

VIEWS & OPINIONS

New Solutions For Old-Fashioned Checks

By Greg Council

In business speed and accuracy are necessary to remain competitive, yet the critical function of receivables management often gets overwhelmed in sheer volumes of paper and data flows. Checks are a big reason why.

Despite newer alternatives, checks remain a favored payment method for businesses and consumers alike. A 2012 survey by the consultancy Aite Group revealed that 70% of business-to-business (B2B) payments are made by check. Among small businesses (those that take in less than \$50,000 a year) checks and cash are the preferred forms of payment, according to the consultancy Celent. And in 2010, nearly six-out-of-10 consumers in the U.S. used checks for at least some payments, the Bank Administration Institute reports.

ACH debits, credit and debit cards, mobile payments and electronic checks further complicate matters. Each of these payment methods tend to be developed independently within different organizational silos supported by multiple legacy systems. This makes it increasingly challenging to provide a unified, robust member experience for receivables processing

The Response Begins

Financial institutions are starting to respond to the need to extract and manage data for payments and receivables management through shared platforms for payments and deposit processing, many evolving from Remote Deposit Capture (RDC) technologies. Some integrate with corporate treasury systems, as well as with systems that support the member relationship, resulting in lower operational costs and better member service.

RDC was developed originally to support the capture, imaging and exchange of electronic check files in lieu of physical presentment of checks. Yet the underlying technologies can be adapted to handle many forms of payments, including ACH, cash and card transactions. The technology layer is critical—choosing the right platform will dramatically reduce the cost of integrating new payment types, a number of which are emerging in consumer technologies today and will likely evolve into business transactions.

Integrated Receivables Hub

An integrated receivables hub eliminates process redundancies and improves productivity through the more efficient use of information and resources.

Using this approach, CUs can manage the processing of multiple forms of payment, regardless of collection channel, and deliver consolidated reports that clients use for updating accounts receivable and other internal systems.

Information from lockbox receipts, checks and card payments from field offices, ACH credit and debits, image cash letters, mobile payments and deposits from customers and/or staff, even cash from electronic smart safes, gets consolidated into a single data stream and delivered in whatever format makes the most sense for each client.

As the result of a more streamlined process, credit unions and business-owner members can:

- Accelerate application of payments and related data, simplify exceptions processing.
- Improve data collection, sharing and analysis.
- Reduce financial and information float.
- Better use resources through the elimination of duplicate processes and applications, and enhanced risk management and fraud prevention.

Consider the example of the fictional recreational products distribution company, ACME Corp. ACME has a mixed customer base of stocking retailers, who are billed on a monthly basis, as well as non-stocking retailers, who pay COD. ACME maintains two warehouses separate from its corporate headquarters. It keeps a banking relationship with a regional credit union that offers an integrated receivables platform, including lockbox, on-site, and mobile payment services.

Until recently, payments were aggregated at the main office for data entry and deposit. Checks were delivered in the mail or worked their way back via intra-office mail from drivers, regularly extending cash float by several days at a minimum. With an integrated receivables platform provided by its credit union, ACME now has three points of entry and processing. Monthly payments with associated invoice data are remitted directly to a lockbox COD payments (checks, credit/debit cards with associated invoice data) are captured by the driver's handheld and immediately processed. Miscellaneous payments (e.g. monthly payments inadvertently addressed to home office) are deposited directly from a desktop RDC device.

What The Convergence Means

As a result, ACME's Days Sales Outstanding is substantially reduced, providing operating cash within hours of receipt. ACME's accounting department is no longer spending valuable time entering and reconciling payments information, and instead receives a regular, consolidated datastream and report on transactions—which, in turn, has lowered the credit union's processing costs and hardened its business relationship with ACME at the same time.

Credit unions are known for providing a high level of service. With the convergence of many technologies into a single receivables platform, credit unions can customize comprehensive receivables solutions for different business customers, and more quickly respond to changing payment offerings.

But more importantly, credit unions can provide value-add services for business customers, becoming an invaluable partner, and making relationship more "sticky."

With so much competition for corporate dollars, credit unions cannot afford to fall behind on service. When they provide an integrated approach that helps members to save money and time on processing multiple types of receivables, credit unions become more ingrained in their members' business and become an indispensable partner.

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MSUFCU's 'StartUP' Challenge Shows Support of CU Mission

The motto of the Michigan State University Federal Credit Union (MSUFCU) is "Building Dreams Together" and their actions clearly show that they are true to the words they speak.

MSUFCU recently announced their grant of \$25,000 to two small businessmen to help get their new business off the ground. The grant was awarded through the credit union's new \$250,000 micro-loans fund offering small business loans for board entrepreneurs in three counties surrounding East Lansing, Michigan.

This unique program called MSUFCU StartUP Challenge gave credit union members the opportunity to have a jump-start on a new entrepreneurial idea. MSUFCU designed the program to allow, in their words, "talented, innovative and creative entrepreneurs that are ready to take their business to the next level."

Grant applicants had to submit a written package that included a value proposition, description of target market, business model and financial statements supported by a situation analysis. In addition, a video pitch accompanied the written submission.

MSUFCU is to be commended for their new and innovative program for individuals with ideas for a small business. They clearly recognize our financial recovery hinges on the small business community that will help grow local economies.

The credit union even takes their program to another level by offering participants feedback on their business plans outlining strengths and weaknesses while suggesting areas of improvement. In addition, those not chosen as the winner are encouraged to apply for the MSUFCU StartUp Loan Fund enabling them to borrow the funds needed to start their new business.

Innovative, creative, outside the box, however you what to describe the efforts of the Michigan State University Federal Credit Union, it is clearly what we need credit unions to be doing today.

MSUFCU has found yet another way credit unions can fill the void created by other financial institutions. They have found a way to fulfill their mission of "providing superior service while assisting members and employees to achieve financial security, their goals, and ultimately their dreams."

Michael E. Fryzel, Board Member
NCUA, Alexandria, Va.

LETTERS TO THE EDITOR

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NCUA Budget Shows Agency In Need Of A Complete Overhaul

I have to agree with Mr. Moriarity's letter to the editor in the Dec, 3rd issue of *Credit Union Journal* and after reading Mr. Diekmann's article entitled "NCUA Posts More Info About Budget On Site" it just seals the deal. One thing in his article that really angered me was Debbie Matz's statement that (NCUA) worked very hard to hold the line on staffing for 2013. Didn't they add 75 people to their staff in 2012?

With the amount of credit unions merging or folding is there really a need for more staff in 2013? I, too, agree that NCUA needs a total overhaul or they should fold. If that was done I truly believe that credit unions would be better off.

Roger A. Licht, President
Credit Union One, Fond Du Lac, Wis.