

# TAKING PAYMENTS TO A HIGHER LEVEL

By Peter Lucas

Now that electronic payments have gone beyond the province of the Internet savvy, many financial institutions have begun to expand their electronic payment offerings to include channels such as the call center and interactive voice response units. By offering more touch points through which customers can automate payments, financial institutions can improve customer satisfaction, gain operating efficiencies and boost their cash flow by clearing payments on the day they are received.

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What's holding many financial institutions back from pursuing more electronic touch points is an aging support infrastructure with limited functionality. As a result, it can be costly and time consuming for them to expand the remittance capabilities of these applications, as they are not always compatible with newer software.

In these instances, financial institutions typically believe they are faced with one of two choices: scrap their existing systems, which in most cases is too risky, costly and time consuming to be viable, or write customized programming code to create a bridge between existing and new applications to add the desired functionality. This solution, too, poses problems, in that while the new code creates the bridge, it may not be compatible with applications downstream in the system, which can lead to unexpected hiccups elsewhere, e.g., rejects, settlement, etc.

A more practical solution, and one that tends to get overlooked, is to implement a remittance application that is compatible with an existing operating system and related infrastructure. Application compatibility makes it easier to accept remittances through multiple customer touch points, offering consumers the choice of paying electronically by accessing their checking account through the automated clearing systems, debit card or by credit card.

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A consolidated remittance application can dramatically improve operating efficiencies by eliminating the need for building batch processes, which results in a later cut-off time of same-day payments for financial institutions and their customers. As compliance rules and internal policies change, a single consolidated and secure remittance application facilitates adoption to these shifts by limiting them to a single set of business rules.

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Other advantages to upgrading a remittance platform include the ability to validate bank routing numbers in real time for automated clearing systems payments, which reduces the risk of the payment not being accepted due to a data entry error. These types of applications can also validate the real-time availability of funds in the customer's checking account to ensure the payment is not returned due to non-sufficient funds. Similarly, financial institutions can validate the "open-to-buy" feature on a credit or debit card in real time.

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By enhancing platforms with these features, financial institutions can help reduce delinquency rates of their lending portfolios by providing customers with multiple options to make payments via a variety of channels, including telephone, interactive voice response (IVR), Internet, etc...

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For example, when a customer with a past due account is reached by phone, the agent placing the call can explain the payment options available and automatically connect them to an IVR system to make an actual payment, as opposed to receiving a promise to pay. The IVR system can also be programmed to initiate an outbound call and guide the customer through payment, just as a letter can direct them to the IVR or the Internet. Further, if the customer cannot make an immediate payment, a future payment can be scheduled, ensuring the promise to pay is kept.

Feedback from call center agents indicates that many delinquent customers want to pay their bill and respond favorably to a nudge to do so, but prefer that nudge to come in an automated fashion, as they feel uncomfortable discussing the situation with a live person. The risk in this case is that the customer will be less responsive to future attempts to reach them about bringing their account current. Having the technology to put delinquent customers at ease can provide a huge edge in boosting recovery rates.

Recovery performance can be further enhanced with a platform that verifies availability of funds and open to buy in real time as it negates the risk that a payment will be declined after the service agent has ended the call with the customer. Occasionally, payments are returned due to insufficient funds, making it critical for the consolidated remittance application to be able to handle these returns automatically. Processing automated clearing systems returns manually will add significant overhead and risk to the financial institution's operation. As such, not only are recovery rates increased, but operating costs are decreased as well.

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Asking vendors what services they provide beyond supplying and supporting their technology is also recommended, because ancillary consulting services are becoming as important as the ability to integrate their technology. Many smaller and mid-sized financial institutions have limited IT staff and could use help assessing the efficiency of their operating platform, work flows and automated customer interfaces.

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As electronic payments move further into the mainstream, consumers are going to want more channels through which they can initiate any payment, from anywhere, to anyone, at any time. With automated remittance technology becoming more complex and customers becoming more demanding, the last thing any financial institution wants are applications that place limits on what they can do. ●

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