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Payments Quarterly

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News and Views
on
Eighth District
Financial Services

The Nuts and Bolts of EFTPS

Since our story last spring on the U.S. Treasury's Electronic Federal Tax Payment System (EFTPS), which enables corporate taxpayers to pay federal taxes electronically, we've received many inquiries about certain options. To assist you in preparing to initiate electronic tax payments for your corporate customers, here are answers to the most frequently asked customer questions:

Do I have to be an ACH originator to initiate electronic tax payments for my corporate customers?

Yes, you must be able to originate ACH credits. If you use Fedline to receive ACH items, you are already able to originate. If you use a correspondent bank or third-party processor for your ACH origina-

tion services, ask them if they can process your customers' electronic tax payments.

If you choose not to provide EFTPS services for your customers, they can use the ACH Debit option, in which the Treasury Financial Agent (TFA) originates the tax payments.

How can I become an ACH originator?

Contact your account executive or Andy Lueckenhoff, the Eighth District ACH account executive, at (314) 444-8647.

What is the difference between future- and same-day payment mechanisms?

Future-day payment mechanisms enable companies to pay



their taxes at least one day before they're due. The two payment options for these transactions are ACH Debit and ACH Credit.

Taxpayers that can't report their taxes before the due date can use one of the same-day payment mechanisms:

1) value Fedwire, 2) non-value Fedwire or 3) Direct Access through the Fed's Electronic Tax Application (ETA) system (via either the Fedline Taxpayer Deposit application or a Computer Interface connection).

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Payment Cycling Delayed

The Social Security Administration (SSA) recently announced that the payment cycling initiative has been postponed. Originally planned to begin with Social Security payments distributed in January 1997, the initiative

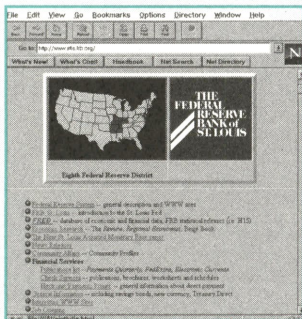
is now tentatively scheduled to start next spring.

To help keep up with the increasing number of benefit payments it disburses, SSA established payment cycling and created three additional payment dates each month:

the second, third and fourth Wednesdays.

We will let you know when we learn of the exact date payment cycling will start. For more information, please contact Cheryl McCarthy in St. Louis at (314) 444-8459.

Check Out Check Services on the Internet



If you've misplaced those price cards and availability schedules that your Federal Reserve office sent you last year, don't worry. They can all be found on the St. Louis Fed's web site. Just visit us at <http://www.stls.frb.org> and click on the Financial Services heading.

The Fed's home page also includes current information on our check services. In the future, we will add items

such as interactive worksheets, which will allow you to calculate your approximate costs to use various check services.

"Because more and more of our customers are gaining access to the Internet, we see it as very important to provide as much information as we can on-line," said Bill Leslie, vice president of Retail Operations at the St. Louis Fed. "In the coming months, we'll be providing details about our trun-

cation and image-enhanced corporate cash management products, plus much more."

You can bypass the Bank's home page and connect to Check Services directly at <http://www.stls.frb.org/check/>.

For more information, please contact Frank Blacharczyk in St. Louis at (314) 444-8960.

EFTPS

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How do I get the Tax Deposit option installed on Fedline?

The St. Louis Fed can supply you with a disk that contains this application. To obtain a disk, contact Customer Access Support at 1-800-333-0861 and press "1." This option is only available for same-day payments.

What is the difference between the ACH Debit and ACH Credit payment mechanisms?

With the ACH Debit application, taxpayers report their taxes to their TFA, either through personal computer or telephone. The TFA then sends an ACH debit to the taxpayers' account at their financial institution. In these transactions, the TFA is the originating depository financial institution (ODFI) and the taxpayers' financial institution is the receiving depository financial institution (RDFI).

With the ACH Credit applica-

tion, taxpayers ask their financial institution to withdraw funds from their account and credit the Treasury for the amount of the tax payment. In this case, the financial institution is the ODFI and the Treasury is the RDFI. The TFA is the receiving point for the information files; however, the funds settle directly to the Treasury's account at the Federal Reserve.

Can companies switch to the ACH Credit option after they already enrolled for and started using the ACH Debit option?

Yes, as long as their financial institution is an ACH originator and offers EFTPS services.

If customers choose the ACH Credit option for EFTPS, can they also sign up for ACH Debit as a backup method?

Yes, but they must provide the IRS with the information requested in items #30 through #33 on the EFTPS Business Enrollment Form

(#9779). When customers sign up for ACH Debit, they will automatically be enrolled for the ACH Credit option.

How will EFTPS affect my TT&L account?

Electronic tax payments can affect your TT&L account several ways, depending on the payment mechanism your customers use and whether you are a Remittance or Note Option TT&L institution. See pages 27-30 of the *Electronic Federal Tax Payments* booklet for specific details.

For customers not using EFTPS, the total number and dollar value of all paper federal tax deposit (FTD) coupons and checks should still be reported through the TT&L option on either EDITH or Fedline. This balance will *not* include funds sent via ACH or Funds Transfer.

How can I learn more about EFTPS?

Consult the *Electronic Federal Tax Payments* book-

let distributed this past June. Exhibit 4 in this booklet lists helpful phone numbers for you and your corporate customers to call and speak to a service representative.

In addition, you can attend one of the half-day seminars being conducted at the St. Louis Fed and the Branches (see *Calendar*); call the Fed's EFTPS specialist, Nancy Klages, at (314) 444-8707, or visit the EFTPS web site at <http://woodrow.mpls.frb.fed.us>.

Cuba, Mo., Bank Makes Its Mark with Check Image

At first glance, Peoples Bank of Cuba may appear to be a small, traditional financial institution sitting 90 miles southwest of St. Louis. But take another look, because this bank of \$85 million in assets is at the forefront of one of the banking industry's hottest technologies—check imaging.

Using the Federal Reserve Bank of St. Louis to capture its checks, Peoples Bank provides image statements for both individual and corporate customers. Instead of sending customers their canceled checks with their statements, the bank provides 8 1/2- by 11-inch sheets of paper, each

banks were pleased with the results: easier check reconciliation; quicker retrievals; reduced postage costs; and the reduction of staff members who were needed to file and retrieve paper checks and microfilm.

Although Peoples Bank was sold on the idea of image, installing its own system could cost \$500,000 or more.

"We realized that an in-house solution was not feasible because of costs," Dean said. "But by using the Fed to capture our checks, we were able to reduce our costs and offer image to our customers."

Dean expects the bank's less-than-\$100,000 investment—for two servers, a scanner and a laser

printer—to pay for itself in three to four years. And customer reaction has been almost unanimously positive, he said.

"They like the product a lot," Dean said. "We gave each customer a three-ring binder with monthly indexes and storage envelopes, so they can keep a

neat file of their image sheets and statements. We promoted image as a financial record-keeping system. It was great PR for us."

Peoples Bank also accommodates customers' special requests, such as including the backs of checks on an image sheet. Angie Medwick, assistant vice president of customer service at the bank, added that image makes check retrievals easier for the bank and less costly for customers.

"Before, when we were researching a particular check, we would go through a whole drawer-full to try to find the right one," Medwick said. "The customer was charged \$15 per hour of research. But now, we can find the checks right away on 8 millimeter tapes, and the customer is charged nothing."

With all of the positive advantages of image, Dean expects to see more financial institutions converting in the near future.

"A lot of banks think image will cost them an arm and a leg, but if they do some research, they will find that it is very cost effective," he said.

For more information on image, call your Federal Reserve account executive.

One Company's Viewpoint

One of Peoples Bank's business accounts is Jim's Motors of Cuba. Here is what owner Darlene Cape had to say about receiving imaged checks.

"It's wonderful. We write about 180 checks per month here, and now we receive the images of these checks in order every month with our statements. I used to take the canceled checks home with me and sort them while I watched TV. I would say that this new system saves me up to four hours per month. Plus, if some kind of disaster struck and all of our paper images were destroyed, Peoples Bank could reproduce them for us within a day."

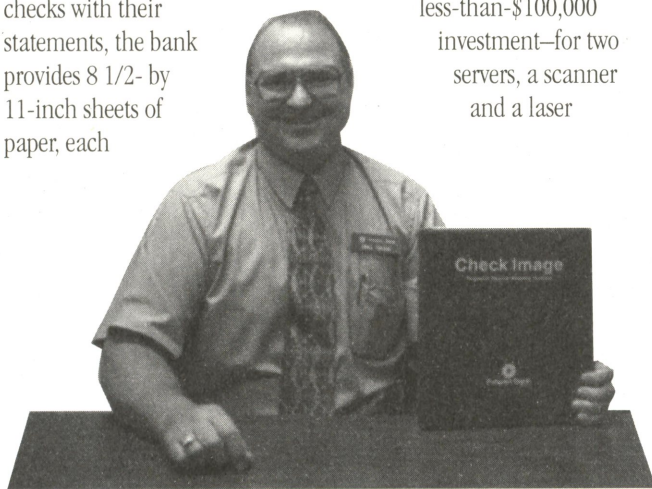
Recipe for Image

1 Each day, the Federal Reserve Bank of St. Louis captures images for all of Peoples Bank of Cuba's checks and provides them on a 3480 magnetic tape.

2 Peoples Bank loads the tape onto a tape reader and copies the file of checks onto the bank's hard drive.

3 From the hard drive, Peoples Bank produces statements and imaged sheets for its customers.

4 Finally, the check images are transferred to an 8 millimeter tape for permanent storage. These tapes can hold one month's worth of checks.



Bill Dean of Peoples Bank of Cuba displays the check image storage binder the bank gives to each customer.

containing up to 10 check images.

Peoples Bank first considered switching to image last fall, said Bill Dean, vice president/cashier at the bank. Dean and other bank officials visited banks that had already installed their own image systems and found that these

Branching Out

New Memphis Account Executive Brings Experience

Because her new job entails servicing about 300 financial institutions, it helps that Susan Bivens has worked for banks of varying sizes during her 20 years in the industry.

"My background and experience will make it easier for me to relate to my customers' goals and service issues," said Bivens, who was hired in June as the Eighth District's new account executive at the Memphis Branch. Her most recent position was as assistant vice president/branch manager at Victory Bank and Trust Co. in Cordova, Tenn., where she directed the daily branch operations of the bank's first branch and was instrumental in helping the bank grow from \$70 million in assets to \$100 million in just two years.

"Building trust is the most important factor in developing relationships and ensuring loyalty."

- Susan Bivens

Previously, Bivens spent several years in a similar position at NationsBank of Tennessee, where she directed all aspects of day-to-day operations. Before that, she worked at First Tennessee Bank in Memphis, where she supported business development efforts within the upscale consumer market using bank depository and credit products and services



as sales vehicles.

Now, she will spend about half her time on the road, visiting financial institutions in Tennessee, Mississippi and Arkansas. Bivens said working at the Fed is a challenge she looks forward to.

"I like communicating with people and helping them find solutions to their concerns," she said.

Among the services the Fed currently is providing, Bivens says she notices a great deal of interest in check imaging. She said financial institutions will be making greater advances toward using and promoting electronic payment methods to remain competitive and increase their efficiency.

"There definitely will be a greater push for electronic banking in the future," Bivens said.

As for her philosophy in servicing customers, Bivens relies on a tried and true principle—"Do what's best for the cus-

tomers, be honest with them, listen and respond. Building trust is the most important factor in developing relationships and ensuring loyalty."

ReserveNotes

New NACHA Rule Changes Affect Two SEC Codes

Two ACH Standard Entry Class (SEC) codes will change Sept. 20 as part of the 1996 NACHA operating rules update.

Corporate Trade Payment (CTP) no longer will be considered a valid SEC code.

These payments must be converted to another format, such as CCD or CTX.

Automated Enrollment (ENR), a new SEC code, has been created to simplify the process of signing up consumers for the direct deposit of some federal benefit payments. Instead of mailing a form or making a phone call, you can use the ACH network (through your Fedline or Bulk Data connection) to send federal agencies enrollment information for the following benefit payments: Social Security, Supplementary Security Income, Railroad Retirement payments, Veterans compensation and pension, and Civil Service annuity and survivor payments.

For details on these or any of the other NACHA rule changes, please consult the 1996 ACH NACHA Rule Book, which can be purchased from your local ACH Association. If you have any questions, contact Andy Lueckenhoff in St. Louis at (314) 444-8647 or your local ACH association.

New Position Created to Promote ACH

To help support the Federal Reserve's goal of increasing the use of the Automated Clearing House (ACH) network, the St. Louis Fed has appointed Andy Lueckenhoff to the new position of Eighth District ACH account executive.

In this role, Andy is available to help you with your ACH marketing efforts, as well as meet with you and your corporate customers to provide training and educational assistance.

Andy brings to this position an extensive financial services background. He has been with the St. Louis Fed for more than 20 years and has worked in many areas, including ACH, Check, Wire, Support Services, Reserve Accounting and, most recently, Customer Support as the account executive for southern Illinois.

If you would like to schedule a visit with Andy, please call (314) 444-8647.

Treasury Payment Changes: Are You Ready?

Confused by mandatory EFT legislation, EBT and other recent government payment initiatives? If you would like to better understand how to prepare your organization for these programs and take advantage of the new business opportunities they present, you can attend a free seminar enti-

led *Electronic Government Payments: The Key to Expanding Your Business Opportunities* Oct. 16 at the St. Louis Fed.

Along with the above topics, the seminar also will address EFTPS, SSA Payment Cycling, Automated Enrollment (ENR) and the Vendor Payments Program. Presenters from the St. Louis Fed, the U.S. Treasury's Financial Management Service and Mid-America Payment Exchange will provide an overview of these initiatives and discuss opportunities for you to increase your volume of electronic payments.

For more seminar details, contact Jenna Martin in St. Louis at (314) 444-8946.

Out With the Old \$100 Bills

You can help play an important role in replacing old \$100 bills with the redesigned currency. When you receive the old-style bills from customers, deposit them with your local Federal Reserve Bank. Only the redesigned \$100 bills should be distributed to the public. Although the old notes are legal currency, it's important to begin using the new ones to help deter counterfeiting. If you have any questions or would like to order the new currency, contact your account executive or the Cash Department at your local Reserve Bank.

Calendar

EFTPS Seminars

Oct. 28 & 29	St. Louis
Nov. 5 & 6	Little Rock
Nov. 13 & 14	Louisville
Nov. 18 & 19	Memphis

These half-day seminars will include a brief overview of EFTPS and a Fedline demonstration. For more information, call Susan Hackney in St. Louis at (314) 444-8485.

Answers to Consumer Questions on Direct Deposit

The Federal Reserve Bank has developed a new pamphlet for consumers that answers, in plain language, some common questions about direct deposit. The pamphlet, *A Consumer's Guide to Direct Deposit*, addresses issues such as how consumers know their money was deposited, confidentiality of account information, and more.

For more information, call Cheryl McCarthy in St. Louis at (314) 444-8459 or at our toll free number listed on the back.

Fed ACH Update: New Features Available This Fall

In August, all Reserve Banks completed their conversion to Fed ACH, the new centralized ACH software that offers expanded processing options and more on-line capabilities. Because all 12 Districts are now using this software, several additional features will be available that enable you to:

- Use a later premium processing deadline
- Enjoy a more flexible operating schedule
- Sort items by type and settlement date
- Deliver files to separate locations at different frequencies

• Perform more functions on-line: Through Fedline, you will be able to make file and item trace more requests, and also file and advice remake requests.

Watch your mailbox for more information on when these features will be available. Before the features are implemented, you will receive a user guide that describes the new Fed ACH features and file processing capabilities in greater detail. For more information, contact Langston Scott in St. Louis at (314) 444-8461.

**PLEASE NOTE
THE ACH DEPARTMENT'S
NEW FAX NUMBER:
(314) 444-4654**

How Are We Doing?

An update of the Eighth District's quality measure goals
Measure: Timely Availability of ACH Items

Our Goal: All ACH items will be available to receivers by 5:30 p.m. EST for the day cycle and 5:30 a.m. EST for the night cycle 99.9 percent of the time.

Current Performance:

January 1996 - June 1996	100 percent
July 1996	95 percent
August 1996	100 percent



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It's On Us



If you have questions or comments about any of the Federal Reserve's products or services, let us pay for the call. Our toll-free phone numbers are listed below.

St. Louis Office

1-800-333-0810

Little Rock Office

(in Arkansas)

1-800-482-9463

(outside Arkansas)

1-800-332-0813

Louisville Office

(in Kentucky)

1-800-292-3596

(outside Kentucky)

1-800-626-4507

Memphis Office

(in Tennessee)

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(outside Tennessee)

1-800-238-5293

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