

ARC Payments Volume Predicted to Increase Even More Rapidly

In 2002, NACHA – The Electronic Payments Association (NACHA) implemented Operating Rules allowing Accounts Receivable Entries (ARCs). The ARC application is used for consumer bill payments. Under the ARC rules, when a consumer gives a check to an accounts receivable location, such as a lockbox or dropbox, it can be converted into an ACH debit when prior notice has been provided to the consumer.

NACHA figures show that the volume of ARC payments increased by more than 150 percent from the fourth quarter of 2002 to the first quarter of 2003. Recent research by the TowerGroup and Global Concepts indicates that ARCs are expected to increase to 6 billion to 7 billion items annually by 2007. Why is this important?

It is important information because as more consumers begin to experience these transactions, financial institutions can anticipate more questions. Therefore, it will be imperative that institutions be prepared by having a well-trained staff in sufficient numbers to accommodate the consumers. The following concerns are most often directed to Receiving Deposit Financial Institutions (RDFIs) concerning ARC transactions. This information should assist institutions in anticipating questions and having their staff prepared to answer.

- Finding the transaction on the monthly account statement – the transaction will be listed in the electronic transaction section along with other electronic debits, ATM withdrawals, direct deposits, etc. The name of the company to which the payment was made will appear on the statement. Institutions would be wise to notify their customers in advance where they will find these transactions on their statements.
- Where's my check? – Some consumers will want to know why they did not get their checks back in their statement. Explain that the original check was destroyed by the billing company to prevent duplicate processing and to protect privacy. The consumer can request a copy of the check from the billing company which is required to keep a copy for two years. The RDFI can also request a copy from the Originating Deposit Financial Institution (ODFI).
- Proving payment was made – consumers who are concerned about being able to prove payment was made should be advised to keep their periodic account statement since all the information needed for that purpose will be on the statement.
- Privacy – if consumers express concern about the billing company being able to access their account in real-time to determine their account balance, they should be assured this is not the case. The payment is simply being processed similar to the way a direct deposit is processed by an employer as compared to a paycheck deposit. If consumers review their periodic statements and report any suspicious activity, their rights are protected.
- Authorization – it is a fact of life that many consumers do not review their billing statements carefully. As a result, they may ask who authorized the billing company to perform ARC transactions on their behalf. The institution can explain that the authorization was most likely included on the billing statement and that the billing company should be contacted for more information. If they do not want to continue ARC transactions on their account, consumers can ask the billing company if it provides an opt-out of the check conversion process.