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News and Views
on Eighth District
Financial Services

Nationwide Direct Deposit Week Debuts in October

The first nationwide direct deposit promotion will take place Oct. 12-16. During this week, the Federal Reserve, the U.S. Treasury, the National Automated Clearing House Association and the regional ACH associations will work with financial institutions, companies and community organizations across the country to increase consumer awareness of direct deposit.

This will be the first time these organizations together have carried out such an extensive public education campaign on direct deposit. A variety of activities, including radio and television interviews, as well as advertising on billboards, buses and

trains, will promote direct deposit for payroll, pension and Social Security benefits. In addition, Oct. 14 will be National Direct Deposit Sign-Up Day, during which regional media and community-based events will heavily promote direct deposit.

Nationwide Direct Deposit Week is an opportunity for financial institutions to reap the benefits of shorter teller lines and lower payment processing costs by marketing direct deposit. Here are some ways to become involved:

- Conduct lobby promotions Oct. 2, 5, 30 and Nov. 2 for customers depositing benefit and payroll checks.



- Join local government agencies and community organizations on National Sign-Up Day and set up tables at places, such as local community centers and churches, to pass out information on direct deposit, answer questions and sign up people for the service.

Free direct deposit educational materials are available for you to use, both through the District's Automated Payments Partnership campaign or the Treasury's Financial Management Service (FMS). Please contact Carrie Andert in St. Louis at (314) 444-8946 or FMS at (202) 874-6540.

St. Louis Switches to New Viewing Software

As part of our efforts to meet century date change (CDC) compatibility requirements, this fall the St. Louis office will offer a CD-ROM viewing software replacement called IDSPlus.

In addition to complying with CDC standards, this new software will make our Image-Enhanced Corporate Cash Management service easier for your business customers to use.

One of the most significant improvements is that check images will appear more clearly on all Windows® operating systems. IDSPlus also offers several new features, including the ability to:

- Add notes, categories and tags to checks.
- Store and recall frequently used queries.
- Develop customized reports.
- Transfer the index from the current viewing software.

You must use IDSPlus to enjoy these capabilities, because the current viewing software is not CDC-compliant. For current users, the cost to upgrade to IDSPlus is \$150. A new copy costs \$450, which is comparable to the price of the old software. To order your copy, please contact Bobbi Antoff in St. Louis at (314) 444-4259.

Save Money, Time With Online Processing

To ensure you receive cost-effective and efficient services, the Fed is encouraging customers who send and receive funds transfer and book-entry information on paper, or "offline," to begin using their FedLine® software.*

Depending on the number of wires or book-entry transfers your financial institution processes, going online can save you a substantial amount of money. Each wire and book-entry transfer costs \$12.40 and \$10, respectively. With FedLine, the current online fee is only \$0.40 for wire transfers and \$2.25 for book-entry processing (these prices could be lower in the future).

In addition to cost savings, your financial institution saves valuable time through online processing by eliminating four-party callback procedures, which require two employees from your organization to participate in each transaction.

Ed Furman, vice president at First Bank in Creve Coeur, Mo., recently began using FedLine for online securities transfers and is experiencing substantial cost savings and improved operating efficiencies.

"We have reduced our transaction costs 80 percent and streamlined collateral pledging, which saves a significant amount of time and labor," says Furman.

He also credits the switch to online securities transfers

as the factor that enabled him to avoid hiring temporary help when an employee was on maternity leave.

If you have questions or want an analysis of your potential annual cost savings from using online transactions, please call Flora Armon in St. Louis at (314) 444-8612.

** Later this year the Boston Fed will service customers making offline funds and book-entry security transfers (see related Reserve Note).*

Newsletters and Web Sites Offer Year 2000 Information

Throughout the last year and a half, the Federal Reserve has sent out newsletters and bulletins with detailed information on the impact of the century date change (CDC).

The newsletters feature general CDC information and suggestions on managing Year 2000 projects; the bulletins contain critical information specifically for financial institutions that electronically access Fed services through FedLine® software, Bulkdata or a Computer Interface link.

You can find the entire series of newsletters and bulletins, as well as other related information, on the Fed's CDC web site at www.frbsf.org/fiservices/cdc. If you are not receiving these publications or want additional copies, please contact Jeff Dale in St. Louis at (314) 444-8400.

Two other web sites contain Year 2000 supervisory information for financial

institutions. You can find the Federal Reserve Board of Governors at www.bog.frb.fed.us/y2k.

The Federal Financial Institutions Examination Council also has information at www.ffiec.gov/y2k/guidance.htm.

If you have any questions about the Fed's CDC project or Year 2000 supervisory activities, please contact Jeff Dale or your account executive.

Remember Fed Testing for Century Date Change

To make sure your electronic connection with the Fed is ready for the Year 2000, we are offering testing with many applications, including ACH, check, book-entry and funds transfer.

In June, we completed testing the internal systems that customers use, and we now are prepared to distribute and receive century date change test files. Using your FedLine or Computer Interface connection, you can test on specified weekdays and weekends (*Century Date Change Bulletin No. 3* published a schedule for each Fed service, which bulletins 4 and 5 updated).

We strongly encourage your financial institution to test applications with us. To set up a time, please send in a Test Request form (distributed with *Century Date Change Bulletin No. 4*). If you need assistance filling out this form or have other testing questions, contact the FedLine Help Desk at 1-800-333-0861 and press 1 to speak with an Electronic Access Support representative.

Major FedLine Changes Coming

Get ready, FedLine users! In 1999, several major changes will significantly improve FedLine® software by taking advantage of advances in computer and Internet technology.

Get Ready for Windows NT®

After extensive preparation and testing, we will introduce FedLine for Windows NT® in the first quarter of next year. You may have heard about the Fed's initiative to convert FedLine software from a DOS to a Windows® operating system. We plan to convert FedLine applications gradually according to the following 1999 schedule:

Phase One— First Quarter

- Accounting
- Funds Transfer
- Large Dollar Return Items
- Savings Bonds
- Treasury Tax & Loan
- Generic File Transfer (the ability to import and export files)

Phase Two— Second Quarter

- ACH
- Statistical Reporting and Reserves

Phase Three— Third Quarter

- Book-Entry Securities
- Taxpayer Deposit
- Automated Auction
- Check Services

Informational sessions will be available for you to learn more about FedLine for Windows NT (see *Calendar* for dates). Also, watch your mail later this year for the

next version of the *FedLine for the Windows NT® Workstation* newsletter, which will discuss recent developments on the conversion, as well as list hardware requirements.

If you are thinking about purchasing hardware to accommodate Windows NT, please contact an Electronic Access Support representative. Requirements have been continually changing, and we want you to have the most current information. We also recommend that you wait to purchase any hardware until you upgrade to the new version of FedLine.



FedLine Functions Go Online

Not all existing FedLine applications will convert to Windows NT. We are developing a product so financial institutions can use the Internet to access some of the current FedLine services.

FedLine for the Web will be a new way for customers to communicate with us other than by using traditional FedLine software, fax, mail or telephone.

The way it works is simple. Instead of exchanging information with the Fed

through your FedLine software, you will use the Internet. You need a computer with Internet access—FedLine software does *not* have to be loaded on the same computer. Using an off-the-shelf web browser, you will access the Fed's web server where the application software resides (data entry screens, field edits, help information, etc.).

Six applications under development for FedLine for the Web are: Cash Services, Check Image, Check Adjustments, Statistical Reporting, Noncompetitive Treasury Auction Tenders and Savings Bonds. We currently are evaluating other FedLine

applications to see if they also would be appropriate for the Internet.

Several financial institutions across the Fed System are in various stages of piloting the web applications. Each is on a different production schedule; cash services will be the first online in mid-1999.

Only the Beginning...

We continually look for new ways of using technology to help make FedLine a more flexible product and to improve your communication with the Fed. These two enhancements are just the start. If you have any questions on these upcoming changes, please contact Gary Auer in St. Louis at (314) 444-8948.

Taxpayer Deposit: EFTPS Option for Offline Customers

We recently released a more user-friendly Taxpayer Deposit (TD) FedLine application. FedLine customers who do not use the online funds transfer service can use TD as an alternative way to submit same-day Electronic Federal Tax Payment System (EFTPS) transactions. TD is a backup to the ACH credit method and should not be used regularly.

The new TD application includes several enhancements:

- Multiple choice lists that reflect current EFTPS tax type codes.
- Modified tax type/field definitions that include tax forms and descriptions with corresponding prefixes and suffixes.
- Renamed tax deposit screens that reflect the tax classification instead of the tax form.
- Ability to reverse a federal tax deposit message transmitted on a previous day.
- Removal of the enrollment screen, which is coordinated between the taxpayer and Treasury Financial Agents.

If you are a FedLine customer who wants this upgrade and has not yet received it, please call the FedLine Help Desk at 1-800-333-0861 and press 1 to speak with an Electronic Access Support representative.

FinancialPage



Study Shows Education Needed on Direct Payment

This is the second article of a two-part series that began in the previous issue of Payments Quarterly.

A national market research study conducted earlier this year on Automated Clearing House (ACH) payments revealed some new facts about direct deposit.

Consisting primarily of focus groups and surveys to explore some of the existing attitudes toward electronic payments, the study also looked at current direct deposit and direct payment use among consumers and businesses, as well as their satisfaction with the services.

Following are highlights from the direct payment portion of the study.

Consumer Findings

- Confusion exists with the term *direct payment*. Many think the terms *automatic withdrawal* or *authorized automatic payment* more accurately describe electronic debit transactions.
- Many consumers do not really know how direct payment works—22 percent of users and 45 percent of nonusers indicated they do not understand direct payment well enough to describe it to a friend or colleague.
- More than one-third of U.S. households claim they use direct payment for at least one recurring payment. On average, direct payment users make 2.4 electronic payments a month.

- Only 84 percent of direct payment users are extremely or very satisfied with the service, significantly lower than 97 percent of direct deposit users who are extremely or very satisfied.
- Ease and convenience are the best attributes of direct payment, according to 75 percent of users. Saving time by not having to write checks was another recognized benefit, as well as not having to worry about paying bills on time or by their due date.

Business Findings

- Only 13 percent of businesses offer direct payment to consumers. Businesses offer direct payment mainly because customers request it and to improve customer service. Satisfaction with current methods of receiving payments, as well as lack of demand, are the primary reasons for *not* offering it.
- Businesses that offer direct payment rely on signing up new customers when they open new accounts, instead of targeting existing customers.
- Surveyed businesses said direct payment helps improve cash flow and saves time and money because of decreased check processing. They also cited improved reliability as a benefit because

payments arrive at the same time each month, reducing late and delinquent payments.

- Only 47 percent of businesses use direct payment for *their* own bills. Greater potential exists if a discount from the bill is offered.

One of the most significant findings was that businesses and consumers depend primarily on their financial institutions for information about direct payment and direct deposit. They consider you the most credible and reliable source, which means your financial institution can play a key role in educating your customers and helping them understand electronic payments.

The St. Louis Fed's web site at www.stls.frb.org/banking/ach provides more information on this study. Later this year, we will send all financial institutions a report summarizing the key findings from this research. If you have any questions about the research, please contact Cheryl McCarthy in St. Louis at (314) 444-8459.

ReserveNotes

New \$20 Bill Released in September

The Federal Reserve is circulating the redesigned \$20 bill this month. The new bill has the same security and anti-counterfeiting features you now see on the new \$50 and \$100 notes.

The practice of gradually replacing the old series notes with new ones will continue, with all old currency retaining its face value.

To help introduce the new \$20 bill to the public, the Fed will fill all orders for \$20 bills with the new series for approximately two weeks, and then revert to distributing fit currency before issuing new notes (guidelines are in Operating Circular #2 for Cash Services). If you have any questions, please contact Joe Elstner in St. Louis at (314) 444-8902.

Boston Fed Will Service Offline Customers

Beginning Nov. 30, the Federal Reserve Bank of Boston will service Eighth District offline customers and five other Fed districts.

As more financial institutions discover the benefits of online processing through FedLine® software (see article on second page), the volume of offline transactions continues to decline. To provide these customers with proficient service, we are consolidating offline funds and book-entry security transfer services.

The consolidation will not change procedures for offline transaction processing. Although the Boston Fed will support online customers in contingency situations, we strongly

encourage these customers to have an alternative online contingency plan.

You will receive more specific details about the consolidation as information becomes available. If you have questions in the meantime, please contact Flora Armon in St. Louis at (314) 444-8612.

Check Out Our New and Improved Web Site

The St. Louis Fed's web site has a fresh new look. To help you quickly find information on our financial services, economic data and other topics, we have redesigned our Internet page.

We think you will discover a new site that is easy and enjoyable to use. Visit us at www.stls.frb.org and see for yourself!

Fixed Availability Option Eases Reconciling Returns

Are you looking for an easy way to reconcile your low-dollar return cash letters? Take advantage of the *fixed availability option*, which enables you to receive one-day deferred credit on your entire return cash letter amount. This is less complicated than the calculated alternative, which gives you credit during the course of several days.

The fixed availability option simplifies reconciling your return cash letters and eliminates the need to track multiple availability dates. To sign up, please contact your local customer service representative (listed on back page).

Composite Receiver File Reduces ACH Returns

To keep track of all financial institutions across the country eligible to receive commercial ACH entries, the Federal Reserve maintains a national ACH Composite Receiver File (CRF) and distributes copies to requesting financial institutions.

With this information, originating financial institutions can avoid sending ACH items to nonparticipating institutions and reduce the number of returned entries.

You can receive a copy of the complete CRF at no charge and obtain monthly updates through your electronic connection or on tape, microfiche or paper. To sign up to receive the CRF or to change how you currently receive the file, contact Julie Dalton in St. Louis at (314) 444-8973.

Reminder: Request Form Speeds Check Adjustments

As we work continually to improve check operations, we are placing special emphasis on check adjustments. To help us more efficiently resolve the adjustments you file, please use the Check Adjustment Request form instead of a handwritten note.

Because this form contains all the information we need to start working on your adjustments, you can be assured that we will start the process immediately. Including all pertinent attachments with the form (e.g., copies of checks with encoding errors, both sources for paid items, etc.) also helps us provide quick

and accurate resolution of your adjustments.

Another way to speed the adjustment process is to submit cases electronically using FedLine® software. For details on this option or to obtain a supply of the adjustment request forms, please contact your local customer service representative (listed on back page).

Calendar

Check Adjustments Workshop

This half-day seminar provides an in-depth overview of the adjustment process. Attendees will receive a workbook containing adjustment samples, a glossary and an updated contact list. Watch for a seminar agenda and registration form in the mail this fall.

Memphis—Nov. 18

Training for FEDEDI and FedLine for Windows NT®

FedLine customers can learn about the new FEDEDI software and FedLine for Windows NT in an informative one-day session.*

To register for one of the seminars in your area, contact Carrie Andert in St. Louis at (314) 444-8946.

St. Louis—Nov. 16, 18, 20

Little Rock—Nov. 2, 3, 4

Louisville—Oct. 20, 21, 22

Memphis—Oct. 27, 28, 29

* Dates are tentative.

District Roundup on EBT

States across the Eighth District have been working hard to implement Electronic Benefits Transfer (EBT) programs. All states must use EBT to issue food stamp benefits by Oct. 1, 2002, as specified by the Welfare Reform Act of 1996.

As you are probably aware, EBT is the electronic disbursement of state benefits to those who receive food stamps or cash assistance. Most states use magnetic swipe cards, similar to debit cards, that are accepted at ATMs and stores displaying the Quest® symbol. Illinois residents look for the Illinois Link symbol to redeem their benefits.

Your financial institution can increase revenue opportunities by becoming involved in your state's EBT program. To participate, arrange with ATM networks to accept EBT cards, as well as offer low-cost or starter accounts to those without accounts who want to receive cash benefits by direct deposit.

States in the Eighth District have made the following progress on EBT programs:

- **Arkansas** launched its EBT program statewide in April. Early feedback shows customers are pleased with receiving welfare, food stamp and Transitional Employment Assistance (TEA) benefits on a magnetic swipe card.
- **Illinois** successfully began issuing EBT cash and food stamp benefits statewide in November 1997.
- **Indiana** plans to start placing food stamp and Temporary Assistance for Needy Families (TANF) benefits on its EBT card in the future, after handling an implementation delay.
- **Kentucky** will begin disbursing food stamp benefits electronically in May 1999. Five counties in central Kentucky will be the first to offer EBT—Anderson, Fayette, Franklin, Shelby and Woodford. Kentucky also is focusing on moving cash consumers into the banking system by partnering with financial institu-

tions to develop and promote starter accounts.

- **Mississippi** has rejoined the Southern Alliance of States; contract negotiations will begin soon to pilot its EBT program in Rankin County.
- **Missouri's** program has been active statewide since May. The state's EBT card provides temporary assistance and food stamp benefits, as well as federal benefits, such as Social Security, Railroad Retirement and Supplemental Security Income (SSI).
- **Tennessee** will pilot its program in November in four counties—Meigs, McMinn, Polk and Bradley. The state plans to place food stamp, Temporary Assistance for Needy Families (TANF) and federal benefits (optional) on its EBT card.

As states begin their EBT programs, you will receive more information on how you can participate. In the meantime, if you have any questions about EBT, contact Carrie Andert in St. Louis at (314) 444-8946.

A Phone Call Away ☎

If you have questions or comments, let us pay for the call. Our toll-free phone numbers and customer service representatives are:

St. Louis Office
1-800-333-0810

Bobbi Antoff
(314) 444-4259

Little Rock Office
(in Arkansas)
1-800-482-9463
(outside Arkansas)
1-800-332-0813
Gerry Gray
(501) 324-8265

Louisville Office
(in Kentucky)
1-800-292-3596
(outside Kentucky)
1-800-626-4507

Lisa Locke
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