

IDENTIFICATION OF BUSINESS CHECK INELIGIBLE FOR CONVERSION: WHAT DOES THIS MEAN TO MY BUSINESS?

What is check conversion?

Many businesses are now converting paper checks to ACH debits to increase operating efficiencies and decrease costs. The process is known as “check conversion” and this conversion is initiated either at the point-of-sale (making a purchase in a store) or at a “lockbox” facility (for checks received by U.S. mail or at a dropbox location). Consumer and business checks may be eligible for conversion.

What is the new rule?

Effective **September 15, 2006**, NACHA Rules will be modified to enable financial institutions and businesses to identify business checks that are ineligible for conversion, and to take action to prevent conversion of business checks that businesses would prefer to remain paper items.

If you are a business that is converting checks...

Talk to your financial institution(s), processor(s), and business partners to ensure that all entities are systemically reviewing payment policies and procedures that apply to your business.

Adapt your unique business systems and needs to recognize ineligible items.

Maintain an opt-out database for your customers who do not want their checks converted.

Consider the business impact of originating items under the rules should items be returned as unauthorized due to account debit blocks and filters.

Train your customer service staff to handle inquiries appropriately.

Ask questions and clarify issues prior to the Identification of Ineligible Business Check Rule implementation date of September 15, 2006.

If you prefer to not have your business checks converted...

Talk to your financial institution to review the fields on your current check stock. You may want to consider ordering check stock that is longer than 6 inches and has an Auxiliary On-Us field added to the check stock.

Review your unique business systems and requirements to understand if changes may need to be made to prevent checks on your business account from being converted. Consider account features such as debit blocks and filters.

Talk to your business partners to opt out, if appropriate.

Inform your accounting staff of the NACHA Rule change and adjust policy as appropriate.

Ask questions and clarify issues prior to the Identification of Ineligible Business Check Rule implementation date of September 15, 2006.