Same Day ACH Credits Post Implementation: ODFI & RDFI Business Cases

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Agenda

• Get to know the speakers
• Same Day ACH credit practices related to identified business cases
• Phase 1 Success Stories
• Use Cases-One ODFI’s perspective
• Advantage for the RDFI-faster returns
• Challenges and considerations for the RDFI
• Takeaways for your organization
• Questions
Get to know the speakers
The Major Use Cases for Same Day ACH are Projected to Generate 1.4 Billion Transactions

Over 60% of estimated Same Day ACH volume comes from existing ACH

C2B
- Bill Pay
- eCommerce
- POS check conversion
- Merchant debit
- Collections

C2C
- Person-to-Person
- Account-to-Account

B2B
- Multiple uses, such as trading partner payments, due-date and late invoice payments

B2C
- Payroll
- Insurance, refunds

10 Primary Use Cases
63 Total Sub-Use Cases

C2B = Consumer to Business
B2B = Business to Business
C2C = Consumer to Consumer
B2C = Business to Consumer
SAME DAY ACH
a new, ubiquitous faster payment option

MORE THAN 13 MILLION
Same Day ACH Transactions

Volume

$1,283
Per Transaction

Approximately
194,000
Same Day ACH Transactions Daily

DIRECT DEPOSIT VIA ACH
payments had the greatest volume
of Same Day ACH transactions

Value

NEARLY $17 BILLION
Transferred By Same Day ACH

Learn more at the Same Day ACH Resource Center: www.nacha.org/same-day-ach

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Phase 1 Success Story – Missed Pension File

Overview:

- Existing mid-sized customer that uses FI’s Treasury Management Services
- Company had not previously signed up for Same Day ACH
- Uncovered pension file was missed the morning of 10/3/16
- Engaged FI who then quickly followed their “emergency exception process” to obtain approvals and set the customer up
Phase 1 Success Story – Missed Pension File

Outcome:

• Customer was able to originate Same Day ACH credits in the second window on 10/3/16 getting their 2,500+ employees’ pensions paid same day as opposed to having to wire funds.

• Due to the quick response and emergency procedures that were in place the customer had a positive experience leveraging this new faster payment option.
Phase 1 – Terminated employee

Challenge

• Need to pay terminated employees quickly, in some states on the same day as termination
• If the employee is signed up for Direct Deposit, that is not quick enough so employer either writes check or pays cash
Phase 1 – Terminated employee

Solution

• For employees previously set up for Direct Deposit
  Same Day ACH can provide funds that day

Benefit

• Employer meets requirements to pay terminated
  employee that day without the cost or headache or
  writing a check
Phase 1 - Insurance Case Study

Challenge

• Customers in urgent situations need claim payments fast
• Disruptions may make check delivery impossible
• Sometimes next-day ACH isn’t fast enough
Phase 1 - Insurance Case Study

Solution
• Same Day ACH credit payments

Benefits
• Customer retention in insurance industry directly correlates to customer satisfaction during claims process
• Win for customer (faster payment) and win for company (customer retention)
ODFI USE CASES-ONE FI’S PERSPECTIVE
Use Cases-Holiday Payroll

- Regular pay day falls on a Federal Reserve Bank holiday
Use Cases-Payroll Emergency

- Payroll provider had a software failure that prevented them from uploading their payroll data to their external payroll company.
State and Local Tax Payments

• Same Day ACH is available to pay your State and Local tax payments
• Benefit for the Tax Payer
  – Keeps the funds in your account until the last minute
    • Earn interest
• Not currently available to pay your Federal Income tax
ODFI Challenges-Prefunding

• Prefunding for credit Originators
  – Determining who needs to be prefunded
    • All Originators?
    • Compensating balances?
  – When/how is the account debited?
ODFI Challenges - Items Rejected from the ACH Operator

- Originator created a Same Day ACH file with 30 entries
- One entry was rejected by ACH Operator
- Originator was prefunded so their account was charged for the rejected debit
RDFI-BENEFITS, CHALLENGES AND CONSIDERATIONS
Benefits-Faster Returns

• Returns are not subject to the same eligibility limits as Same Day forward Entries (i.e., a return may use a Same Day window even if it is over $25,000 or an IAT entry)

• Returns using the Same Day window are not charged a Same Day Entry Fee
Benefits-Faster Returns

• A Same Day forward Entry is not required to be returned on the day it is received
• A next-day forward Entry may be returned in a Same Day window
Benefits-Faster Returns

Prior to Same Day ACH we received our files combined. With the implementation of Phase 1 - Same Day ACH we changed to receive our files individually. We had expected to only see same day credit entries but saw that there were debit entries with same day settlement. These debit entries were returns of items that we had originated for our customers to make their loan payments with us. We are now aware of the returns (and corrections) at least one day earlier than we were before and can take corrective action.

Susan Crapeau, ACH Supervisor
Landmark Credit Union
Receipt

- **Challenge**
  - Holidays
  
  - Not just an issue for the ODFI, RDFI’s have to deal with transactions posting on dates different than the receiver expected due to Federal holidays
Receipt

• Considerations
  - Timing of payments being posted
  - Clear expectations
  - Internal training on handling client inquiries
Receipt

- Challenge
  - Balancing your transactions to your Federal Reserve Bank account
Receipt

- Considerations
  - How is core provider handling
  - When was item received and posted
  - Item or entire file was Same Day ACH
Receipt

• Challenge
  – Core Provider

  As an RDFI your partner in your ACH processing is your Core Provider. How do you work with their system to maximize your user experience and the satisfaction of your accountholders?
Receipt

• Considerations
  ✓ Attend any training sessions available
  ✓ What reports are available
  ✓ What additional considerations should be reviewed
  ✓ Engage an expert/contact
Receipt and Funds Availability

• The number one RDFI challenge is handling funds availability
  – Phase 1 & 2 requirement to make funds available to pay debits against by the end of your processing day
  – Phase 3 requirement to make funds available for cash withdrawal by 5:00 p.m. local time
Takeaways for your Financial Institution

Same Day ACH has many uses

For the ODFI
• Provide faster payment option to customers who need it
• Increased revenue potential
• New product and service opportunities

For the RDFI
• Faster Returns
• Faster NOCs for corrections
• Provide faster funds availability to customers
Questions
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**Enter the NACHA Challenge**

Does your organization have a new solution intended to leverage the benefits of Same Day ACH? Check out the NACHA Challenge for a chance to win up to $25,000. Entries are being accepted through February 28, 2017. Visit [payments.nacha.org/NACHA-challenge](http://payments.nacha.org/NACHA-challenge) for more information or to enter today.
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