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Second Phase of Partnership Campaign to Begin



The Federal Reserve Banks of St. Louis, Chicago and Kansas City, and Mid-America Payment Exchange (MPX) have begun phase two, "Direct Payment: A Winning Proposition!" of the Automated Payments Partnership marketing campaign. Financial institutions across the Eighth District have been invited to join us in promoting direct payment, or automated bill payment, throughout the Partnership's nine-state territory.

By joining the Partnership, you can order free marketing materials to help your institution promote direct payment to customers. You also will have access to information that assists you in planning your own promotional campaigns.

All financial institution partners soon will receive kits that contain a *Direct Payment Marketing Guide*, a quantity of customer statement stuffers, teller tents and a *Consumer's Guide to Direct Payment*.

Becoming a partner also helps you help your customers. Our partners' corporate customers will be provided with either a *Guide to Implementing Direct Payment* or *Tips for Increasing Direct Payment*, depending on their direct payment use. These publications explain the corporate and customer benefits of direct payment, as well as give detailed information on how to begin using or increase usage of direct payments.

In addition to bankers, utility and service company representatives have been asked to partner with us in promoting direct payment to consumers. All corporate partners will be provided with kits containing marketing guides and quantities of the free promotional materials that are available so they can conduct direct payment marketing campaigns this spring.

Promotions by companies and financial institutions, along with radio and news releases, will kick off the consumer phase of the campaign in April. Companies can leverage their campaign



with ours and take advantage of the increased awareness of automated payments during this time.

If you would like to join us in promoting direct payment, please call Carrie Andert in St. Louis at (314) 444-8946.

Partnership's Direct Deposit Campaign Comes to a Close

The Automated Payments Partnership is wrapping up its "Direct Deposit: Your Pay the Easy Way" campaign, the first in a three-phase marketing initiative to promote electronic payments. The campaign kicked off with the placement of billboards, posters and public transportation advertisements

throughout the District last fall. In addition, radio news releases were aired on 52 stations and potentially reached an estimated 654,000 consumers.

Financial institutions around the District hosted their own direct deposit promotions by using

Partnership marketing materials, placing articles in newsletters, holding lobby promotions and hosting direct deposit seminars. Some financial institutions had creative ideas of their own, including handing direct deposit teller fliers

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Rivlin Study Supports Fed's Role in Check and ACH

Almost a year and a half ago, Federal Reserve Chairman Alan Greenspan appointed a special committee to examine the Fed's role in the retail payments system. This group, called the Rivlin Committee, focused its attention on studying the Fed's involvement in check collection and ACH services.

To keep the analysis focused on critical payments system issues, the Committee developed five hypothetical scenarios for the Fed. These scenarios ranged from completely withdrawing from check and ACH services all the way to leading the movement to an electronic-based retail payments system.

To research these issues, the Committee held a series of discussion forums across the country. Attending these forums were financial institutions of all sizes, third-party providers, clearinghouses, consumer groups, academics and consultants. Using this information and insight from other interested

parties, the Committee reached two fundamental conclusions:

- The Federal Reserve should continue providing both check collection and ACH services, with the explicit goal of enhancing the efficiency, effectiveness and convenience of both systems while ensuring safety, reliability and access for all financial institutions.
- The Federal Reserve should play a more active role in enhancing the efficiency of check and ACH services and in helping evolve strategies for moving to the next generation of payment instruments. In doing so, we should work closely and collaboratively with providers and users of the payments system.

The full report contains several other recommendations for check and ACH services. To obtain a copy, contact Cheryl McCarthy in St. Louis at (314) 444-8459 or visit www.bog.frb.fed.us/boarddocs/press/general/1998/19980105.

Fed Establishes Central Business Development Office

Several recommendations in the Rivlin Committee's report are to increase the Fed's promotional and educational efforts for check and ACH services. One action we are taking to fulfill this goal is the recent establishment of a central Business Development Office, located at the Federal Reserve Bank of Chicago.

The primary function of this office will be to coordinate the development and delivery of products and services across the Federal Reserve System, as well as coordinate market research efforts. The office also will develop national promotional and customer communication materials. The Business Development Office will help the Reserve Banks better work together and more consistently manage relationships with the System's diverse customer base.

New Cash Policy Coming in May

On May 4, the Federal Reserve will change the structure of its cash services by implementing the Uniform Cash Access Policy, or UCAP. This new policy will probably change the way some financial institutions use the Fed's cash services.

The basic level of service will allow each institution to designate up to 10 endpoints, each of which will have access to one deposit and one order per week, free of charge. Each of the 10 designated endpoints can receive additional free access each week (up to once per day) for any

deposit or order that meets or exceeds the aggregate high bundle threshold of 20 bundles. If any of the designated 10 endpoints have more frequent access with less than 20 bundles, a \$20 fee will be charged.

If you have more than 10 endpoints, any of which exceed an aggregate volume of 50 bundles per deposit or order (the large volume threshold), these endpoints also will receive free access.

Most financial institutions will not be affected by UCAP. If you have fewer than 10 endpoints, or if your depositing and ordering is consolidated so

that 10 or fewer endpoints use the Fed's cash services once a week, your service will not change. However, if you have more than 10 endpoints or if your endpoints use service more than once a week, you may need to decrease the number of deposits or orders you make with the Fed to continue receiving free service.

Each Reserve Bank is adopting this new policy, so there will be more uniformity in cash services across all Federal Reserve Districts. For more information on UCAP, contact Gladys Butler in St. Louis at (314) 444-8330.

Electronic Check Adjustments: Are You Using FedLine?

Is your check operation as efficient as it could be? There are many Federal Reserve services that can make your financial institution's check processing quicker and less paper-intensive. Check imaging, electronic check presentment and truncation are a few obvious choices. But have you thought about ways to streamline your adjustments process?

Submitting check adjustments to the Fed manually can be time-consuming if you still are filling out and mailing request forms. And there is less certainty about if and when we receive your adjustment requests. However, there's a much easier way to send check adjustments—using your FedLine® software.

How Does It Work?

Instead of sending the Fed a check adjustments request form, you submit "cases" via FedLine. From your terminal, you can not only perform the same activities as you would on paper, but more, including:

- opening and updating a case;
- resolving or canceling a case; and
- inquiring about the status of a case.

Entering and sending adjustments electronically is less work and stress for your staff. FedLine has preformatted data entry screens that are similar to the standard request forms. These screens prompt you to provide all information needed for your request. Each screen contains field tags that identify adjustment information, followed

by a data field for you to complete. These tags are the same as those on the request form.

FedLine also provides multiple choice options to help you type in data quickly. For example, when indicating the type of adjustment case, you can use the multiple choice tool to select from several types of errors. And if you have questions as you go through, help screens are readily available.

To ensure all necessary information is provided, FedLine also edits your entries. A field is highlighted if any mandatory data are missing. FedLine then verifies the data can be processed by the receiving Federal Reserve Bank. Electronic delivery, combined with receiving more accurate data, considerably speeds up the adjustment process.

FedLine Is Faster and Free!

When using FedLine to file check adjustments, you avoid the risk of mail delays and lost deliveries. We receive your adjustment request within seconds after you create and send it. The request is entered immediately into our adjustment process, then you fax your supporting documentation. You also get an acknowledgment indicating the Fed received your case, and we send a notification when it is resolved.

For Todd Pickelheimer, Deposit Services Manager at Old National Service Corporation in Evansville, Ind., this is one of the best features of electronic adjustments.

"By using FedLine, we get notice from the Fed that they received our adjustments," explained

Pickelheimer. "We also get our adjustments faster."

You also can use FedLine to receive adjustments the Fed makes to your account. You receive information to resolve the adjustment the same time it is charged on your statement. No more missing paper advices and entries on correspondent statements without supporting documentation.

Every Federal Reserve office participates in this service, so you are just an online message away from receiving timely responses for all the claims you submit. If you are interested in learning more about our electronic check adjustment service, contact Gary Auer in St. Louis at (314) 444-8948.



ReserveNotes

ACH Return Codes Amended

The ACH rules are getting a little easier! A new NACHA rule change, effective March 20, revises return reason codes R14 and R15 to more accurately reflect their purpose.

Both codes identify ACH entries being returned because beneficiaries, account holders or representative payees were unable to accept payments. However, the current descriptions do not clearly illustrate the use of these codes when federal government return entries are processed. As a result, the codes are being used incorrectly, which increases liability and causes extra work for both RDFIs and originators.

The new descriptions are more specific and will help financial institutions take appropriate action when handling government return entries. A copy of the revised definitions can be found on pages OR 65 and 66

in NACHA's 1998 ACH Rules book. For more information, contact Cheryl Whitworth in St. Louis at (314) 444-8713.

Surviving the Government Mandates

Feeling a little overwhelmed about the recent federal and state mandates requiring the use of electronic payments for vendor payments, food stamp distribution, benefit payments and more? To put it all in perspective, four ACH associations are hosting *Surviving the Government Mandates*, a conference on April 29 in Kansas City, Mo.

This one-day event will provide you with the knowledge to accurately assess the impact these mandates will have on your organization. Come hear representatives from several organizations, including the Federal Reserve, NACHA and the U.S. Treasury, speak on topics such as EFT 99 and state EBT programs. One con-

ference highlight will be the keynote speaker, Donald V. Hammond, Acting Fiscal Assistant Secretary at the Treasury, who will discuss the status of the final EFT 99 rule and how it will impact you.

If you are interested in registering, contact Mid-America Payment Exchange at (816) 474-5630.

EFT 99 Consumer Pamphlet Available

Looking for something that explains EFT 99 to your customers in "plain" language? The Treasury has a pamphlet entitled *What You Need to Know About Your Federal Government Payment* that explains in very basic terms what consumers' payment options are and why direct deposit is a good choice. If you would like to order some to give to your customers, contact the U.S. Treasury's Financial Management Service at (202) 874-6540.

Upcoming Training on FedLine for Windows

As the Federal Reserve Bank gets closer to converting its FedLine® software from a DOS-based platform to Windows NT®, we want to help you prepare for the transition. Early this summer, we will offer informational seminars to give you an overview of the new software. Specifically, the seminars will provide a software review and demonstration, as well as outline the latest hardware recommendations.

We will send out invitations to all FedLine customers and their vendors to participate in these seminars. If you currently are not a FedLine user, this is a great opportunity to become acquainted with FedLine and see how it works in a Windows environment. For more information, call the FedLine Help Desk toll free at 1-800-333-0861 and press 1 to speak with an Electronic Access Support representative.

Use FCA to Benchmark Your Success

As you read in the last *Payments Quarterly*, the Federal Reserve's Functional Cost and Profit Analysis program (FCA) has provided financial institutions a fast, easy and inexpensive cost accounting method for 40 years. Recently revised, FCA is now available in two versions: *FCA Basic* and *FCA Plus*. Each version provides you with a different level of analysis, depending

on your institution's needs and experience with FCA.

However, have you thought about using FCA for purposes other than cost accounting? FCA is a great tool for benchmarking your performance against that of your peers. By using data provided by the Fed, you can compare revenues and expenses with institutions of similar size and product lines. For example, FCA supplies the

information necessary to determine if revenue for a particular product is in line with national and regional norms, or if costs are higher than average in any given functional area.

In addition, FCA enables you to follow your own performance over time by establishing a baseline for costs and profits, and then tracking those statistics over several years. To obtain this type of informa-

tion and make these comparisons without FCA, you would need to survey banks, credit unions and other organizations across the country and spend a significant amount of time and resources compiling the data. With FCA, the Fed does this for you.

If you are interested in learning more about our FCA program, call Dan Horton in St. Louis at (314) 444-8629.

Branching Out

District to Host Educational Seminars

ECP, FCA, EFT 99. Sounds a bit like alphabet soup. Truth is, differentiating among the Fed's financial services can be a bit confusing. Sort through it all at one of our upcoming educational seminars, to be held this year throughout the Eighth District.

Teaming Up With Technology

Starting this spring, the Independent Bankers Association of America (IBAA) and the Federal Reserve System will co-sponsor educational seminars featuring several initiatives important to community bankers. The seminars, called *Community Banks: Teaming Up With Technology*, will cover the following topics:

- Automated Clearing House (ACH)
- Financial Electronic Data Interchange (FEDI)
- Electronic Funds Transfer
- Check Imaging
- Functional Cost and Profit Analysis (FCA)

You will learn the benefits of such services, including how they can streamline your services, improve efficiency, reduce expenses and enhance your services.

The seminars also will update you on the EFT 99 legislation and how it will affect your customers. If you are interested in learn-

ing more about EFT 99, as well as some state mandates requiring the use of electronic payments, you can attend *Surviving the Government Mandates* in April (see Reserve Note article on page four).

These full-day seminars will include staffs from Reserve Banks, IBAA, local ACH associations and software vendors, all of whom will be on hand to answer your questions. Also featured will be peer panels, where local community bankers discuss their experiences with a specific service. A resource room will allow the Fed's vendors to demonstrate products one-on-one.

For more information about our upcoming *Community Banks: Teaming Up With Technology* seminars in your area, call Carrie Andert in St. Louis at (314) 444-8946.

Sample Our Check Menu

Memphis area bankers are invited to partake in a special array of offerings off its electronic check presentment menu at a symposium to be held April 28 at the Memphis Branch. At this symposium, bankers can learn more about our electronic check presentment (ECP) and check imaging services.

This symposium is designed to provide information on Memphis' electronic check services. Reserve Bank staff and software vendors will answer your questions. Area bankers also will

discuss how these services have specifically helped them improve their services. A vendor resource room will be available at this symposium.

Symposium participants can request a free MICR Presentment and/or check imaging cost analysis, plus a free, two-week trial offer of MICR Presentment services for new payor bank customers.

If you ever thought of trying these electronic check services, you won't want to miss this event. For more information or to register, call Susan Bivens in Memphis at (901) 579-2405.

Check Adjustments Workshop

Ever wonder why it takes so long for adjustments to reconcile? What's the process? Plan now to attend our check adjustments workshop to be held late this summer in Memphis. The workshop is designed to help bankers understand the adjustments process, with a special emphasis on using FedLine® software for your adjustments (see article on page three).

Workshop attendees will receive an adjustments workbook outlining sample adjustments and the procedures involved. Registration materials will be mailed mid-summer. For more information, call Susan Bivens in Memphis at (901) 579-2405.

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directly to customers cashing their paychecks and offering free, no-minimum balance checking accounts to customers who use direct deposit. One financial institution even obtained sign-up forms from local companies offering direct deposit and held lobby promotions offering \$5 incentives to customers signing up for direct deposit.

Local companies also jumped on the marketing bandwagon. Articles in employee newsletters, direct deposit sign-up days, posters by time clocks, quarterly use of

paycheck stuffers and a "bank direct deposit fair" were some ways our corporate partners promoted direct deposit.

In total, approximately 600 financial institution and corporate partners participated by marketing direct deposit and distributing Partnership promotional materials, including close to 79,000 teller fliers/employee statement stuffers, more than 38,000 corporate statement stuffers and 10,000 *A Consumer's Guide to Direct Deposit*.

We want to extend a special thank you to all those who helped make the Partnership's direct deposit

campaign successful. We will report on its results in a future issue of *Payments Quarterly*.

By the way, we still have some marketing materials available. If you would like to join the Partnership and obtain some of these free materials, call Carrie Andert in St. Louis at (314) 444-8946.

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)

1-800-552-5132

(outside Tennessee)

1-800-238-5293



• www.stls.frb.org •

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