



NACHA Operating Rule Amendments – Frequently Asked Questions for Financial Institutions

1. How do these amendments impact financial institutions?

- For financial institutions, back-office conversion (BOC) will increase operational efficiency by reducing time and resources needed to process check payments. The costs of accepting, processing and handling paper checks range from \$.75 to \$3 per check. For electronic checks, the cost decreases to \$.32 to \$.70 per check.
- Financial institutions that receive a check image file from the payee can convert eligible checks within that image file to an ACH payment, provided proper notice was given by the payee.
- The amendments will result in fewer incorrect business check conversions, reducing time spent processing and correcting errors.
- A new SEC Code will identify consumer and eligible business checks intended for BOC entries.
- Changes in check conversion methods will affect internal operations and fraud prevention processes, like Positive Pay or payee verification.
- Additional training will be required for front-line, customer service and other employees. Financial institutions should anticipate a higher than normal call volume with questions related to individual transactions, consumer and small-business periodic account statements and general questions related to check conversion.

2. What do I need to tell customers?

- Customers will not experience a fundamental change in the existing experience in using checks at the register. There is no additional delay in the checkout process caused by the requirement of a written authorization in addition to signing a check.
- Customers may notice a difference on periodic financial statements. Checks converted to electronic transactions through BOC will appear as brief descriptions of an electronic transaction, including the check serial number, the date and amount of the transaction, and the payee or business that received the check.
- While BOC does not directly impact the amount of time it takes for a check to be deposited and appear on financial statements, it is possible that funds will be withdrawn more quickly due to continual advances in electronic check processing.
- BOC is a secure method of check processing. Like other check conversion methods, BOC utilizes technology that has been specifically developed and thoroughly tested to process account information securely and privately.
- Financial institutions who intend to back-office convert in the branch must provide consumers notice in the form on signage and paper handouts.

3. Are there opportunities to promote new products or generate additional revenue?

Yes. Checks that contain an auxiliary on-us field in the magnetic ink character-recognition (MICR) line are ineligible for conversion. Such checks are typically used by corporate treasury, purchasing and accounts payable departments, and can be readily identified because they are nine inches long, compared to the standard six inches for consumer checks. Businesses who use personal size checks can upgrade to a business-size document with an auxiliary on-us field and opt out of check conversion, maintaining their existing account reconciliation practices.

Contact your Deluxe Account Manager or call (888) 633-5893 for additional information regarding products that will enable consumers and businesses to opt out of conversion.



4. Do I need to educate my employees about the new amendments? Are there resources available?

Financial institutions will need to educate customer service, front-line and other employees about the new amendments. In late summer or early fall of 2006, NACHA will introduce comprehensive training materials for financial institution service staff. They will also introduce similar materials for businesses and retailers. These materials will be available online at www.electronicpayments.org.

5. How does this affect conversion of home equity line of credit checks?

- Under existing and new rules, home equity line of credit checks are not eligible for conversion to ACH debits.
- It is difficult for retailers and billers to correctly identify these checks and prevent conversion, which can create errors and more costly processing.
- Financial institutions can take advantage of the fact that retailers and billers must implement the amendments to the NACHA Operating Rules by changing existing products to those that contain the auxiliary on-us field, such as home equity line of credit checks.