



**White Paper**

Same Day ACH Is Coming



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We live in an instant messaging, instant streaming, instant gratification world. And yet, nearly all of the 23 billion ACH payments moved each year are processed on a next-day or two-day basis. Now, same-day ACH processing is becoming a reality, and customers are willing to pay more for the accelerated payment option. Financial institutions that introduce same-day payments, establish a competitive fee strategy and effectively communicate the new payment options can win new business, satisfy customer expectations for faster payments and positively impact their bottom lines.

Forty percent of consumers will abandon a website that takes more than three seconds to load, according to the 2015 KISSmetrics study “How Loading Time Affects Your Bottom Line.” This general expectation of immediacy can make next-day or two-day ACH payment processing seem like an eternity. And with more nontraditional payment options entering the market each year, ACH payments simply must become faster to remain relevant.

With this in mind, NACHA, the National Automated Clearing House Association, announced in May 2015 the adoption of its same-day ACH rule. This rule creates the ability for all U.S. financial institutions to offer same-day ACH processing as a value-added service that’s attractive to customers, builds relationships and helps keep banking organizations at the center of payments. The changes also open the door for financial institutions to add a new revenue stream.

### The Mechanics of Same-Day Payments

When the first phase of the rule takes effect in September 2016, every U.S. financial institution must be ready to process incoming same-day ACH credits. As the second and third phases of the rule are implemented in 2017 and 2018, receiving depository financial institutions (RDFIs) will be required to process both credits and debits by 5 p.m. local time. Because participation is required from every RDFI, originating organizations can guarantee funds will be made available for the payee the same day a transaction is originated.

To meet the accelerated processing schedule, two additional clearing windows will be created with settlement occurring at 1 p.m. ET and 5 p.m. ET. Accommodating the new processing times may require additional time and effort for RDFIs, but there is a perk: The receiving organization will receive 5.2 cents for each ACH transaction processed through same-day

settlement. And while originating depository financial institutions (ODFIs) are charged 5.2 cents for each same-day transaction they originate, the ODFI can recoup that fee, plus additional revenue, by charging its customers for the convenience of accelerated payments.

### Herein Lies the Opportunity

Financial institutions that choose to offer same-day ACH transactions as a premium service can charge their customers for each of these transactions – creating a new revenue stream. Business customers are accustomed to this type of fee, and the 2015 Fiserv Consumer Integrated Payments Survey shows that consumers choosing same-day processing for a single transaction are also willing to pay for the option.

Consider a small business that did not submit its payroll file for the week. It's now Friday morning, and the business's employees are counting on receiving their paychecks by the end of the day. Same-day ACH processing is highly valuable in that situation, and it saves the bank from the time and effort of issuing individual wire transfers. Keep in mind any premium that's less than the fee for wires is a bargain compared with the current alternative.

There are many more uses for same-day ACH processing, including:

- Payroll bonus distribution
- Expedited business-to-consumer payments, such as insurance payouts
- Faster business-to-business payments, especially when goods are held until payment is received
- Accelerated merchant card settlement through digital and mobile sites

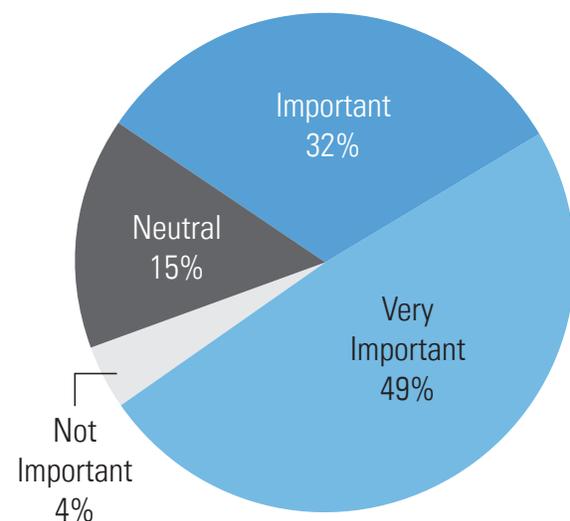
- Consumer online bill payments submitted the day a payment is due
- Mortgage payments submitted on the due date
- Person-to-person payments

While the majority of same-day ACH requests will likely be coming from businesses, financial institutions should not discount the potential of promoting same-day processing for consumer payments.

In fact, more than eight in 10 consumers polled in the 2015 Fiserv Consumer Billing Household Survey said that real-time or same-day processing is important or very important to them when paying bills.

### Importance of real-time and same-day payment processing to consumers

How important is it to offer real-time and same-day payment processing?



Source: 2015 Fiserv Consumer Billing Household Survey

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It's easy to imagine how a customer who needs to send money quickly to a child in college will be willing to pay for a fast and convenient payment method. And considering the growing number of nonbank competitors entering the person-to-person payment space, same-day ACH processing can help financial institutions stay in the game.

According to NACHA, 99 percent of the current ACH Network volume is eligible for same-day processing. The only exceptions are international transactions (IATs), automated enrollment entries and transactions valued above \$25,000. This wide availability opens the possibility to think creatively, explore new opportunities and introduce a number of new products and services.

### Package the Value

Because same-day ACH processing can create a competitive advantage, these services present an especially important opportunity for financial intuitions looking to expand their customer base. Many smaller financial institutions are anticipating same-day ACH processing will help level the playing field with the bigger banks.

The first step in introducing new same-day offerings is to consider which services would be most attractive to current and potential customers. And banks may want to package the value of these services differently for different customer segments. This could mean offering fee tiers by volume in certain scenarios and charging a flat rate in other situations.

Business customers will consider same-day ACH processing to be an important safety net when emergency payments are needed. By pricing these

services competitively and bundling them with other business services like mobile deposit and online bill payment, financial institutions can present potential customers with an attractive business package that helps tip the scale in their favor. Banks may even want to create multiple bundled options for different business segments.

### Get the Word Out

Once financial institutions have established their new service offerings, it's time to spread the word. Remember, introducing same-day ACH processing is beneficial only when customers know the option is available. And since customers come to a financial institution through various channels, a multifaceted communications plan is needed.

Banks should promote the services through digital channels. They should also consider statement stuffers, social media posts and in-branch signage. Sending quarterly updates by email even before the new services are available may be appropriate for business customers. And it must be clear to customers how they can take advantage of same-day processing at the point of initiating transactions through online and mobile banking.

### Start Planning Now

As the effective date of the rule approaches, financial institutions should be ramping up their efforts to prepare for the changes. Those that have a clear strategy for how to approach the changes can start winning new business and bringing in additional revenue as soon as the rule goes into effect. For more information about how your financial institution can prepare for same-day ACH, contact your Fiserv representative.

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**Fiserv Inc.**  
255 Fiserv Drive  
Brookfield, WI 53045  
800-872-7882  
262-879-5322  
getsolutions@fiserv.com  
www.fiserv.com

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