

BRIDGE COMMUNITY BANK

Same Day ACH Origination: Delivering a Competitive Advantage

The Challenge

Community banks and credit unions remain diligent in their efforts to stay competitive in the evolving financial services industry.

"If your franchise means anything to you, you have to be relevant in payments," said Bob Steen, CEO, Bridge Community Bank. "If you lose your payment relationship, you don't have a franchise, because your customers can get a mortgage online, a car loan from a car dealer, and so on. If they don't need you for payments, they don't need you."

The Opportunity

If payments serve as the lynchpin offering for community banks and credit unions, then September 23, 2016 marked a pivotal moment in history for them: the launch of Same Day ACH. When it went live, Same Day ACH created a new paradigm of faster payments for consumers and businesses, and a wealth of new development opportunities for banks and credit unions.

Steen points out the advantages of ACH in expediting payments. "With ACH, we tried to emulate a check, moving it more securely and quickly through electronic channels, and we applied that concept to Same Day ACH. There was no easier way to advance payments in terms of volume or practicality than moving ACH faster."

With more than 10 primary and 63 sub-use cases identified, Same Day ACH does create new options for products and services. NACHA—The Electronic Payments Association, the steward for the ACH

Network, honed in on same-day payrolls, expedited bill payments, business-to-business (B2B) payments, and person-to-person (P2P) transfers as immediate targets for bank innovation.

Yet, to leverage this new solution, financial institutions have to originate ACH payments. Becoming an Originating Depository Financial Institution (ODFI) enables a bank or credit union to expand its relationships, and meet customer expectations as this new world of faster payments unfolds. ACH origination, and Same Day ACH origination in particular, unlocks doors to new innovations, and as Steen notes, it's not as daunting as many believe.

"Because we participated in the Fed's opt-in program for Same Day ACH, we've been able to send and receive Same Day ACH files since 2013. Originating is the easy part, and it becomes a way to solve problems."

The ACH Solution

Case in point? Payroll. When a payroll deadline is missed, a lot of manual processes go into place to ensure wires are issued so employees get their money when they expect it. Now, with Same Day ACH, banks and credit unions can offer a solution that simplifies this emergency payroll scenario for all parties.

"We immediately notified our customers who process through us about this new capability," Steen remarks. "We told them, 'we are one of the few banks in your market that can originate a Same Day ACH file. If you have a missed payroll file, we can fix it.' Just letting them know we can do it, in and of itself, serves a purpose."

Steen agrees with NACHA's assessment of potential use cases, including last-minute loan and utility payments as key bill payment capabilities that will be made available September 2017 and will solve significant problems for many American households. He also indicates person-to-person (P2P) payments benefit from Same Day ACH.

"P2P with Same Day ACH is proven and is out there, already being used by a handful of people. It's not sexy compared with some alternative payments, but frankly, it's so simple that it's brilliant."

Steen goes on to discuss other payments that leverage Same Day ACH.

"Currently, our bank is a lead bank with four others in buying warrants from the county, and this particular project has a give-and-take. One month, we're writing a check to the county, and the next month, they are writing us a check. These are incremental payments under \$25,000, and now, I can originate a same-day file. I can push them same-day, and they will post to the specific account. We don't have to worry about interest rates. This is just one small example of ways to leverage Same Day ACH for efficiencies; the opportunities are countless."

While origination is an important value-add, Steen also points out that receiving banks can reap the rewards of Same Day ACH.

"Same Day ACH creates an earlier, but not required, opportunity to return an item same day. In addition, the Receiving Depository Financial Institution (RDFI) can

be a better partner in helping its own customer with timing for critical deposits, such as a missed payroll credit, and ultimately, last-minute debit payments to avoid late charges."

The Results

For Steen, the primary reason to originate Same Day ACH links back to competition.

"We can make excuses as long as we want to, but finally, the excuses run out and you have to say why can't we do what they can do? To survive, community banks and credit unions need to be 24/7, or at least appear that way to our customers, and Same Day ACH gives us an advantage to do just that."

If Steen is right, community banks and credit unions using Same Day ACH will engender broader innovation and quell some of the industry's consolidation trends.

"We need to celebrate the agility, flexibility, and nimbleness of the ACH Network. Same Day ACH will give us the opportunity to solve customer problems and meet their requests. What else do we need?"

For more information on Same Day ACH, visit [nacha.org/same-day-ach](https://www.nacha.org/same-day-ach).

Bob Steen is CEO of Bridge Community Bank, an \$85.5M asset bank headquartered in Mechanicsville, Iowa. He currently participates on the Federal Reserve Faster Payments Task Force and the Small Financial Institution Segment Steering Committee.

About Bridge Community Bank

Bridge Community Bank is an employee-owned bank with a charter dating back to 1903. Bridge Community Bank has been an early adopter on multiple efforts including check imaging, biometric authentication and Same Day ACH.

Visit <https://www.bridge.bank> to learn more.



About NACHA - The Electronic Payments Association®

Since 1974, NACHA – The Electronic Payments Association has served as steward of the ACH Network, managing the development, administration and rules for the payment network that universally connects all 12,000 financial institutions in the U.S. The Network moves money and information directly from one bank account to another. Through its collaborative, self-governing model, education, and inclusive engagement of ACH Network participants, NACHA facilitates the expansion and diversification of electronic payments, supporting Direct Deposit and Direct Payment via ACH transactions, including ACH credit and debit payments, recurring and one-time payments; government, consumer and business transactions; international payments, and payments plus payment-related information. Through NACHA's expertise and leadership, the ACH Network is now one of the largest, safest, and most reliable systems in the world, creating value and enabling innovation for all participants.



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