

Treasury Management

Quarterly Newsletter



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Meet Our Team

POSITIVE PAY



Get ahead of fraud with Smart POSITIVE PAY! This amazing service allows you to easily and quickly verify checks that have cleared your account with Legence Bank, ensuring they are checks you have written.

FEATURES OF SMART POSITIVE PAY

- Accessible within Smart Cash Management
- Easily configure and upload check files from your current accounting/check printing software
- Receive notifications if checks don't match checks you have written
- Quick and simple notifications to Legence Bank to return items that you didn't write
- Easily identify and mark any checks that were valid written checks, but did not process properly

Fraud is on the rise at a rate you can't afford to not use all resources available. Smart POSITIVE PAY will help YOU identify and stop fraud in its tracks.

Partner with Legence Bank to help protect your business from fraud with Smart POSITIVE PAY!!!

CHECK FRAUD DETECTION TOOL



**STOP
CHECK
FRAUD**

Upcoming Holidays

Memorial Day

All locations will be closed **Monday, May 30** in observance.

Juneteenth

All locations will be closed **Monday, June 20** in observance.

Writing Checks: When the Amount in Words Doesn't Match the Numbers

by Justin Pritchard, The Balance
AAP, Vice President, Education, EPCOR

When writing a check, you have to specify the amount using numerals (in the box on the right-hand side) as well as words (on the line that says "Pay"). This practice helps to avoid confusion; if it's difficult to read one section, you can double-check the amount using the other section. However, sometimes the amounts written on a check do not match. For example, what if a check shows a numeric value of "\$100," but the handwritten amount reads "ten dollars"? Here's what to do in such cases.

Words Prevail Over Numbers

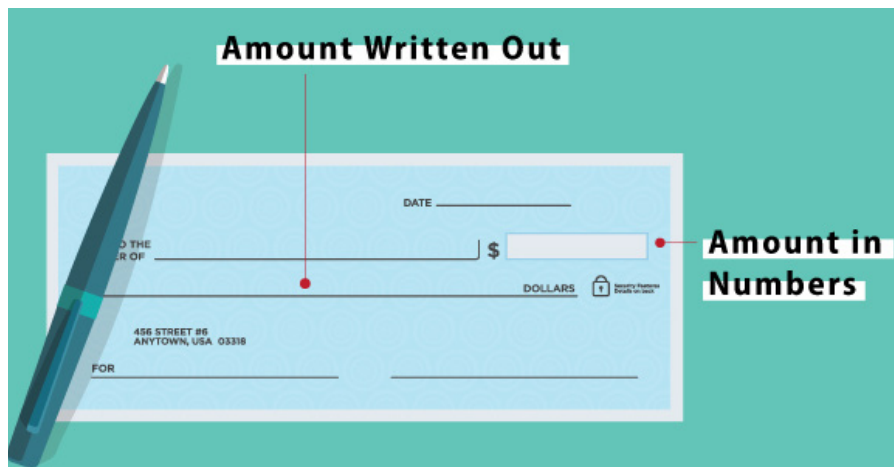
When the amount of a check is unclear, the written words are considered to be the correct amount. Numbers written out with words are clearer; you still know how much the check is for, even if you can't make out half of the letters. On the other hand, numerical digits are almost worthless if they're hard to read. Section 3.114 of the Uniform Commercial Code (UCC), a set of rules for business transactions, dictates how any confusion should be handled: "If an instrument contains contradictory terms, typewritten terms prevail over printed terms, handwritten terms prevail over both, and words prevail over numbers."

In fact, on a check, the space where you write the amount is called the "legal line;" the box where you put the digits is called the "courtesy box."

When the Amounts Don't Match

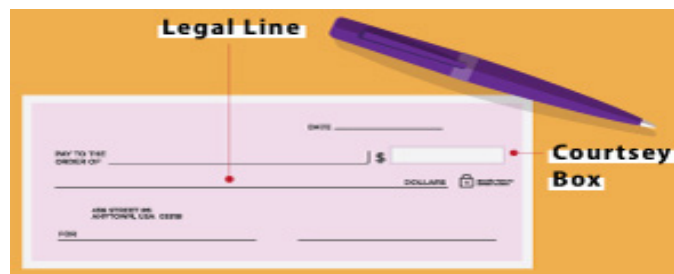
Written words are supposed to trump the numerical digits, but it doesn't always happen that way. When a check

gets deposited, whoever processes the check might not notice that there's a discrepancy. In some cases, they might only look at the numbers in the courtesy box and process the check for the wrong amount.



It's easy for this to happen. Think about when you receive a check: do you look at the numbers in the courtesy box, or do you read the amount off the legal line? Most people glance at the courtesy box because it's faster and easier, and that can apply to busy tellers and ATM operators that handle deposits, too.

It may not be the end of the world if a check is processed based on the numbers in the courtesy box—sometimes that's the amount that the check writer intended to pay, and what the payee expected. However, it's not a good idea to use checks when the amounts don't match. The bank may discover the contradiction and make unwelcome account adjustments later.



What to Do

Whenever a check has contradictory amounts, it's best to use a different check. It might be a non-issue if you use the check as written, but it's not worth the risk of dealing with disputes and delays.

If you wrote the check, void the check and write a new one. Otherwise, you never know which amount your payee's bank will process the check for—and there could be negative consequences. For instance, say you write a check for your mortgage payment, but mistakenly put down two different amounts. If the bank takes out an amount that's less than what's due, you could be penalized for a late mortgage payment, and that could incur fees and even affect

your credit score. If the bank takes more than what you intended to send, you risk running low on cash or even overdrawing your checking account, which could incur fees of its own. Plus, you won't be allowed to reduce your mortgage payment the following month to make up for it. The overage would be applied to the outstanding principal or interest, but you'd still owe the mortgage company your regular payment.

On the other hand, if you're on the receiving end of a check with mismatched numbers, you can't just start over. It may be difficult or even impossible to get another check, but it's probably worth your time to try. If the check is processed for more than the check writer intended, you could have a very unhappy customer (or friend, or family member) on your hands. If the check is processed for less than you're owed, you could be out of luck unless you can otherwise get the money you're due.

Let's Get Digital

by Allison Bramblett
Treasury Management Officer, The Farmers Bank

Over the last few years, digital payments have become very popular; even more so during the COVID-19 pandemic, as many stores have added a contactless payment option to avoid the spreading of germs. If you haven't tried contactless yet, I highly recommend it on both a business and personal level!



Although I must confess, there was a time in my life where I wasn't as enthusiastic about digital payments, and I thought checks were the way to go. When I opened my first bank account, the Customer Service Representative asked if I wanted checks. I was so excited to have my very own! I couldn't wait to personalize the background, symbols and even add a quote in the by-line. I really thought I was cool.

It wasn't too long after when I started realizing electronic and digital payments were the better, faster and most convenient way to handle my finances. I was a young adult and could barely take care of myself, let alone take care of mailing in payments on time, remembering to pay back friends and not losing what cash I did have in my possession. And when I knew there was an option to pay my friends and family quickly and digitally? Sign. Me. Up.

Fast forward to a couple of years ago, when I needed some work done on my home and the business only accepted cash or checks. I then had to pull out those checks I received nearly 15 years

ago, wipe off the collected dust and ask that they not judge my checks, which most definitely have the personality of a 21-year-old (check out the image of my old check for a glance into my young adult self!). Of course, they didn't care,

they were just happy I paid. Nowadays, I will always utilize a digital/contactless payment before pulling out my wallet to pay with a physical card. And, I've seen some amazing results from companies utilizing digital payments. So, why should your organization choose to use a digital payment method over any other payment method?

Convenience

We can all agree there is plenty to remember and do daily in our lives. The capabilities technology gives us now is the convenience we're looking for to simplify some of those tasks. With digital payments, you have the capabilities of leaving your home or office with only your phone in hand, and you potentially have everything needed to get through your day. Gas stations, grocery stores and more have some form of contactless payment system, and it's as easy as hovering your phone over the card reader and within seconds the sale is finished. From a business perspective, the conveniences of digital payments are endless. With digital payments, your processes are more automated, there's an additional paper trail for accounting and you don't have to worry about potentially losing business clients who don't carry cash or checks on hand.



Better Security & Less Fraud

Raise your hand if you've ever lost cash, a checkbook or a debit/credit card? I'm willing to bet there are some raised hands. Digital payments allow us to leave that worry behind. Once your card number has been added to your digital wallet, you can keep your physical card in a safe and secure place. There are also layers of biometric authentication, encryption and tokenization in place to secure any purchases made digitally.

If you use cash for your purchases, there's a higher risk of those funds being lost or stolen. On the flip side, if you're a merchant that accepts the consumer cash as payment, you must consider the possibility of accepting counterfeit bills. And, having large amounts of cash sitting around could put your organization at risk for a robbery.

Cost & Time Savings

Using a digital payment method provides your organization the opportunity to save on the cost of checks and the time spent making trips to your financial institution. There's also time saved in completing business transactions. Utilizing cash means waiting for change back, or even waiting on the card reader to recognize a chip card. Contactless payment allows for a quick and effortless way to complete the purchase.

These are just some of the bigger benefits of utilizing a digital payment method. I could go on and on with more examples, not just for the consumer, but for merchants and businesses as well. Forbes recently reported the digital payments market is set to grow globally at 19.4% CAGR between 2021 and 2028, so now is the time to increase your usage of digital payments and stay in line with the growing market! It's important to balance what your clients want with what is best for your organization. You might want to think about Buy Now, Pay Later (BNPL) or other digital offerings. Reach out to your financial institution to discuss what is right for your organization.

Meaningful Modernization of ACH Authorizations

by Marcy Cauthon

AAP, APRP, NCP, Director, On-Demand Education, EPCOR

On September 17, 2021, Nacha implemented various ACH Rules amendments designed to improve and simplify the ACH user experience by facilitating the adoption of new technologies and channels for the authorization and initiation of ACH payments. Nacha, the rule-making body governing the ACH Network, is hopeful that these amendments will reduce barriers to use the Network, provide clarity and increase consistency around certain ACH authorization processes and reduce certain administrative burdens related to ACH authorizations.



Standing Authorizations

Currently, authorizations for consumer ACH debits encompass recurring and single payments. Recurring payments occur at regular intervals for the same or similar amount, with no additional action required by the consumer to initiate the payment (i.e. utility bill). A single entry is a one-time payment and can be between parties that have no previous relationship (i.e. online purchase) or between parties that can have a relationship, but the payment is not recurring (i.e. a single payment on a credit card account).

Previously, businesses that originated ACH payments and wanted to use a different model for ongoing commerce did not have specific rules for payments falling somewhere in between the definitions for recurring and single entries. By defining a Standing Authorization, this Rule will fill the gap between single and recurring payments and enable businesses and consumers to make more flexible payment arrangements for relationships that are ongoing in nature. For example, I give my insurance company a standing authorization and then they send me a text when the bill is due. When I receive the text, I authorize yes or no to pay the bill via the text message.

The Standing Authorizations Rule defines a standing authorization as an advance authorization by a consumer of future debits at various intervals. Under a Standing Authorization, future debits

would be initiated by the consumer through further actions. This will allow for Originators to obtain Standing Authorizations in writing or orally. Subsequent Entries are defined as individual payments, which are initiated based on a Standing Authorization. Subsequent Entries may be initiated in any manner identified in the Standing Authorization. Originators intending to make use of the Standing Authorization/ Subsequent Entry framework should appropriately reference the subsequent entries in their authorizations. So, Originators need to specify whether the authorization relates to a single entry, multiple entries or subsequent entries initiated under the terms of a standing authorization.

Originators do have some flexibility in the use of consumer Standard Entry Class (SEC) Codes for individual Subsequent Entries. Originators will be able to use the TEL or WEB SEC Codes for Subsequent Entries, when those entries are initiated by either a telephone call or via the Internet/wireless network, respectively, regardless of how the Standing Authorization was obtained. In these cases, the Originator will not need to meet the authorization requirements of TEL or WEB but will need to meet the risk management and security requirements associated with those SEC Codes.

So, Originators utilizing this flexibility framework should understand the elements of the TEL and WEB rules

that apply to their subsequent entries, based upon the consumer's affirmative action to initiate the subsequent entry via a telephone call, internet or wireless network.

An Originator has the option to identify an entry as having been originated under the terms of a Recurring, Single-Entry or Standing Authorization. The standard code values will be "R" for Recurring, "S" for Single-Entry and "ST" for Standing Authorization. An Originator may choose to include these values in the Payment Type Code Field of a TEL or WEB entry or the Discretionary Data Field of a PPD entry.

To accommodate this option, the Rule will remove the existing requirement that TEL and WEB entries must be identified as either Recurring or Single Entries and will instead designate the Payment Type Code as an optional field. However, Originators may continue to use the Payment Type Code field to include any codes that are meaningful to them, including "R," "S" or "ST."

Oral Authorizations

The Oral Authorizations Rule now defines and allows Oral Authorizations as a valid authorization method for consumer debits distinct from a telephone call. Enabling the broader use of Oral Authorizations will allow businesses to adopt ACH payments in transactional settings that make use of verbal interactions and voice-related technologies. For example, I give Amazon a standing authorization. I realize I need ink cartridges for my home computer and say, "Hey Alexa, order a color print cartridge from Amazon." The Rule change did not change how existing TEL transactions are used and authorized.

Any oral authorization obtained via any channel will need to meet the requirement of an Oral Authorization. An Oral Authorization obtained over the Internet that is not a telephone call must meet the risk and security requirements that currently apply to Internet-Initiated/Mobile (WEB) Entries and utilize the WEB Standard Entry Class Code.

The new Rule allows for Standing Authorizations to be obtained orally and for Subsequent Entries initiated under a Standing Authorization to be initiated through voice commands, instructions or affirmations.

Originators may choose to use the expanded applicability of Oral Authorizations but are not required to do so. Originators that want to use Oral Authorizations will need to modify or add to their authorization practices and language to ensure they meet all the requirements for Oral Authorizations. Originators may also find that their digital storage needs will be impacted by using Oral Authorizations.

report that a “pain point” occurs when they provide proofs of authorization, but then debits are still returned as unauthorized. To avoid this issue, some ODFIs and Originators would prefer to agree to accept the return of the debit rather than expend the time and resources necessary to provide proof of authorization.

The Alternative to Proof of Authorization Rule reduces the administrative burden on ODFIs and their Originators for providing proof of authorization requested by an RDFI. By allowing an alternative, the Rule is intended to

help reduce the costs and time needed to resolve some exceptions in which proof of authorization is requested. However, if the RDFI still needs proof of authorization, the ODFI and its Originator must provide the proof of authorization within ten days of the RDFI's subsequent request. Originators and ODFIs that want to take advantage of the Rule may need to modify their business processes.

If you would like to learn more about these new rules, reach out to your financial institution.

Proof of Authorizations

An Originator is required to provide proof of authorization to its ODFI in such time that the ODFI can respond to an RDFI request for proof of authorization

(within ten banking days).
Some ODFIs and Originators

Standing Authorization/Subsequent Entry Grid

| Standing Authorization Received Via: | Originator Receives Subsequent Entries Instructions Via: | SEC Code of Subsequent Entry |
|--------------------------------------|--|------------------------------|
| In writing | Internet or Wireless Network | PPD or WEB |
| | Telephone (orally over the phone) | PPD or TEL |
| Internet or Wireless Network | Internet or Wireless Network | WEB |
| | Telephone (orally over the phone) | TEL |
| Mobile/Telephone | Internet or Wireless Network | WEB |
| | Telephone (orally over the phone) | TEL |

THANK YOU *for allowing*
our team to serve **YOU!**

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