

News from FedACH

VOL. 4, NO. 3, SEPTEMBER 2007

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**DIRECTOAMEXICO.COM**

2 New Site Launched

**Q&A: BILLIE WADE**

5 Nuestro Banco: An Early Success

NEWS KIOSK

3

DID YOU KNOW?

3

WHAT'S COMING UP

4

CUSTOMER IN THE SPOTLIGHT

Century Bank

Customer Support Translates to Growing ARC Business



In May 1969, Marshall M. Sloane founded Century Bank in Somerville, Mass. Today, Century Bank continues to thrive under the leadership of the Sloane family, maintaining its goal to "provide best in class financial services to our marketplace." As New England's largest family-controlled bank, Century Bank has grown from a \$17 million bank at the end of its first year to a \$1.5 billion bank in 2007. Headquartered in Medford, Mass., Century Bank has 22 branches in 16 communities throughout Massachusetts. Century Bank has historically offered its customers a wide array of ACH products, including preauthorized deposits and payments, corporate credits and debits, and Internet-initiated entries.

In 1981, Century Bank introduced its automated lockbox service and is now one of the largest providers of lockbox services in the Northeast. Century's next move was to add accounts receivable entries (ARC) functionality to its lockbox image platform.

In the fall of 2006, Century Bank began to convert payments for several billers to ACH transactions. While Century Bank's volume associated with each transaction type has grown at a healthy pace, the most notable volume growth has clearly been in the bank's ARC origination.

Sales and Operations Working Together

According to Janice A. Brandano, who has been with the bank for 34 years and is now senior vice president with responsibility for Century Bank's lockbox and items processing operations, a key factor contributing to the ever-increasing ACH origination business is that the bank's sales force is heavily supported by ACH operations staff. Brandano describes the operations staff as a "significant source of support in the sales of ACH products." When promoting ACH, the sales team is the initial point of contact, and the operations team helps by explaining the

benefits and provides training and education. The deal is generally closed through this type of collaborative effort. Century Bank also uses statement stuffers and in-house promotional materials to promote its ACH services. These actions, combined with the bank's corporate sales efforts, have proven successful in growing Century Bank's overall ACH volume.

Shifting attention to Century Bank's ARC origination business, the volume of which may surpass its preauthorized credit and debit origination volume in 2007, Brandano explained that converting check payments to ACH transactions played a key role in the bank's ability to reduce check clearing costs. When considering the escalating costs of clearing paper checks and the value of the ACH network, Century Bank recognized that ARC represented a payments processing functionality of which the bank should take full advantage. Since first implementing check conversion in late 2006, Century Bank has continued to promote the benefits of ARC to

CUSTOMER IN THE SPOTLIGHT

its customers in what Brandano describes as “an aggressive campaign to get as many of our lockbox customers as possible converted.”

Customer Support is Key

Integral to this campaign is the support that Century Bank provides its corporate customers throughout the process. Among the tools available to customers is a manual outlining the responsibilities of both the biller/originator and the bank, a simplified method to handle opt-outs, and sample disclosure statements for communicating to consumer customers. Brandano expressed the bank’s view that “the success of the program was predicated on how easy we made it for our customers to move ahead with check-to-ACH conversion.” By educating its customers and providing helpful tools, Century Bank has made the process easier, and the volume growth confirms the effectiveness of this approach.

Training Reaches All Staff

Because of the integral role that ACH operations staff plays at Century Bank, internal training is a top priority. As explained by William Gambon, who has been with the bank for 19 years and is senior vice president over Century Bank’s deposit operations, including

ACH operations, the bank conducts training on at least a quarterly basis. Training sessions include ACH rules changes as well as topics specific to the bank’s ACH operations.

“The success of the program was predicated on how easy we made it for our customers to move ahead with check-to-ACH conversion.”

Annually, the bank conducts training for employees in all areas of electronic services, including ACH. Brandano explained that employees working in the lockbox area are trained on all aspects of ACH.

Training ensures that customer service staff is equipped to handle incoming calls for explanation of any ACH transaction type. As a community bank with educated associates, all of whom are focused on delivering the highest quality service to the bank’s customers, Century Bank has been successful at retaining and growing its customer base.

To compete with larger financial institutions, the bank’s leadership believes that it must offer all the products and services and maintain a higher level of customer satisfaction. As Brandano put it, “customer service is paramount. Our staff is dedicated to delighting our customers.”

Looking ahead, Brandano expects that Century Bank’s ACH origination volume will continue to grow along with overall acceptance of ACH transactions. Brandano predicts that ACH will continue to be a growing component of Century Bank’s payments business. Citing that the question will remain “What is the lowest cost to clear a check?” Brandano asserted that the outcome may be a blend of clearing methods, one of which will undoubtedly be ACH.

Century Bank—recognized earlier this year for its success in “greening” its headquarters and some branch offices—agrees that the prospect of promoting ARC as a green payment method may be catching on. After all, electronic payments are naturally green, and as Brandano concluded, “if any customers are on the fence about implementing check conversion, this might be just what it takes to persuade them to take that step.”

Directo a México.com Now Available



In mid-September, a new Web site was launched to support the Directo a México service. Available in both English and Spanish, directoamexico.com provides consumers with information about how the service works and lists the benefits of Directo a México for both senders and receivers. The new site features a convenient tool that helps consumers find the nearest U.S. financial institution offering Directo a México.

Site visitors are able to see the foreign exchange rate applied by the service on a given day as well as find answers to frequently asked questions. Consumers can also access

step-by-step instructions for making a cross-border payment to Mexico.

As a supplement to information already available on frbservices.org, financial institutions can find helpful information tailored to their needs, including tips on how to begin offering Directo a México. U.S. financial institutions can also view examples of marketing materials designed to assist them in promoting the service.

NEWS KIOSK



■ On August 14, 2007, NACHA's voting members approved a new SEC code—IAT—for use with all international ACH transactions beginning March 20, 2009. The new SEC code will replace the two SEC codes—CBR and PBR—currently used for international ACH transactions. The rule change will also require that IAT payments include specific data defined by the Bank Secrecy Act. These changes will provide for easier identification of international transactions while assisting RDFIs in their efforts to comply with OFAC-sanctioned guidance. Following the implementation of the new rule, FedACH will process ACH credits coming from countries for which only outbound payments are currently processed.

■ FedACH Services will soon include a new risk management service, and this time around, RDFIs interested in managing their ACH receipt risk are the beneficiaries. The RDFI File Alert Service will be provided, within the Fed's suite of ACH risk services, to RDFIs with access to FedACH Information Services. This service will allow an RDFI to set debit and credit thresholds (dollar amount, addenda/item count, or both) for FedACH output files. When a FedACH output file destined for an RDFI exceeds a defined threshold, an e-mail alert will be sent to the RDFI's designated points of contact. Look for more information to come on this powerful new risk management service from FedACH Services.

■ The Alabama ACH Association (ALACHA) welcomed its new executive director, Gai Craig, on September 4, 2007. With more than 24 years of banking experience and a former membership on ALACHA's board, she brings with her a wealth of knowledge. Please join us in wishing Gai Craig well in her new role.

FedACH SALES SPECIALISTS

Each of these regional account executives is an ACH resource expert and is dedicated to helping customers find just the right FedACH solution. We encourage you to contact the sales specialist for your district.

Atlanta	Nedelka Bell, AAP	305.471.6472
Boston	Jean Fisher, AAP	617.973.3218
Chicago	Mark Taylor	312.322.8449
Cleveland/St. Louis	Susan Bivens, AAP	901.579.2405
Dallas	Matt Davies, AAP	214.922.5259
Kansas City	Joni Hopkins, AAP	620.221.2712
Minneapolis	Marilyn Coleman, AAP	612.204.6964
New York	Thomas Goodman	201.531.3637
Philadelphia	Carol Chartrand, AAP	215.574.3414
Richmond	Della Tate, CTP	410.576.3384
San Francisco	Dorothy Williams, AAP	801.322.7948

DID YOU KNOW?

If your institution plans to enroll in FedACH International® Services—or maybe is already enrolled—there is a fast and easy way to potentially increase your international ACH transaction volume. Included in the promotional kits available to institutions signed up for either Canada ConnectionSM or Directo a MéxicoSM is an authorization form for the FedACH International Services Participant Registry. By completing and submitting this two-page form to the Federal Reserve Banks, your institution will be added to the ever-growing list of FedACH International participants. The benefits associated with submitting the participant registry form include these marketplace advantages:

- Your institution, including any branches identified on the form, will be part of a database available to the public indicating that you offer FedACH International Services, and
- The database serves as free marketing for your institution and may help drive new customers to your institution.

To sign up for FedACH International Services, contact your local FedACH sales specialist. When you do sign up, don't forget to fill out and submit the participant registry form.

WHAT'S COMING UP

OCTOBER 2007

Navigating Payments 2007

October 11–12, 2007 Brooklyn Park, MN
www.umacha.org

Payments Summit

October 23–24, 2007 Columbus, OH
www.paymentscentral.org

Mid-America Payments Conference 2007

Making Payment Systems Understandable
October 29–30, 2007 Overland Park, KS
www.mpx.org

NOVEMBER 2007

Payments Insights 2007

Charting the Payments Landscape
November 5–6, 2007 Burlington, MA
www.neach.org

The Institute of International Payments

November 27–29, 2007 Atlanta, GA
www.nacha.org

TechMecca® 2007

November 28–29, 2007 Las Vegas, NV
www.swacha.org

ACH RISK PRIMER

Courtesy of NACHA's Risk Management Advisory Group, we are providing you with this quick reference guide to ACH Risk.

Traditional Types of Risk

Compliance Risk— occurs when a party to a transaction fails to comply, either knowingly or inadvertently, with ACH Network rules and policies, regulations, and applicable U.S. and state law.

Credit Risk— occurs when a party to a transaction cannot provide the necessary funds, as contracted, in order for settlement to occur in the originator's account at the ODFI. There is credit risk for both debit and credit origination, but financial institutions assume a certain degree of additional risk when they originate ACH debits due to the consumer's right of adjustment under the ACH Rules and Regulation E.

Fraud Risk— occurs when a payment transaction will be initiated or altered in an attempt to misdirect or misappropriate funds by any party to the transactions (i.e., employees, interlopers, and organizations) with fraudulent intent.

Operational Risk— occurs when a transaction is altered or delayed due to an

unintentional error. Examples of operational risk include clerical error or hardware and/or software failures.

Systemic Risk— occurs when the inability of one funds transfer system participant to settle its commitments will cause other participants to be unable to settle their commitments.

Ancillary Risks

(i.e., consequences or by-products of not managing Compliance, Credit, Fraud, Operational, and/or Systemic Risks)

Reputation Risk— occurs when a customer's confidence in a financial institution or the Network will be diminished.

Cross-Channel Risk— occurs when the movement of fraudulent or illegal payment transactions from one payments channel to another (e.g., check payments to ACH) is facilitated by inconsistent risk management

practices and the lack of information sharing across payments channels about fraud.

Direct Access— a situation in which an originator or a third party (either its third party service provider or an originator's third party sender) transmits ACH files [transactions] directly to an ACH Operator using a financial institution's routing and transit number and settlement account.



Nuestro Banco: An Early Success



Billie W. Wade, president and chief executive officer of Citizens Union Bank in Shelbyville, Ky., talked with us recently about the August 2007 grand opening of the bank's first bilingual branch. Citizens Union Bank has a long history of being a hometown bank, maintaining its focus on offering "Convenient, Understandable Banking" to its customers. After talking with Wade, it was clear that the opening of a bilingual branch intended to serve Latino customers was a natural step for Citizens Union Bank. With 19 years' experience as a certified public accountant, Wade joined Citizens Union Bank in 1991, and he has seen the bank's assets grow from \$150 million in 1991 to \$580 million today.

When did Citizens Union Bank first offer international ACH services? What circumstances led to the decision to do so? We first offered Directo a México to our customers in 2005. Citizens had concentrated attention on its Hispanic customers since 2002, and it was a natural fit for us to take advantage of Directo a México. We were well aware that the process of transferring money presented the Hispanic population with real challenges. Directo a México provided us with a valuable marketing tool when working with our Hispanic customers.

In August 2007, Citizens Union Bank opened a new branch—Nuestro Banco—specifically for Latino customers. Nuestro Banco (translation: Our Bank) is the name assigned to our newest branch. Although we were perceived as doing well serving the Latino population in Louisville and surrounding metro markets, we heard that the traditional banking environment could be intimidating. We recognized that we could do more to enhance the banking experience. One step we took was to talk with our bilingual staff members to get their input on the design and overall philosophy of the new branch. We also visited all-Hispanic branches opened by other financial institutions to learn from their experiences.

The eventual outcome was a branch that doesn't resemble a typical branch banking office. Nuestro Banco is located in a shopping center in the midst of a Hispanic community within Louisville. Once inside the branch, the usual teller windows and accompanying lines are largely absent. In their place are areas where customers can sit down and talk with a Spanish-speaking banker in a comfortable, casual, and relaxed setting. All of this is surrounded by brightly colored furnishings, and there is even an area in which children are invited to play while their parents take care of their banking needs.

How does Citizens Union Bank promote Directo a México? We have signage in all our branches and information on the Spanish version of our Web site. Our business development officers, who concentrate their efforts on the Hispanic population, pass out flyers at a variety of community events and meetings. Citizens Union Bank even sponsored the creation of

a Hispanic division within the Louisville Chamber of Commerce, and that has been an effective way to reach the business community. We have also been successful in promoting Directo a México to the Hispanic congregation of a neighborhood church.

How would you describe the August 2007 grand opening of Nuestro Banco? It was a bigger success than we could have hoped for. In addition to customers, both existing and new, the event was attended by the mayor of Louisville, other government officials, and financial industry leaders. We attribute the impressive turnout to personal invitations and publicity following the "soft" opening three weeks prior. This wasn't a typical bank branch opening, and we didn't want it to feel that way, either. The event was catered by a local Mexican restaurant, complete with pureed jalapenos that, to one of our account executives, looked like guacamole but left him in dire need of water. While that may have provided many of us with a memorable moment, the most tangible measure of success would probably have to be the 56 new accounts opened within the first month at Nuestro Banco. Citizens Union Bank normally requires a minimum deposit of \$50 to open an account, but that minimum was dropped to just \$25 to encourage a higher number of account openings at Nuestro Banco.

What feedback have you received from customers? Our customers have reacted favorably to Directo a México and to Nuestro Banco. Directo a México enables them to send money to Mexico for a much lower price than they previously paid for other remittance options. We have also heard from our branch employees that they, along with customers, are enjoying Nuestro Banco and the casual, unconventional banking environment that it provides. The branch stays busy throughout the day, and our employees have expressed their amazement at the number of customers they see. Much of the higher-than-expected customer traffic has likely been generated by word of mouth within the Hispanic community. Simply put, our customers are finding Nuestro Banco to be a place where they feel comfortable and trusting of the staff.

FedEDI® Plus

Between now and the end of 2007, preselected pilot customers are working with FedACH Services to prepare for the release of FedEDI Plus. In January 2008, FedACH Services customers will be able to access FedEDI Plus through FedACH Information Services via the FedLine Web and FedLine Advantage access solutions. Customers will no longer need to request and install software, nor will they have to import payment or supporting files because all data will be housed in FedACH Information Services. The service enhancements associated with FedEDI Plus will enable subscribing customers to:

- request that reports be automatically generated on a fixed schedule without repeatedly entering a request,
- receive reports in the format that is most convenient (for example, choose from TXT, PDF, and HTML file formats),
- receive and provide optional, automated e-mail notifications to business customers for secure report retrieval, and
- request reports online for various date ranges and customer accounts with a new “on demand” feature.

For additional information on FedEDI Plus, contact your FedACH sales specialist.

Origination		
Items in small files (<2,500 items)		\$0.0030
Items in large files (>2,500 items)		\$0.0025
Receipt Items		\$0.0025
Addenda Records		\$0.0010
Input File Processing		\$2.50 / file
Web-derived Returns / NOCs		\$.30
FedPhone-derived Returns / NOCs		\$2.00
Facsimile Exception Returns/NOCs		\$15.00
Information Extract File Subscription		\$20.00 / RTN / Month
Account Servicing		\$25.00 / RTN / Month
FedACH Settlement		\$20.00 / RTN / Month
FedACH Risk Origination Monitoring Service		
Subscription Fee		\$20.00 / RTN / Month
Monitoring Criteria		\$15.00 / Criterion / Month
Batch Monitoring		\$.0025
FedACH International Services		
Item Originated to:	Canada	\$0.0390
	Mexico	\$0.67
	Austria, Germany, Netherlands, Switzerland, United Kingdom	\$2.00
Return Received from:	Canada	\$0.77 (surcharge)
	Mexico	\$0.69 (surcharge)
	Austria, Netherlands, Switzerland	\$5.00 (surcharge)
	Germany, United Kingdom	\$8.00 (surcharge)
	Same day Recall of Item – Canada Service	\$4.00 / \$7.00
	Item Trace - Canada Service	\$3.50 / \$5.00
	Item Trace - Mexico Service	\$11.50

¹ Refer to www.frbervices.org for additional details



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