

Inside EasCorp



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RDC Made Even Easier: Multiple Check Mobile Deposit Coming in 2021

In the coming months, Vertifi Software, industry-leading developers of remote deposit capture technology, will release its image processing library package v.9.0, featuring a new, proprietary, and fully rewritten remote deposit capture (RDC) framework.

RDC has evolved considerably since it was first introduced over 15 years ago. What began as a desktop platform best suited for businesses with high-volume check scanners soon became a more broadly used consumer and small business utility as RDC providers offered support for less expensive or home-based scanners. Perhaps the greatest development, the one that enticed more than 80% of Americans to a mobile banking platform, was the mobile check deposit. Vertifi was at the leading edge of this technology, releasing DeposZip Mobile in 2009. Vertifi's latest RDC framework is the next advancement in this service evolution, a feature-rich software development platform that, when integrated by its mobile banking partners, guarantees the very best RDC experience Vertifi offers.

Version 9.0 features a streamlined and intuitive user interface. It also features fast and convenient multiple check mobile deposit, allowing end users to submit more than one check in a single deposit session rather than needing to submit several, separate single check deposits. Version 9.0 includes other great convenience features such as the option to add a memo to the deposit which carries forward to the deposit history screen for future reference. There are also some new in-app warnings and notifications to help end users better understand the quality and status of their deposit prior to submitting.

To learn more about DeposZip VIP Libraries and RDC framework v.9.0, please contact Andrew Peach (apeach@vertifi.com) at 800.428.1144, Ext. 3306, or the Implementations and Support Department (support@vertifi.com) at Ext. 2.

**New Settlement
Timeline Reflects
Industry's Move toward
Faster Payment
Processing**

Read more on page 2.

New Settlement Timeline Reflects Industry's Move toward Faster Payment Processing

As previously reported in last month's *Inside EasCorp* newsletter, in December 2019, the Board of Governors of the Federal Reserve System announced that it had approved changes to the Federal Reserve Banks' payment services to facilitate the adoption of a later Same Day ACH processing and settlement window. Effective March 19, 2021, the ACH Network's new window expands Same Day ACH availability by 2 hours and aligns the service with the Federal Reserve's ongoing objective to improve the speed and efficiency of the nation's payment systems. In addition to accommodating the new, third Same Day ACH window, the Federal Reserve will also extend the business day for its Fedwire Funds Service by 30 minutes.

In support of these changes, EasCorp will be expanding its ACH and Wire processing windows to allow its service users additional time for processing. EasCorp will add a new 4:15 p.m. ET processing window on the ePayments ACH origination site; this processing window includes Same Day ACH transactions. The current 4:30 p.m. ET processing window will be pushed back to 5:00 p.m. ET, giving service users added flexibility for their end of day operations. With the exception of transactions over the per-transaction dollar limit, all credits and debits originated with a Same Day effective date, and all returns originated on the ePayments site during any of the first three processing windows (10:00 a.m. ET, 2:15 p.m. ET, and 4:15 p.m. ET), will be processed and settled on that business day.

EasCorp will also add an additional domestic outgoing wire transfer processing window at 5:00 p.m. ET, and will extend incoming domestic wire transfer postings until 5:45 p.m. ET. These extended wire transfer windows will allow service users to offer this expanded service to their members.

As you know, there is a growing demand from both consumers and businesses for the faster movement of money. Certainly the growing use cases for, and transaction volumes of, Same Day ACH are reflections of the industry's response to this market demand. EasCorp and Vertifi continuously make business critical improvements to ensure their systems and services, including their ACH and Wire Services, are robust, secure, and ready for current and future transaction processing capabilities.

If you have questions about the new Same Day ACH processing window or the expanded domestic wire transfer schedule, please contact Jan White (jwhite@eascorp.org) at 800.428.1144, Ext. 3321, or Correspondent Services (corrsvc@eascorp.org) at Ext. 4.

EasCorp and Vertifi Software to Participate in FedNowSM Pilot Program

EasCorp and Vertifi Software will be leaders in the industry's charge to provide American consumers and businesses with instant payments services that deliver control, convenience and certainty by participating in a pilot program for the Federal Reserve's upcoming instant payments offering, the FedNowSM Service. Learn more on the News and Events page of EasCorp's website at www.eascorp.org.

FOMC Expected to Keep Rates Low, Even as Inflation Rises

by Kevin Peters, Assistant Vice President
Investment Services, EasCorp

With large parts of the economy still on pause from the Covid-19 epidemic, many economists expect rapidly rising inflation beginning mid-2021 as vaccine distribution expands to greater parts of the population. Prices are expected to rise as entertainment industries such as hotels, restaurants and theaters gradually come back to life. But even as the economy gets back to normal, investors should not expect Federal Reserve policymakers to operate as if it is a normal cycle and hike borrowing rates.

The FOMC adopted a new framework to inflation last year with the goal of not raising rates too quickly during the recovery. Instead of the goal of maintaining 2.00% inflation, the new strategy allows for spikes to occur while the long-term average remains at that level. As far as the other FOMC mandate of full employment, the U.S. economy remains about 10 million fewer jobs than last February. Fed Chair Jay Powell speculated about this effect in a seminar early this month, saying “There could be quite exuberant spending and we could see upward pressure on prices,” while adding that any drastic increase “is very unlikely to mean persistently high inflation.”

The last “dot plot” survey of FOMC members released at December’s meeting showed that all voting members expected no change to the current level of the fed funds rate through the end of this year with only one member seeing rates rise 25 basis points by the end of 2022. Obviously, these predictions could become rosier depending on a marked improvement of vaccination rollout. Economists believe that American consumers are sitting on about \$2 trillion of “excess” savings that have been accruing since the start of the pandemic. But, for Jay Powell and the FOMC, that speculation has to be seen before it is believed.

Credit Unions Kids at Heart to Hold its first All-Ability Challenge

For over 20 years, the Boston Marathon has been a critical fundraising platform for Credit Unions Kids at Heart. Last year, the organization sponsored a Team of 15 Runners, eleven of whom participated in the virtual marathon in September 2020. This year, with the Boston Athletic Association's Boston Marathon plans still uncertain, Credit Unions Kids at Heart will launch its own event, *the Credit Unions Kids at Heart 2021 All-Ability Challenge*.

The Credit Unions Kids at Heart 2021 All-Ability Challenge is a virtual event and celebration of health and kindness to raise funds for Boston Children’s Hospital. Participants can run, walk, roll (wheelchair entrants), cycle, or commit a good deed while collecting donations for research aimed at the prevention, treatment, and cure of pediatric neurological disorders.

Open to adults or children, both athletes and those who are less sporty, the event will allow participants to perform either a physical challenge (5k run, walk, or roll or 20k cycle for adults, for example) or to complete a service project of their choosing. Credit unions may start a group for their employees or their employees may join an existing challenge group.

While the recommended individual fundraising minimums will be set very low to encourage participation, the organization hopes to raise a total of \$200,000 for its research initiatives through this special event. *The Credit Unions Kids at Heart All-Ability Challenge* will run from April 10 through 19, 2021, with registration opening online on March 1, 2021. Entrants will receive a custom runners' bib and a finisher's medal and may be eligible for other prizes.

To learn more, please contact Deirdre Zaccagnini (dzaccagnini@eascorp.org) at 800.428.1144, Ext. 3348, or Robin DeBlosi (rdeblosi@vertifi.com) Ext. 3315.

Instant Payments Offer Many Benefits for A2A Transactions

This article is reprinted with the permission of the Federal Reserve Bank as part of our Following FedNowSM series. Retrieved from <https://www.frb services.org/financial-services/fednow/instant-payments-offer-many-benefits-a2a-transactions.html>, January 2021.

When instant payments come up in discussion, a few common use cases are often cited. For instance, friends can split a dinner check or businesses can pay a vendor to quickly release supplies. A few other common use cases are under the category of account-to-account (A2A)¹ transfers — often referred to as “Me2Me” payments — which occur when an individual or business moves funds between their accounts at different institutions.

Read on to learn more about the kinds of scenarios that are well suited for this payment type and how various stakeholders may benefit, including brokerage and investment management firms, financial institutions, digital wallet providers and the fintechs that support mobile and online transactions.

What are Me2Me use cases?

Let’s start by defining a “Me2Me” payment. It’s most often defined as the transfer of funds from one account to another one owned by the same individual or entity. For example, someone might send funds from a savings account to a checking account. In many cases, these accounts are held at different organizations, like an investment firm and a financial institution (more on this example later).

Use case one: To transfer funds into and out of a brokerage account

For brokerage account owners, instant payment capability would allow them to transfer money immediately from a checking or savings account to the brokerage account to fund investment purchases — assuming both organizations support instant payments. Today, these types of transfers between financial institutions can be cumbersome and typically take days to accomplish.

By enabling instant payments for these kinds of transfers, brokerage and investment management firms can enhance their clients’ experience while mitigating credit risk. In many cases, a client can request a trade in a brokerage account, and if they have insufficient funds, they may have up to four business days after the trade date to transfer the money into their account. During this period, the firm takes on the credit risk that if the client fails to transfer the funds in time, the brokerage firm may need to reverse the trade and incur various costs. But if a firm offers instant payments, clients have the opportunity to settle the obligation immediately even if they wait until the fourth day to initiate the payment. Here are a few customer experience enhancements that clients are likely to find attractive when their brokerage firm adopts instant payments:

- *Quickly capitalize on market conditions without relying on credit:* If an investor notices an investment opportunity after a substantial market decline and doesn’t want to or can’t trade on credit, they can use instant payments to immediately transfer funds into their brokerage account, in which case the brokerage firm doesn’t need to extend credit.²
- *Fund big-ticket purchases quicker:* An investor may need to sell investments in a brokerage account to fund big-ticket purchases, like a down payment on a home purchase. Once the investment is successfully sold,³ the investor could immediately transfer the necessary funds into their checking account.
- *Give clients more control:* A client can immediately transfer funds into the brokerage account to satisfy an obligation, or they can use the four-day grace to optimize cash flow or stay invested a bit longer in another asset — with the assurance that they can properly fund the account on time.

Use case two: To transfer funds between different accounts at different institutions

Instant payments may benefit those who want to transfer funds from a checking or savings account at one financial institution to a checking, savings or even loan account at a different financial institution, assuming, of course, both financial institutions are set up to send and receive these payments.

(continued next page)

Similar to brokerage firms, instant payments can help banks, credit unions and savings associations enhance customer experience without taking on the credit risk associated with allowing a customer to access their deposited funds before the transfer has settled. Here are a few benefits that financial institutions could offer their customers when they take advantage of instant payments' speed and irrevocability:

- *Real-time money management:* When a customer moves funds from their savings account at one institution to their checking account at another using instant payments, funds are immediately available. This could be particularly helpful in a case where a customer is transferring funds to prevent a potential or pending overdraft.
- *Helpful to small business owners:* A small business owner may want to quickly use funds held at one institution to cover payroll or liquidity needs in an account at another institution, or even for personal use. Alternatively, they may want to fund a business account with personal funds in an emergency.

Use case three: To transfer funds into and out of a digital wallet

Instant payments may also benefit consumers who want to transfer money from financial institution accounts into and out of digital wallets. Digital wallets like Venmo and Square's Cash App leverage closed-loop payment systems, meaning the payer and the payee can transact only through accounts offered by the single central provider. Funding and defunding these wallets rely on traditional payment methods like ACH and card payments, which can take a day or more to complete. Instant payments, in contrast, can help reduce this friction.

Like the two use cases above, instant transfers can reduce credit risk when the wallet provider allows immediate access to the funds a customer has moved into their wallet. And when a customer moves money from their digital wallet into their checking account using instant payments, they enjoy a more seamless experience because they can see and use the funds in their checking account within seconds.

By reducing friction, instant payments can help wallet providers enhance the services they offer their customers, including, for example:

- *Transfer funds to a checking account at a moment's notice:* Digital wallet customers may sometimes need to transfer funds into their checking account immediately to cover a payment that is due that day (e.g., to pay rent). Digital wallet providers that offer instant payment transfers provide a compelling feature that will meet their customers' needs better.
- *Have immediate access to funds transferred to a wallet:* A digital wallet customer could move funds from their checking account into their digital wallet and immediately take advantage of a hot deal on a digital marketplace, and the provider wouldn't need to incur credit risk.⁴

In summary, Me2Me payments involve a person or entity transferring funds between two accounts that they own. These types of transactions occur frequently, and instant payments can be advantageous in a number of scenarios where speed and certainty are critical.

Instant payments in the Me2Me space can enhance the customer experience as well as provide benefits to financial institutions and brokerage firms, which, in turn, should also present an opportunity for fintechs and third-party software and services providers to enable the functionality. In other words, various players in the payments ecosystem should consider the benefits of instant payments for Me2Me transactions.

Footnotes

¹Technically, all instant payments involve A2A (account-to-account) transfers, including between two separate people or entities. However, the term A2A is most commonly reserved for fund transfers between two accounts owned by the same individual or entity.

²While instant payments allow the immediate transfer of funds to and from a brokerage account, they do not solve timing delays associated with the settlement process for purchases and sales of securities.

³An investment is not "sold" until the trade settles, typically a few days after the trade date.

⁴Without instant payments, a wallet provider may have to decide whether a customer has immediate access to funds before the provider receives the funds, which creates credit risk in the interim.



Remote Deposit Capture Helpful Tips and Tricks

Did you know that you can reduce administrative review time by setting a dollar amount threshold for your image usability tools? Image usability tools are set at the risk profile level. When enabled, these tools test for the presence of certain check features such as the date, payee/payor, signature, amount, or rear endorsement. When you set a Usability \$ Threshold, the system will hold only items for review in which the technology does not find the presence of any of these tests that are checked off, and that meet or exceed this amount, thus allowing items that fall below the amount entered to be auto-released so long as no other risk factors were triggered.

If you need assistance with these tools, please contact Implementations and Support Department (support@vertifi.com) at 800.428.1144, Ext. 2.

EasCorp and Vertifi will lead the way in implementing the Federal Reserve's instant payment offering, FedNowSM Service, as pilot program participants.

Read the full press release on the News and Events page of EasCorp's website at www.eascorp.org.

UPCOMING EVENTS

EasCorp and Vertifi are currently planning their 2021 season of webinars, training sessions, and in-person events. We will comply with the guidance of the CDC and other local, state, and federal agencies, and will keep the safety of our members, clients, and colleagues front of mind.

Association of Credit Union Senior Officers Virtual Meetings

Thursday, February 11

Leadership at Every Level

Tuesday, April 6

*Going from Working in the Business to
Working on the Business*

Tuesday, June 8

Measuring Your Credit Union Value Proposition

Wednesday, September 22

Meet the Regulators and Washington Updates

ACH Service Users' Virtual Meeting

Wednesday, February 24

EasCorp and Vertifi's Virtual SOC 1 and SOC 2 Reports Review and Educational Seminar

Tuesday, March 9

EasCorp's 43rd Annual Meeting

Tuesday, May 25, 2021

Cafe Escadrille, Burlington, MA

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