



The Federal Reserve Bank of St. Louis

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News Media Representatives:

On behalf of the Federal Reserve, the U.S. Treasury and the National Automated Clearing House Association (NACHA), the enclosed news release announces a joint effort to educate consumers, bankers and businesses about legislation requiring that by Jan. 1, 1999, most government payments be made electronically rather than by check.

Please call any of the contact names on the release for more information.

A handwritten signature in black ink, appearing to read "Joseph C. Elstner".

Joseph C. Elstner
Director - Media and Community Relations

JCE:tls

Enclosure

N R E L E A S E

For Release January 28, 1997

Treasury, Federal Reserve and NACHA to Educate Consumers, Bankers, Businesses on Electronic Government Payments

For more information on the NACHA/FMS/FRB education/marketing effort please contact:

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San Diego, CA, January 28, 1997 - Today, the U.S. Treasury, Federal Reserve Banks and National Automated Clearing House Association (NACHA) announced a joint effort to educate consumers, bankers and businesses about new legislation requiring the electronic disbursement of almost all government payments. The law, passed in April, requires the Treasury to begin issuing most payments electronically through electronic funds transfer (EFT) by Jan. 1, 1999.

The organizations announced the effort, referred to by Treasury as "EFT99," at Electronic Commerce 1997 (EC97) a trade show, sponsored by NACHA and the Treasury Management Association, promoting electronic data interchange (EDI). Spokespersons for the Treasury, the Federal Reserve Banks and NACHA noted that the government's two largest payors -- the Social Security Administration and the Department of Defense -- will be actively involved in the communications efforts.

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National Automated Clearing House Association **NACHA** America's Largest Electronic Payments Network

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“In less than two years, more than 350 million check payments are to be converted to electronics. The government must have a strong working relationship with the financial services industry if we are to succeed,” said Russell D. Morris, Commissioner of the Treasury’s Financial Management Service (FMS). “We are pleased that NACHA and the Federal Reserve Banks are so eager to support our initiatives. This joint educational effort is an example of the many partnerships we are developing with industry trade associations to ensure the success of EFT99.”

The three organizations will use direct mail and other informational campaigns aimed at financial institutions and their customers. The campaigns follow similar efforts undertaken by NACHA and the Federal Reserve Banks in 1995 and 1996 that promoted Direct Deposit and Direct Payment. The organizations will use a range of activities from bankers' seminars, to news and public service announcements to help expand the public's awareness of the benefits of electronic payments, particularly Direct Deposit and financial EDI. The organizations' national campaign will reach hundreds of television stations and thousands of newspapers across the country.

To kick off the campaign, FMS and the Federal Reserve Banks will mail brochures to more than 20,000 financial institutions. The brochure, "Are You Ready?," informs institutions about the EFT law and urges them to get ready to meet the needs of millions of federal benefit recipients and businesses that will be looking for electronic payment services.

(more)

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According to Elliott McEntee, president of NACHA, "EFT99 is an opportunity for financial institutions to add customers and expand the range of electronic payment services they offer. Direct Deposit is safe, reliable, and convenient for consumers. In addition, electronic payments are extremely cost-effective for both financial institutions and the government." Industry research shows that financial institutions save between \$.75 and \$1.25 for each in-person deposit converted to Direct Deposit. Furthermore, the government saves approximately \$.40 in processing costs for each payment sent through the automated clearing house (ACH) network rather than by check. EFT99 is expected to save the U.S. Government about \$500 million over the next five years.

The Federal Reserve, which processes all the Treasury's check and automated clearing house transactions, is working in a variety of ways to support the Treasury's electronic payment initiative. "We believe this initiative represents a win-win situation for consumers, companies and the government," said Paul Connolly, first vice president of the Federal Reserve Bank of Boston and head of the Fed's Retail Product Office. "The Treasury is the single largest issuer of check and electronic payments in the United States, and once again is leading the way toward improvement. We believe EFT99 will pay significant dividends by increasing the efficiency of the nation's payments system and will provide significant benefits, such as safety and convenience, to both consumers and corporations. We look forward to working collaboratively with FMS and NACHA."

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The organizations said they announced EFT99 at the EC97 conference because financial EDI was not only the show's theme, but also a key part of the government's vendor payments program. "The Department of Defense alone issues payments to more than 400,000 businesses, said Commissioner Morris. "It'll be a big job to prepare them all to receive financial EDI transactions by 1999. Financial institutions serving these businesses should become EDI capable and may want to provide addenda translation services for ACH payments."

The National Automated Clearing House Association is a nonprofit banking trade association that promulgates the rules and operating guidelines for electronic payments through the ACH Network, and for electronic benefits transfers, electronic checks, financial EDI and electronic commerce, including cross-border and internet transactions. NACHA also produces payments marketing collateral and technical publications and provides education services such as conferences, seminars, The Payments Institute, and the Accredited ACH Professional (AAP) program.

You may also contact the regional ACH Associations about specific activities to promote EFT99 in their territories.

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