

# News from FedACH

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## 2 WEBINARS FOR FEDACH SERVICES

Complimentary Sessions

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## CUSTOMER IN THE SPOTLIGHT

# First Financial Bank

## Offering Big Bank Services with a Small Town Focus



**F**ollow Interstate 20 to the geographic center of Texas, and there you will find Abilene, a center for modern aviation, higher education, health care, manufacturing, retail, and—last but certainly not least—banking. Playing an active role in Abilene's banking community is First Financial Bank.

Founded in 1890 as Farmers and Merchants National Bank, with a customer base of more than 3,000 optimistic pioneers and capital of \$50,000, First Financial Bank now has 12 branches in three counties in west-central Texas. The bank belongs to a family of locally directed community banks, all part of First Financial Bankshares Inc., with more than a century of tradition in Texas. First Financial Bankshares Inc. is a \$3.1 billion financial holding company headquartered in Abilene. Through this family of community banks, First Financial Bankshares is able

to offer big bank services without sacrificing the personal relationships and small town focus that set it apart. It is this commitment to quality that makes First Financial Bank an obvious choice for the small businesses that comprise the bank's primary market.

### ACH a Vital Product Offering

As we heard recently from Ben McAnally, executive vice president with responsibility for sales, product management, and customer support for treasury management and correspondent banking, "ACH is a very integral part of our treasury management product offering." With more than 33 years' experience in banking, McAnally serves as the chairman of the board for SWACHA—The Electronic Payments Resource and also serves on NACHA's board of directors. As McAnally explained, First Financial Bank

provides its customers with a Web-based ACH system that includes a full range of ACH services. Among the services most commonly used by First Financial's customers are direct deposit of payroll, cash concentration, check-to-ACH conversion, and the FedACH International Mexico Service, also known as Directo a México. While volume for the latter remains relatively low, McAnally has seen the bank's international ACH volume grow as more small businesses engage in international commerce.

The bank has gradually taken on origination of additional SEC codes for its customers; however, the decision to do so comes only after a thorough analysis of the customer as well as any associated risks. According to McAnally, "First Financial is willing to offer all SEC codes to our very best customers. Essential to maintaining this position is the

## CUSTOMER IN THE SPOTLIGHT

fact that we are committed to knowing our customers.” McAnally further explained that, with a market consisting primarily of small businesses, “customer visits are often more of an educational effort and less of a sales effort.” There are still small businesses that haven’t yet realized the broad range of ACH services that are available as well as affordable.

### Treasury Management and Sales Work Together

Within First Financial Bank, the ACH function is housed in the treasury management area. Whenever a potential ACH customer approaches the bank, treasury management performs an in-depth risk analysis, profiles the prospective customer, and assigns an ACH risk limit. The relationship manager then reviews the documentation and, if the ACH risk limit is within the manager’s lending authority, the customer is approved for ACH origination. If not the application is taken to the bank’s senior loan committee and, once approved, booked on the bank’s loan system as an ACH limit. This way, any time that customer’s total lending relationship is reviewed, the ACH risk limit is reflected.

First Financial Bank works to grow its ACH business through three dedicated sales representatives supporting 48 banking locations. These sales reps have responsibility for promoting treasury management products, generating new leads, and coordinating with

relationship managers to market services to existing customers as well as prospective customers. Sales goals are set and then reviewed on a quarterly basis.

“... confident that customers will get the answers they need and, in many cases, a better understanding of the ACH rules.”

Appreciative of the value that a regional payments association (RPA) can bring to its member institutions as they strive to grow their ACH business and better serve their customers, First Financial Bank works with SWACHA several times each year to cohost ACH seminars in the west-central Texas region. McAnally describes these seminars as “extremely successful on a consistent basis.”

Within its own walls, First Financial is committed to educating its customers as well. For customer inquiries, the bank has a phone center to handle the most basic ACH questions. Should a more complex question arise, customers are transferred to the treasury management area. With a certified treasury professional, and three accredited ACH professionals on staff, McAnally is “confident

that customers will get the answers they need and, in many cases, a better understanding of the ACH rules.”

A visit to First Financial’s Web site makes it clear that the bank is focused on offering customers the best payments solutions—direct deposit, ACH origination, and cash concentration—to meet their needs. Increasing ACH volume is good for the bank and also for the communities that it serves.

### Innovative Community Initiative

The bank also makes a positive difference in its community through its “Pay It First” initiative. This initiative engages a team of employees who “believe in the importance of showing kindness and service to others through random acts of kindness.” In practice, a First Financial employee performs a random act of kindness and encourages the recipient of that act to do the same for another individual. Stories of these acts of kindness are posted on the bank-sponsored Web site *payitfirst.com*.

Whether improving the efficiency of payments in the communities it serves or making a positive difference in those communities, First Financial Bank is successfully fulfilling the optimism of those 3,000 pioneers who first invested \$50,000 with the bank nearly 120 years ago.

## Webinars for FedACH Risk Management and FedEDI Plus Services



If your institution has not yet activated its FedACH Risk Management Services, or if you simply want more information about the new FedEDI Plus Service, there are two remaining webinars before the end of the year. Both events are complimentary and require only that you register online at [https://events.frb.services.org/ep\\_web/Dsp\\_eventlist.cfm](https://events.frb.services.org/ep_web/Dsp_eventlist.cfm).

The final FedEDI Plus teleseminar of the year is scheduled for October 29 and has a registration deadline of October 23. Through

this teleseminar, you will learn how our online, automated ACH payment data translation, reporting, and delivery capabilities can benefit your institution as well as how you can sign up for FedEDI Plus.

On November 5, take advantage of the last FedACH Risk Management Services teleseminar of the year and find out how your institution, whether as an ODFI or as an RDFI, can use this suite of services to mitigate ACH risk. Deadline for registration is October 30.

## NEWS KIOSK



■ In July, NACHA's Council for Electronic Billing and Payment (CEBP) released best practices for reducing online bill payment exceptions (i.e., online bill payments that cannot be posted accurately and promptly upon receipt). As these exceptions represent a burden and an expense for businesses as well as for payment processors, all parties can benefit from the CEBP's best practices. For a complete listing of the best practices, visit [cebp.nacha.org/ExceptionProcessingMgmtProgram/index.html](http://cebp.nacha.org/ExceptionProcessingMgmtProgram/index.html).

■ On July 31, 2008, NACHA's board of directors extended the effective date of the International ACH Transaction (IAT) rules and formats for six months, to September 18, 2009. Return entries for transactions bearing the SEC codes CBR or PBR will be permitted through December 31, 2009. The Federal Reserve Banks, along with NACHA, strongly encourage financial institutions to have all production software implemented by March 20, 2009, the original effective date, and to use the six-month extension for additional process documentation, testing with FedACH, and customer education, training, and testing. FedACH customers can schedule IAT testing, starting in early November 2008, at [FRBservices.org/operations/fedach/testing\\_opportunities.html](http://FRBservices.org/operations/fedach/testing_opportunities.html)

■ Are you interested in helping us "go green" with *News from FedACH*? After years of mailing out tens of thousands of newsletters each quarter, we are planning to take this publication to an all-electronic format in 2009. If you would like to be included in our e-mail database for the electronic newsletter, please send a request to [fedachnews@atl.frb.org](mailto:fedachnews@atl.frb.org). We also welcome your comments and suggestions as they pertain to newsletter content and ways in which we can make *News from FedACH* even more useful and informative for your organization.

## 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.

<b>Atlanta</b>	<b>Nedelka Bell, AAP</b>	<b>954.436.2402</b>
<b>Boston</b>	<b>Jean Fisher, AAP</b>	<b>617.973.3218</b>
<b>Chicago</b>	<b>Mark Taylor</b>	<b>312.322.8449</b>
<b>Cleveland/St. Louis</b>	<b>Susan Bivens, AAP</b>	<b>901.496.0626</b>
<b>Dallas</b>	<b>Matt Davies, AAP</b>	<b>214.922.5259</b>
<b>Kansas City</b>	<b>Joni Hopkins, AAP</b>	<b>620.221.2712</b>
<b>Minneapolis</b>	<b>Steve Peterson</b>	<b>612.204.6949</b>
<b>New York</b>	<b>Thomas Goodman</b>	<b>201.531.3637</b>
<b>Philadelphia</b>	<b>Carol Chartrand, AAP</b>	<b>215.574.3414</b>
<b>Richmond</b>	<b>Della Tate, CTP</b>	<b>410.576.3384</b>
<b>San Francisco</b>	<b>Dorothy Williams, AAP</b>	<b>801.322.7948</b>

## DID YOU KNOW?

### International ACH Transaction (IAT) Resource Center

In a survey conducted by the Federal Reserve Banks earlier this year, only 3 percent of the 453 respondents indicated that they did not need additional training or information about the IAT SEC code. Recognizing our customers' needs for more IAT information, we created the IAT Resource Center, which is easily accessible via [FRBservices.org](http://FRBservices.org).

The IAT Resource Center provides the results of the above-mentioned survey, allowing you to measure your institution's readiness relative to similar organizations. Also available in the resource center are the following:

- Readiness checklists for ODFIs and RDFIs,
- Frequently asked questions,
- Materials for software vendors and service providers, and
- A 3-part audio presentation titled "Understanding New Requirements in the ACH Network: International ACH Transaction (IAT)," presented here for those who may have missed the IAT teleseminars conducted throughout this year.

Visit the IAT Resource Center today at [FRBservices.org/eventseducation/education/FedACH\\_iat\\_resource\\_center.html](http://FRBservices.org/eventseducation/education/FedACH_iat_resource_center.html), and call your local FedACH sales specialist with any questions you might have.

## WHAT'S COMING UP

### OCTOBER 2008

#### Navigating Payments 23rd Annual Conference

October 9–10, 2008 St. Louis Park, MN  
www.umacha.org

#### Mid-America Payments Conference 2008

October 28–29, 2008 St. Louis, MO  
www.mpx.org

#### Payments Summit

October 30–31, 2008 Columbus, OH  
www.paymentscentral.org

### NOVEMBER 2008

#### Payments Insights 2008

November 3–4, 2008 Wakefield, MA  
www.neach.org

#### TechMecca 2008

November 3–4, 2008 Dallas, TX  
www.swacha.org

#### The Institute of International Payments

November 18–20, 2008 Atlanta, GA  
www.nacha.org

## FedACH WILL OFFER IAT TOOLS TO RDFIS

When the newest SEC code, International ACH Transaction (IAT), is implemented on September 18, 2009, FedACH Services will provide RDFIs with two tools to assist them with IAT entries.

### IAT Output File Delivery Sort

RDFIs and receiving points will have the ability to receive their IAT items in a file that is separate from domestic ACH items. This functionality will allow receiving points and RDFIs to readily identify IAT items so that necessary due diligence (i.e., OFAC screening) can be performed more efficiently. The IAT receipt file will contain all IAT items destined to a particular RDFI, whether those items came from FedACH International Services or from other ODFIs acting as gateway operators.

### IAT Report in FedEDI Plus

FedEDI Plus will offer a report of all IAT items for a given business day at the RDFI and at the customer level. The IAT report will identify results of OFAC screening, with transactions sorted by settlement date. Consistent with existing FedEDI Plus functionality, the IAT report will be available in various user-selected formats (e.g., PDF, TXT, and HTML).

To ensure that you have the latest information and updates on IAT, we suggest that you periodically visit the FedACH International ACH Transaction Resource Center located on [FRBservices.org](http://FRBservices.org).



## CUSTOMER SUPPORT INFORMATION

### For FedACH Customers in these Districts

Boston (1)  
New York (2)  
Philadelphia (3)  
Cleveland (4)  
Richmond (5)  
Atlanta (6)  
Chicago (7)

### Central Operations Support Site

**Federal Reserve Bank of Atlanta**  
1000 Peachtree Street, N.E.  
Atlanta, GA 30309-4470  
Toll Free: 866.234.5681  
Local: 404.498.8902

### For FedACH Customers in these Districts

St. Louis (8)  
Minneapolis (9)  
Kansas City (10)  
Dallas (11)  
San Francisco (12)

### Central Operations Support Site

**Federal Reserve Bank of Minneapolis**  
90 Hennepin Avenue  
P.O. Box 291  
Minneapolis, MN 55480-0291  
Toll Free: 888.883.2180

## Hy-Vee and Back-Office Conversion (BOC)

Since the 1930 opening of a small general store in Beaconsfield, Iowa, by Charles Hyde and David Vredenburg, Hy-Vee has become one of the top 30 supermarket chains in the nation. After 78 years in business, Hy-Vee remains a privately-owned company with 224 stores in seven Mid-western states and approximately 54,000 employees. Known for excellent service and low prices, Hy-Vee's slogan of "A Helpful Smile in Every Aisle" defines the company's corporate philosophy. As one element of Hy-Vee's strategy to offer low prices, the company decided that electronification of its customers' paper checks was important.

With 27 years' experience in Hy-Vee's accounting department, including the development of the company's current cash management system, Kevin Reeve, assistant vice president and controller, was responsible for moving the company to back-office conversion. We talked recently with Reeve about Hy-Vee's decision and its experiences with check electronification.

**What circumstances prompted Hy-Vee to consider electronification of its customers' paper checks?** We are always looking for cost savings and efficiencies. Electronification of checks benefits Hy-Vee not only as a supermarket, but the decision to implement this technology also helps us leverage our investment in Midwest Heritage Bank, a Hy-Vee company. We see electronification as a way to speed up the check processing cycle while lowering our costs.

**Would you discuss Hy-Vee's determination that back-office conversion (BOC) was the best solution?** We originally experimented with point-of-purchase (POP) conversion using a vendor. This process slowed down our checkout lines, required training of our cashiers, and did not yield any cost savings. As a result, that test ran just three months. Back-office conversion offered the benefits of POP without affecting our front end or requiring additional equipment on the front end. With BOC, we had to purchase only one scanner for each store and train two employees (one primary, one backup) on how to prepare the bank deposit. We have also seen substantial cost savings following the BOC implementation.

**How has BOC implementation changed the workflow at Hy-Vee?** Previously, our store accounting people encoded the amount on each check, added the checks up, and sent them to the bank with a deposit slip. We then prepared an ACH entry to transfer the money to our concentration account. With BOC, the accounting people scan the checks, review and balance the totals to the registers, and send the images to the office. At that point, deposits from all stores are combined into an image file and an ACH file, both of which are sent to the Fed for processing with credit directly to our concentration account.

**What sorts of training did Hy-Vee use to prepare employees for BOC implementation?** We did a one-hour webinar for our store people. Training was easy, and they caught on quickly. Training office staff required more effort as there are inherently more variables and potential problems. Ultimately, we ended up with one person assigned primary responsibility, another as backup, and an IT person who fully understands the process.

**How have customers reacted to BOC?** Most of our customers do not even realize that we've changed our procedures. We provide notification at each checkout and a takeaway of the notice if the customer requests it. We also have an 800 number to call with questions. The only difference customers see is on their bank statement when the check they wrote is identified as an electronic item. And, of course, they do not receive copies of their checks. We have encountered customers who did not understand the process, but once we compared BOC to the way in which many utility payments are now handled—accounts receivable entries (ARC)—they made the connection and better understood BOC. For those customers who prefer to receive their check back, we enable them to opt out of the conversion to ACH so that they ultimately receive an image of their check.

**Did Hy-Vee face any challenges in its BOC implementation?** I guess you could say that we are on the "bleeding edge" of this technology. Our solution involved purchasing the software and hardware and running the entire process ourselves. We have had a number of technical issues ranging from bandwidth to the stores to bugs in the application to being undersized in our hardware needs. While we have moved past many of these hurdles, we continue to face challenges. We currently have 77 of our 224 stores using back-office conversion, and until we stabilize the application, we will not add any more stores. It is my understanding that Hy-Vee may be the first and only company to use this particular configuration for BOC.

**Any closing thoughts on Hy-Vee's experience with BOC?** Back-office conversion has enabled us to reduce our payments processing expenses. ACH transactions are less expensive than are paper checks, and we have even been able to cut our armored car service from six days to three days each week. Additionally, Hy-Vee gets returned checks back in two to three days now rather than in one or two weeks. We do not have the option of automatically resubmitting checks but we can get them in our bad check system much more quickly and at a lower cost. It is my personal opinion that back-office conversion is the best way to clear checks. We have been successful in reaching our goals of reducing banking fees and of clearing payments more efficiently.

## FedEDI PLUS SERVICE ENHANCEMENTS

By early October 2008, FedACH customers who have signed up for the FedEDI Plus Service will notice several enhancements to the service, including

- A new return item report,
- A new notification of change report,
- Existing reports have been formatted to use less paper when printed,
- Historical data available to search for “on demand” reports have increased from 10 to 60 processing days, and
- Most of the improperly formatted EDI found in the ACH network can now be translated into human-readable reports.

FedEDI Plus combines the online convenience of FedLine Web and FedLine Advantage customer access solution functionality with the FedACH EDI data translations that an RDFI's customers need. If your institution has not yet signed up for FedEDI Plus, and you want to be able to generate reports on a recurring, automated basis with associated backroom efficiencies, visit [FRBservices.org](http://FRBservices.org) to find the following documents and materials:

- FedEDI Plus Service Overview
- Frequently Asked Questions
- Sample FedEDI Plus reports
- Customized value calculator
- Online tutorial

Call your local FedACH sales specialist with any questions, or visit the FedEDI Plus Service Setup page on [FRBservices.org](http://FRBservices.org).

## 2008 FedACH SERVICES FEE SCHEDULE<sup>1</sup>

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
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

#### Monitoring Criteria (per set of criteria)

For sets 2-20	\$8.00 /Month
For sets 21-150	\$4.00 /Month
For sets 151 and above	\$1.00 /Month
Batch Monitoring	\$.0025

### FedEDI Plus

Scheduled Report Generated	\$0.20/report
On Demand Report Generated	\$0.75/report
Secure Delivery (e-mail)	\$0.20/e-mail

### FedACH International Services

Item Originated to:	Canada	\$0.0390
	Mexico	\$0.67
	Austria, Germany, Switzerland, United Kingdom	\$2.00
Return Received from:	Canada	\$0.77 (surcharge)
	Mexico	\$0.69 (surcharge)
	Austria, 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

<sup>1</sup> Refer to [www.frbservices.org](http://www.frbservices.org) for additional details



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1000 PEACHTREE STREET, N.E.  
ATLANTA, GEORGIA 30309-4470

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