

Changes in the Payments Landscape



Chris Arrington, CTP, AAP
First Vice President
Technical Product Consultant

How can we help you shine?



2013 Federal Reserve Payment Study

What's Happening With Payments?

- Fifth in a series of triennial studies
- Estimates based on survey data gathered from DFIs, payment networks, processors, and issuers
- First study to include estimates of total unauthorized transactions involving checks, ACH, and cards
- Executive summary available
- Study details available later in 2014

The 2013 study is available in the Research Section on the Federal Reserve website.

The link to that page is below.

http://frbservices.org/communications/payment_system_research.html

Survey Highlights

4.4% CAGR

Total # of Noncash
Payments (Exclude Wires)

\$79 Trillion

Value of Non-Cash Payments

7.6% CAGR

ACH Payment Growth

5.1% CAGR

Increase in Card Payments

CAGR – Compound Annual Growth Rate

Survey Highlights

What's Happening With Checks?

Number and growth of noncash payments

	2003	2006	2009	2012	CAGR*	
					2003-12	2009-12
Total (billions)	81.4	95.2	108.1	122.8	4.7%	4.4%
General-purpose card	30.8	44.3	58.4	73.8	10.2%	8.1%
Credit card	15.2	19.0	19.5	23.8	5.1%	6.8%
Debit card	15.6	25.0	37.5	47.0	13.0%	7.7%
Prepaid card**	0.0	0.3	1.3	3.1		33.5%
Private-label card	4.6	5.8	6.1	8.5	7.1%	11.6%
Credit card	3.8	2.7	1.5	2.4	-4.8%	17.1%
Prepaid card	0.8	3.0	4.6	6.1	24.9%	9.7%
ACH	8.8	14.6	19.1	22.1	10.9%	5.1%
Checks (paid)	37.3	30.5	24.5	18.3	-7.6%	-9.2%

Figures may not add due to rounding.

*CAGR is compound annual growth rate.

**The number of prepaid card transactions in 2003 was negligible.

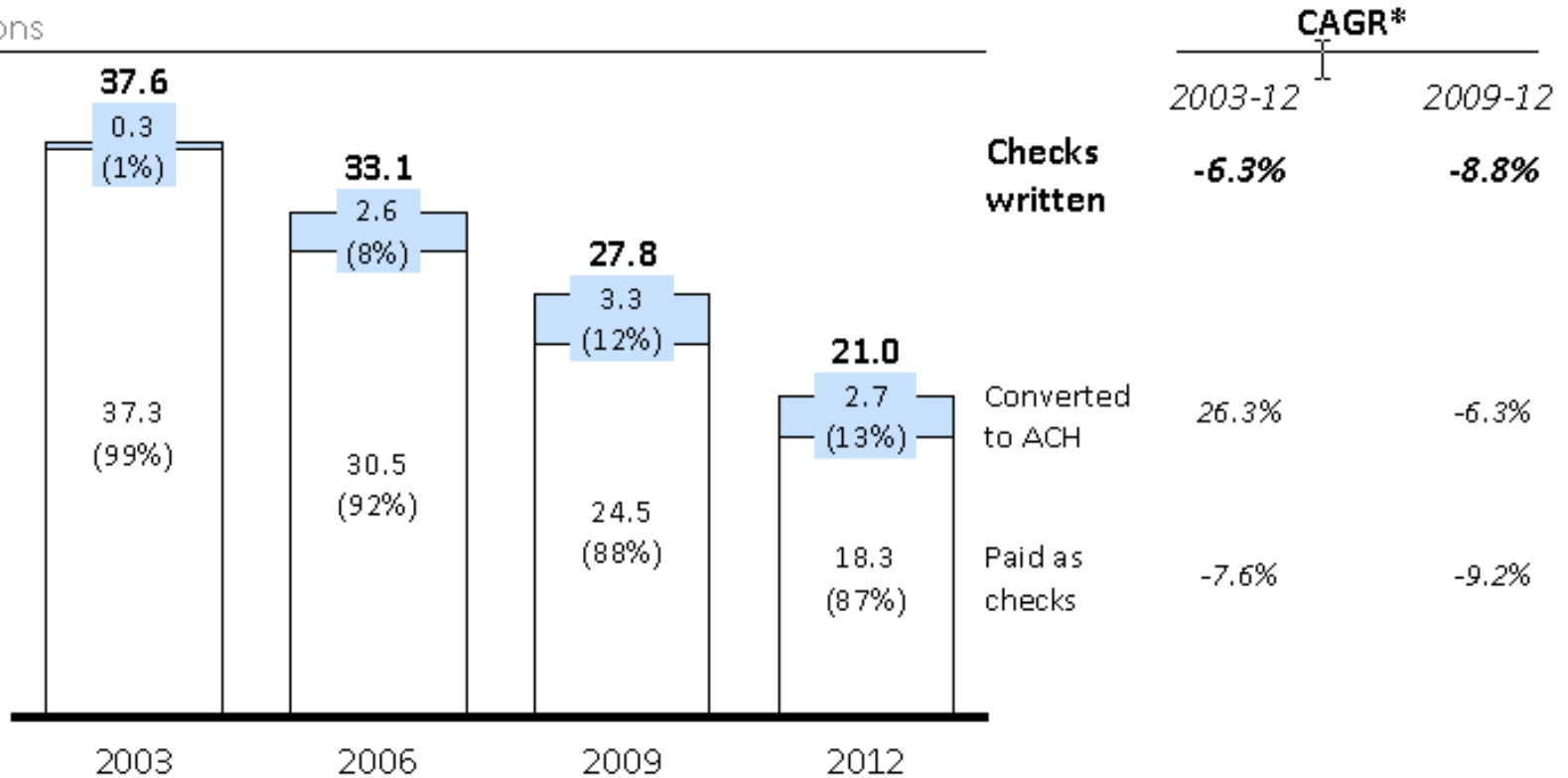
SOURCE: 2013 Federal Reserve Payments Study

Survey Highlights

What About ACH Payments?

Number of checks written, paid, or converted to ACH

Billions



Figures may not add due to rounding.

*CAGR is compound annual growth rate.

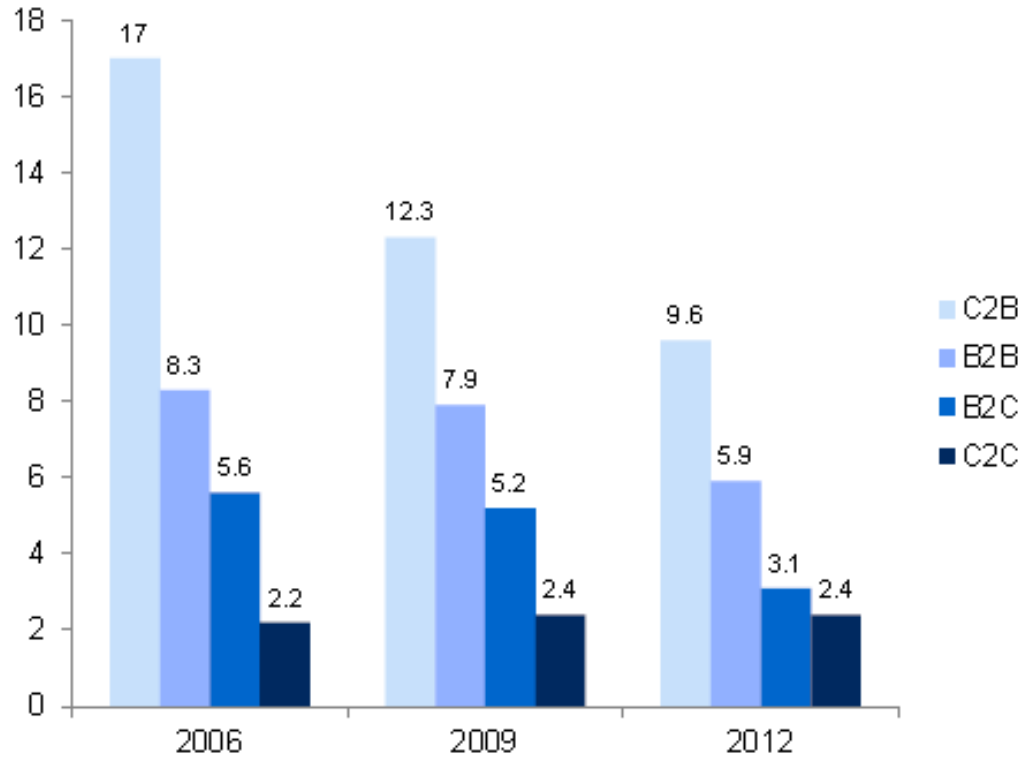
SOURCE: 2013 Federal Reserve Payments Study

Survey Highlights

By Counterparty How Are Payments Made?

Number of checks written by counterparty

Billions



	CAGR*	
	2006-12	2009-12
Total	-7.3%	-8.8%
C2B	-9.1%	-7.8%
B2B	-5.5%	-9.2%
B2C	-9.6%	-16.0%
C2C	1.9%	0.0%

Figures may not add due to rounding.

*CAGR is compound annual growth rate.

Estimates are based on a random sample of checks processed by the Viewpoint archive member banks, PNC, and JPNC. Data from 2009 and 2012 are from the same banks while 2006 data include a subset of the 2009 and 2012 banks. "C" refers to consumer. "B" refers to businesses, nonprofits, or government organizations.

SOURCE: 2013 Federal Reserve Payments Study

What's products are not-for-profits starting to implement?

PRODUCT ENHANCEMENTS

How can we help you shine?



Cash Services

Receivables Management

Product Features	Considerations
<p>NFPs have different options for deposits, based on location and needs:</p> <ol style="list-style-type: none">1. Personnel delivers cash and checks to your local bank branch2. Armored car pick-up of cash and checks for delivery to bank3. Use of a Smart Safe for cash deposits, where applicable4. Ability to use online and/or voice ordering system for cash needed to make change	<ul style="list-style-type: none">• Employee Safety• Security• Deposit credit the same day• Reconciliation reports• Convenience

Lockbox Services

Receivables Management

Product Features	Considerations
<p>Accelerates receivables and cash flow through the reduction in mail float, processing float, and clearing float</p> <p>Meets needs of NFPs and the donors with ability to post payments electronically and efficiently</p> <p>Frees internal resources to focus on other higher value efforts</p>	<ul style="list-style-type: none">• Improve mail float• Reduce labor and equipment cost• Increase security• Maximize cash flow• Accelerate reconciliation

Online Payments

Receivables Management

Product Features	Considerations
<p><u>Online Bill Payment</u> - Regardless of originating bank, receive an ACH credit within 48 hours of payment initiation, along with remittance information.</p> <p><u>Biller Direct</u> – Convenient for payers to make payments through the NFP’s website using checking/savings account number or credit card number. <i>May receive next-day availability on funds and eliminate or reduce card fees.</i></p> <p>Provides posting accuracy and efficiency</p>	<ul style="list-style-type: none">• Improved client experience• Ability to deliver/ receive remittance electronically• Minimize brick-and-mortar locations• Reduce processing cost• Frees internal resources to focus on higher value efforts

ACH-EDI Payments

Receivables Management

Product Features	Considerations
<p>Provides next bank business day availability on all payments</p> <p>Continues to evolve with services like UPIC (Universal Payment Identification Code)</p> <p>Delivers remittance information electronically and in preferred format</p> <p>Frees internal resources to focus on other higher value efforts</p>	<ul style="list-style-type: none">• Eliminate mail float and reduce clearing float• Increase security• Accelerate reconciliation

Card Payments

Receivables Management

Product Features	Considerations
<p>Depending on merchant provider, you may receive next day funds availability.</p> <p>Some merchant providers' funding schedules vary based on type of card accepted from the payer.</p> <p>Generally, you can receive a file of payment data that can be loaded automatically into your Accounts Receivable system.</p>	<ul style="list-style-type: none">• More payment options available to payers and better experience• Automated remittance file delivery• Easy straight-thru processing

Integrated Payables

Payables Management

Product Features	Considerations
<p>With a single file, send payments to your financial institution and they will draft your checks, initiate your ACH payments, and send you wires.</p> <p>Depending on payment type, implement multi-tiered approval process.</p> <p>No longer have to submit positive pay issue file to financial institution.</p> <p>Repository of transaction history.</p>	<ul style="list-style-type: none">• Reduces manual intervention.• Minimizes internal and external fraud.• Reduces cost associated with retaining and storing check stock.

Card Payments

Payables Management

Product Features	Considerations
<p>Provide employees purchasing and T&E cards with centralized management.</p> <p>Build card policies and procedures into card program.</p> <p>Expense management tools for employees to track and account for expenses.</p> <p>Receive detailed reports on card usage by employee.</p> <p>Financial institution can assist with the identification of suppliers currently accepting cards.</p>	<ul style="list-style-type: none">• Stronger controls over spending.• Streamline procurement• Identify savings opportunities• Earn rebates

Not for Profit Finance Application

What does this mean to Not-for-Profits

- The payments landscape has evolved from paper-intensive methods to electronic methods.
- You can offer a better and convenient client experience with the acceptance of electronic receivables.
- Your job in Not for Profit finance has evolved.
- You're receiving remittance information from multiple sources
- You're seeing more exceptions and more labor cost
- Your job has the potential to become more laborious

But, it doesn't have to be this way...

What are some immediate next steps?

Work with your financial institution

It is more important than ever to work with your financial institution to make sure you are taking advantage of the latest solutions to manage your receivables.

Educate your payers

Make sure your payers understand which biller-assigned account number to use when making payments online.

Demand more from suppliers

Work with your suppliers (biller direct, AR, and/or ERP providers) to get the most efficiency out of their systems.

Question Everything

Question your procedures. For example, look at partial payments and how they are handled.

Are there any questions?

THANK YOU!

How can we help you shine?

