



NEWS RELEASE

The Federal Reserve Bank of St. Louis
St. Louis Little Rock Louisville Memphis

NACHA, FED ELECTRONIC PAYMENT CAMPAIGN TARGETS CORPORATE BILLERS, CHARITY GROUPS

FOR INFORMATION CONTACT:

95-83

**Lynn Greenwood, Federal Reserve
Bank of St. Louis, (314) 444-8688 or**

**Rick Golden, National Automated Clearing
House Association (NACHA), (703) 742-9190**

FOR RELEASE SEPTEMBER 15, 1995

Paying bills the traditional way -- by check -- can be time consuming, inefficient and costly for consumers, corporate billers, nonprofit organizations and financial institutions. But now there's a better way -- direct payment.

The National Automated Clearing House Association (NACHA) and the Federal Reserve System are starting "Phase Two" of a campaign unveiled earlier this year to promote direct payment -- paying recurring bills electronically instead of by check. The Federal Reserve is the primary operator for Automated Clearing House (ACH) transactions. NACHA is the primary rule-making body for ACH participants -- the financial institutions that are its members.

(more)

NACHA/FED - 2

The campaign's current effort targets corporate billers and nonprofit organizations-- about 22,000 of them nationwide will receive mailings. The Federal Reserve and NACHA are sending information to companies handling large numbers of consumer payments. Some of these industries include utilities, insurance companies, cable TV companies, mortgage-and-loan companies, newspaper publishers and charity groups collecting regular donations or dues. Early next year, the campaign's final phase will shift to boosting consumers' awareness of direct payment's benefits.

The first phase, carried out earlier this year, was aimed at creating awareness among financial institutions of the benefits of direct payment to their customers. "Research shows cost savings can be significant," said Elliott McEntee, NACHA president and chief executive officer. More importantly, service is improved for consumer and business customers."

Paul Connolly, first vice president of the Federal Reserve Bank of Boston and the Federal Reserve's retail payments director, thinks consumers are missing out on a lot. "Out of 20 billion consumer payments made every year, only four percent are made electronically. We'd like to reach many more people with direct payment's advantages...less checks to buy, less trips to the post office, less worries about late payment."

(more)

NACHA/FED - 3

Consumers can learn more about their rights when using direct payment by obtaining a free Federal Reserve pamphlet, "Consumer's Guide to Direct Payment." Copies are available by calling the Public Affairs Department at the nearest Federal Reserve Bank.

Corporate billers can realize significant benefits from promoting direct payment. "They enhance customer service by offering a convenient payment option," said Connolly. "Offering direct payment can improve the company's image with customers and ensure timely, efficient payment collection."

Among other direct payment pluses for corporate billers are these, according to NACHA's McEntee:

Improved cash flow. Direct payment makes receipts more predictable and reliable.

More efficiency. Reduced paper handling saves time and money.

Fewer exception items. People who use direct payment tend to maintain higher bank balances, so fewer payments are returned. Customer information is also more accurate, reducing posting errors.

McEntee noted that charitable organizations also benefit when they offer direct payment to donors. "It helps to sustain donor giving when an organization offers the convenience of direct payment. And as with corporations, charities benefit from direct payment's time and cost savings."

(more)

NACHA/FED - 4

Charities can benefit in these and other ways, he added:

Improved donor retention. With the ease of direct payment, donors are more likely to continue giving.

Increased pledge fulfillment. When payment dates are set up electronically in advance, pledges are collected automatically. Donors are more likely to fulfill their pledges.

Increased pledge amounts. Breaking up a single donation into smaller regular payments helps donors budget their gift dollars. Repeat donors tend to increase donations with direct payment.

Connolly said the Federal Reserve has been pleased with their NACHA alliance. "As the nation's central bank, we're charged with improving the efficiency of the payment system. Our direct payment alliance with NACHA fits right into that mission. We believe that electronic payments can benefit all parties, and look forward to future cooperative efforts to promote their use."
