survey of corporate payments professionals on the immediate impacts of COVID on payments, and the potential for longer-term changes. Comments included:

- Disruption of Physical Operations
 - Offices closed; lockbox disruptions; delays in check processing and posting with skeleton staffing and weekly 'Curbside Drive-by Check Signings'
- Expanded Remote Work
 - Capacity of customer care and call centers was reduced, and call volume increased with customers seeking assistance
- Paper checks and cash become less popular:
 - Difficulty in managing check-runs and concern about 'germs and CV' spreading leads to more touchless payments and paperless billing "*Pay it Clean*"
- Cash Flow Concern
 - Rising DSO and concern about collections
- ACH worked
 - Strong performance and helps remote payments work

Long-Term Boost for Electronic Payments and ACH

- COVID is accelerating the decline of paper checks
 - Commercial check payments processed by the Federal Reserve declined 14.2% in 2020
 - Volume of ACH payments initiated with a paper check declined 21% in 2020
- Long-term lift for electronic payments
 - Easier to work electronic items than paper
 - Drive for more automation
 - AP converting paper checks to ACH
 - Some AR eliminating lockbox

Trends in Mix of Corporate Payments

Corporate survey respondents expect ACH credits and debits to continue displacing paper checks (which have already fallen); cards and instant payments are also poised to gain share of payments.

2019a vs 2022e Percentage Points	AP	AR - B2B	AR – C2B
ACH Credit	+9	+9	-2
ACH Debit	0	+3	+4
Check	-10	-12	-6
Card (all types)	+1	0	+5
Wire	+1	0	-1
Instant payments	+1	0	+3
Cash	0	0	-2

Assistance and Stimulus via ACH

The Federal government and states use the ACH Network to provide many forms of assistance

- Economic Impact Payments
 - More than 350 million distributed so far by ACH Direct Deposit
- State Unemployment Benefits
- Small business loan and grant disbursements (e.g., PPP)
- Emergency and ongoing assistance to healthcare facilities and providers
- Assistance to colleges and universities; student assistance

ACH Volume Results - 2020

ACH Network volume growth in 2020 was strong:

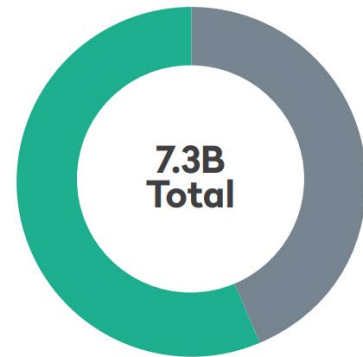
- More than 2.0 billion new payments in 2020
- Payment volume growth of 8.25%, and 7.4% per processing day, to 26.8 billion
 - Highest growth rate since 2007
- Dollar volume growth of 10.8% to \$61.9 trillion

Sources of growth:

- Internet-initiated debits
 - +14.9% year-over-year growth; 1.0 billion new payments
- Direct Deposit
 - +11.9%; 855 million new payments
- Business-to-business
 - +10.7%; 426 million new payments

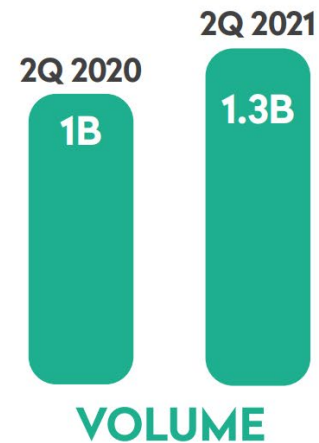
2Q 2021 ACH NETWORK VOLUME TOTALS 7.3 BILLION; 655M / 9.9% VOLUME GROWTH OVER 2Q 2020

2Q 2021 Volume



- 4.1 Billion Debit
- 3.2 Billion Credit

Business-to-Business (B2B) volume sees **28.7%** growth over 2Q 2020



Same Day ACH Volume 2020

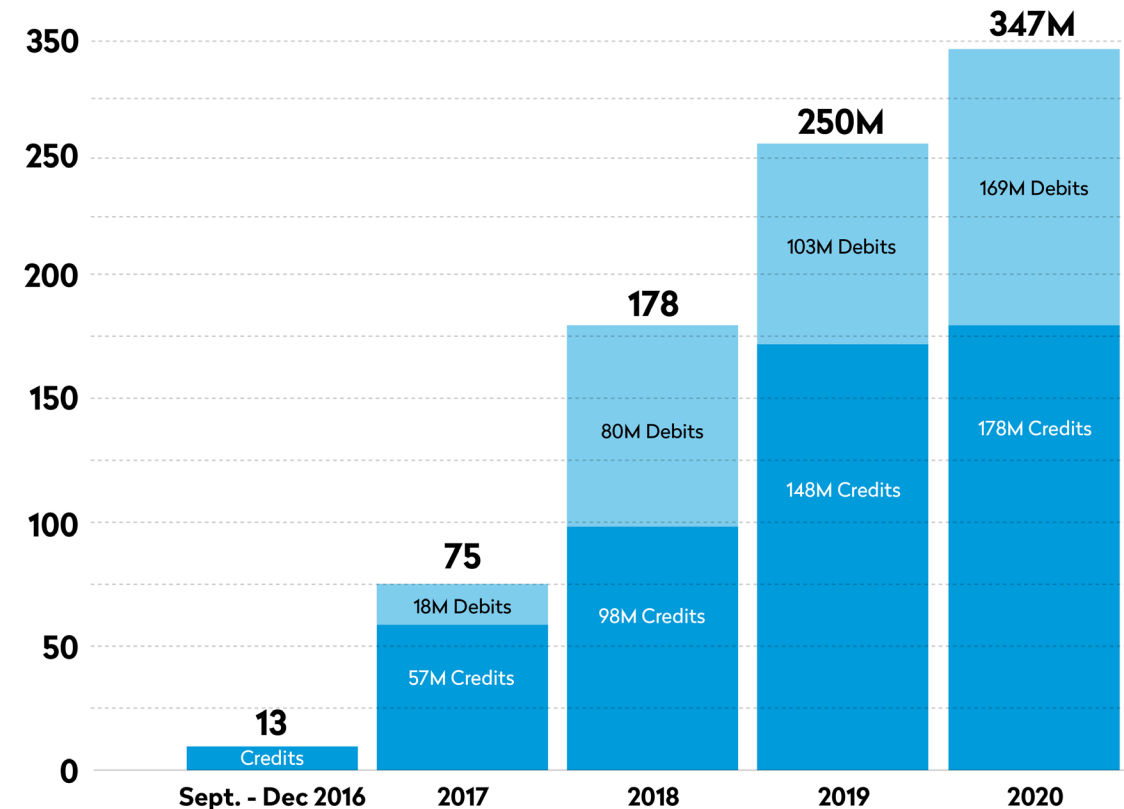
Strong volume growth:

- SDA payment growth of 39% in 2020
 - 825+ million SDA payments since inception
- SDA dollar volume growth of 86%
 - Dollar limit increase in March 2020 had an immediate effect – +46% in 2 months from \$980 to \$1,433 per SDA payment

Sources of growth:

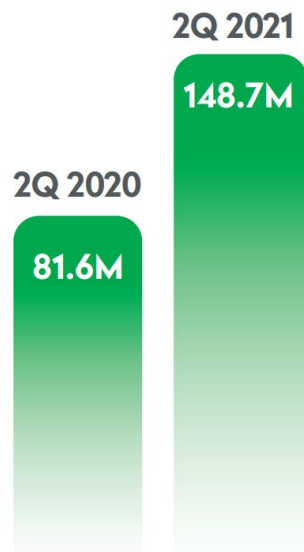
- Internet-initiated debits – +97% year-over-year growth; 41 million new payments
- Pre-authorized debits – +45%; 18 million new payments
- Direct Deposit – +22%; 17 million new payments
- B2B – +27%; 13 million new payments

Same Day ACH Volume - Millions

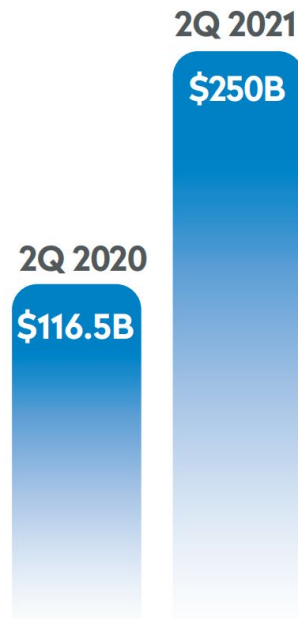


SAME DAY ACH VOLUME & VALUE SOAR IN 2Q 2021

Volume:
up **82.2%**



Value:
up **114.6%**



Same Day ACH since launch:

1.2 Billion payments

\$1.5 trillion in value

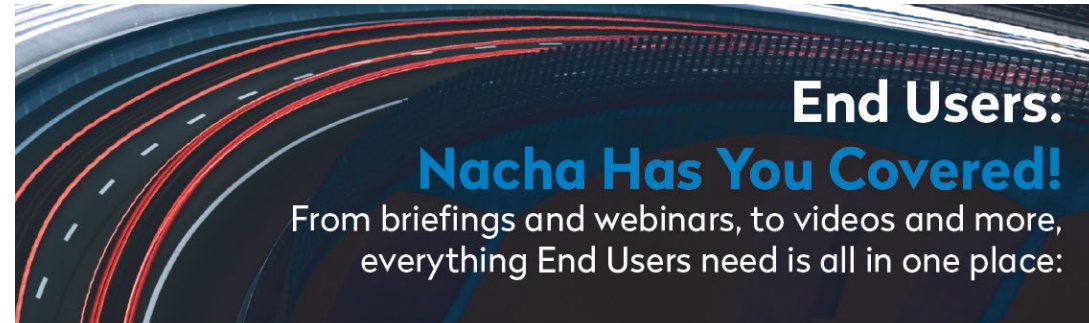
Making ACH Easier for Corporates to Use

Nacha and its members continue to identify ways to make the ACH easier for corporates

- **Expansion of Same Day ACH**
 - March 2020 – Dollar limit increase to \$100K
 - March 2021 – Extended hours for initiating Same Day ACH payments
 - March 2022 – Another increase to the dollar limit is coming, to \$1M
- **Rules Modernization**
 - Recognize and accommodate new technologies and channels for authorizing and initiating ACH payments
 - Voice technologies and authorizations
 - Standing enrollments and arrangements
 - Reduce administrative burdens for providing ACH-related documentation (e.g., proof of authorization)
- **Limit on Warranty Claims**
 - Reduce and set definitive time limits for making a claim that an ACH payment is unauthorized

Resources

[Nacha.org/corporates](https://nacha.org/corporates)



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