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INDUSTRY INSIGHTS

ACH Same-Day Window Thrown Open

First of three-phase implementation goes smoothly as the venerable ACH Network ramps up payments speed.

[BY MARC RAPPORT](#) 



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The sound you didn't hear on Sept. 23 was the quiet opening of a window, the first of three milestones that comprise the Same Day ACH initiative.

Credit unions and other financial institutions can now receive ACH credits during a new late afternoon window, with settlement at 5:30 p.m. ET. Funds must be available at the end of the processing day at the receiving depository institution (RDFI).

Debits will be added next September with the same availability requirement, and then on March 16, 2018, the RDFIs must make the funds available by 5 p.m. local time.

And, proponents say, that should complete the process of making the huge ACH Network competitive with the payments upstarts who have an eye on taking away some of the 22 billion transactions that move \$40 trillion a year or so between consumers and businesses and nearly everyone else involved in everyday commerce.

That was the plan when the Electronics Payments Network [approved the plan last spring](#). The trustees of the ACH Network gave everyone a year to get ready, and so far, so good, says NACHA, the Electronic Payments Association.

NACHA says in an Oct. 14 statement that it plans to have official data in mid-November about the first month of the new window, but that anecdotal reports were positive.

“Unofficial information received from ACH operators show that same-day transactions were used for payroll, pension, and business-to-business payments, as well as online bill payments and person-to-person payments,” NACHA says.

“The smooth operation and volume flow for Same Day ACH are a testament to the hard work and preparedness of the industry, and to the support for this transformative initiative that is meeting the faster payments needs for users of the ACH Network,” NACHA says.

One of those big operators, especially in the credit union space, is [Fiserv](#). "From our perspective and from our clients' feedback, the Same Day ACH implementation has been very successful, making life easier for people with faster access to funds," says Laura Clary, Fiserv's director of product strategy, Payment Management Solutions.

A check with several major credit unions also finds the opening of the second window has not been difficult. “We don’t really have much to report. It’s been a smooth, non-issue for us,” says Chad Graves, senior EVP at [Ent Credit Union](#) (\$4.4B, Colorado Springs, CO).

Same thing from Scott Butterfield of the [Your Credit Union Partner](#) consultancy, which serves more than 100 credit union clients across the country. “We haven’t heard a peep from any of our clients regarding the ACH change,” Butterfield says. “Most of their heartburn has been around the Military Lending Act regulations changes.”

That resonates with Chet Kimmell, president and CEO of [Neighborhood Credit Union](#) (\$590.6M, Dallas, TX), who was part of that planning effort as a member of the NACHA board.

“Day One of any new process is a little hectic, but overall the launch went without any issues,” Kimmell says. “The process was relatively simple, and should be for the vast majority of credit union’s that don’t originate ACH credits.”

Like many other credit unions, Neighborhood does not extensively act as an Originating Depository Financial Institution (ODFI). Kimmell’s credit union only originates ACH loan payments and therefore really doesn’t need the additional window, he says.

And as far as preparing to receive, he says he turned to his network of vendors, including ePay Resources (formerly SWACHA), NACHA, Jack Henry & Associates, and the Federal

Reserve. “Once the training was completed, we moved into verifying our systems were ready to accept same-day credits for phase one and then testing,” Kimmell says.

Kimmell and another credit union manager well versed in matters NACHA agree that having systems and people ready is the key to comfortably handling such changes. Debbie Peterson, member service support leader at [Mazuma Credit Union](#) (\$570.6M, Overland Park, KS), also stresses the importance of networking among the ACH Network.

“If you don’t have peer contacts you can reach out to, to say, ‘What are you doing?’ ... then you’re kind of alone,” Peterson says. Her network has included Mazuma’s regional ACH operator, Epcor, and she also recommended the online resources available from [NACHA](#) and the [Fed](#).

“The biggest challenge I had in preparing was disseminating what was propelling this change here and what it means to us at Mazuma,” Peterson says. “Every financial institution really has to figure that out on its own. Each one is different and each has its own challenges.”

And opportunities. Peterson says Mazuma, for example, can use same-day settlements to help in emergency situations for members in need or for the institution and all its members in a recovery situation, such as an extended online banking outage.

Tom Frale sees opportunities in same-day ACH as well. He’s the director of business development for [RLR Management Consulting](#), which specializes in community and regional financial institutions and sees the possibility of new cash management products arising from the same-day prowess of the old-line ACH Network.

“We can start talking about a holistic view of the life cycle of payments, all the way from booking a payment within the accounting system to generating a notification, settling the transaction and crediting that account,” Frale says.

That would mean the ability to use the secure, funds-available ACH rail for person-to-person payments, for example, or to ensure same-day payment of utility bills. “It depends on how organizations will take care of notifications,” Frale says, “but this could be one answer to: If you don’t pay your electric bill by 5 today, things are going to get very dark.”

Read more: <http://www.creditunions.com/blogs/industry-insights/ach-same-day-window-thrown-open/##ixzz4NjGsxZq9>