

## New Federal Reserve Board Consumer Guides

The Federal Reserve Board on Thursday (10/28/2004) announced the publication of two new consumer guides that provide practical information on the changes resulting from technological advances in check processing.

Technological innovation is allowing for checks to be collected and processed more efficiently, reducing the time and resources dedicated to handling, sorting, and transporting checks. A federal law known as the Check Clearing for the 21st Century Act (Check 21), which took effect today, makes it easier for banks to electronically transfer check images instead of physically transferring paper checks. Check 21 does not require banks to accept checks electronically, but it facilitates electronic transmission between banks by providing a way for banks that clear checks electronically to exchange information with those that do not.

Under Check 21, banks would be able to stop the flow of paper checks, process them electronically, and create machine-readable "substitute checks"--paper copies of the front and back of original checks--when a paper check is needed. Check 21 requires banks and consumers to accept substitute checks in place of original checks in the check collection or return process. It does not require that bank customers stop receiving paid checks in their account statements, although these checks may be either the originals or in the form of substitute checks.

The "*Consumer Guide to Check 21 and Substitute Checks*" describes how consumers may be affected by the new law and provides information on how to resolve problems associated with the receipt of substitute checks.

A second consumer guide, "*What You Should Know about Your Checks*," discusses more broadly how check payments have changed, including the increased use of electronic check conversion, a process separate from Check 21. In the check conversion process, a consumer authorizes the use of information from their paper check to make an electronic payment at the point of sale or when paying a bill by mail.

Both brochures stress that because payments might be processed faster, when a check is written, the money may be deducted from a consumer's checking account sooner. As a result, consumers should be sure they have enough money in their account to cover the amount of their check.

The "*Consumer Guide to Check 21 and Substitute Checks*" is available on the Board's web site at: [http://www.federalreserve.gov/pubs/check21/consumer\\_guide.htm](http://www.federalreserve.gov/pubs/check21/consumer_guide.htm).

"*What You Should Know about Your Checks*" is available at: <http://www.federalreserve.gov/pubs/check21/shouldknow.htm>. These publications are also available from the Federal Reserve Board's Publications Fulfillment, Mail Stop 127, Washington, DC 20551, 202-452-3244.

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## Commercial ACH Payments Up 24.6% in 3rd Qtr.; ARC Leads the Way

The nation's financial institutions originated more than 2 billion automated clearing house (ACH) payments in the 3rd quarter of 2004, the first time that milestone has been achieved, according to statistics from NACHA - The Electronic Payments Association.

Financial institutions' originated ACH volume for the quarter was 2.086 billion, up a sizzling 24.6% over a year ago. Including Federal government payments, ACH volume was over 2.3 billion for the 3rd quarter. Leading the way is ARC - Accounts Receivable check conversion. In the 3rd quarter there were more than 266 million ARC payments, an increase of over 500 percent over a year ago. ARC accounted for 54 percent of the growth in financial institutions' ACH payments. The five ACH e-check applications combined for 537.3 million payments in the 3rd quarter, more than double the number over a year ago.

The figures cited do not include estimates of on-us ACH payments, in which the originating and receiving financial institutions are the same institution. NACHA estimates that, including an allowance for on-us payments, ARC is on track to reach 1.25 billion transactions in 2004.

*For more information on how BancTech can meet your ACH and ARC needs, visit us at: [www.banctech.net](http://www.banctech.net).*

## Hurricane Costs and Financial Losses Devastate Many Floridians

Hurricanes cost not only lives, but money as well. The average expense for basic hurricane supplies is about \$425. Lost wages for Florida's hourly workers are in the millions.

“Not all the damage done by the Florida hurricanes is visible. The negative financial impact may last well after the lights are back on and the home repairs are done,” said Howard Dvorkin, founder of Consolidated Credit Counseling Services Inc.

The average weekly gross income for Floridians is \$675; after taxes and other deductions that figure is knocked down to \$440 per week. The annual savings rate for most Americans is one percent, leaving about \$350 in the bank for emergencies.

“With less than a week's notice, the average family has trouble coming up with the funds they need to buy basic supplies. Then throw in the need for plywood, fuel for cars, a hotel room due to the lost power and the need to get cash to have on hand in case ATMs and credit card machines stop working, could add another \$400-\$500 to the cost of basic supplies,” Dvorkin said.

The Sunshine State has become the “recovery state” as power outages, gas shortages, flooding and property damage disrupts the lives of millions from the Panhandle to the Florida Keys.

“Credit cards can be a lifesaver in times of emergency, and used wisely they are a great financial tool, but for those who live near the financial edge a natural disaster can do them in,” he said.

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## Rising Healthcare Costs Hurt Many Businesses

The high cost of healthcare coverage will have a negative impact on many organizations, according to a recent survey.

Survey respondents report a likelihood of decreasing salaries as well as cuts in training programs, hiring new staff and investments in technology. In addition, respondents expect an increase in the likelihood of outsourcing, downsizing and consumer service prices and products in order to cover the cost of employee healthcare coverage.

Survey respondents report several areas likely cut in order to cover healthcare costs. These include:

- 29 percent report a likely decrease in other employee benefits.
- 28 percent report a likely decrease in hiring new staff.
- 22 percent report a likely decrease in employee salary/raises.
- 19 percent report a likely decrease in employee training/professional development.
- 12 percent report a likely decrease in technology investments.

The survey also shows a greater likelihood that organizations will have to increase some avenues of cost savings in order to cover healthcare costs. These include:

- 44 percent report a likely increase in expectations of employee productivity.
- 29 percent report a likely increase in the costs of consumer services/products.
- 19 percent report a likely increase in exploring the use of offshoring/outsourcing.
- 15 percent report a likely increase in downsizing/layoffs.

The Society for Human Resource Management (SHRM) survey received responses from 375 human resource practitioners from a random sample of SHRM members. The survey asked them to report the likelihood that adjustments in several organizational areas may be made in order to cover the cost of employee healthcare coverage.