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November 22, 2006

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Electronic Check Conversion Could Catch Holiday Shoppers, Businesses Off-Guard

Consumers and businesses should know the rules this holiday season

DENVER—Electronic processing of checks will be at its highest rate ever this holiday shopping season. However, many consumers are not even aware their checks are being electronically processed, and the businesses that process them could face fines for not telling them.

That's according to Paul Lufkin, CEO of electronic payments processing and financial services company ePayments Corp. of Denver, Colo.

“Consumers aren't informed, and some businesses aren't telling them,” said Lufkin, whose firm assists merchants in properly processing checks presented for payment and collecting those that bounce. “It's not a big deal until the consumer discovers bounced check fees from their bank for a check that was returned NSF in just 24 hours; and the business pays the penalty for not telling them.”

Under rules developed and issued by NACHA (www.nacha.org), The Electronic Payments Association, merchants may use a special scanner to convert paper checks presented at the point of purchase (POP) into fast-clearing electronic transactions— as long as they get the customer's signed authorization. (Merchants must also clearly post signage and fees if electronic processing will be used to collect any resulting bad checks.) The merchant completes the transaction by stamping the check “Void” and returning it to the consumer.

Checks are then processed through the nationwide electronic funds transfer system called the Automated Clearing House (ACH). Such ACH payments are increasingly popular because they can save banks, businesses and consumers time and money. However, consumers don't get the usual “float time” on their checks, resulting in bounced checks and charges.

“That’s where the rules come in,” said Lufkin. “You’ve got to tell consumers what’s happening with their checks.”

Lufkin said it’s important for consumers – as well as businesses – to be familiar with the basic rules of electronic check payment authorization:

1. Customers must be notified if the checks they write will be converted to electronic payments and processed as an Automated Clearing House (ACH) payment.
2. Customers must be informed that their non-sufficient funds (NSF) check will be collected electronically through the re-presented check (RCK) process and that they will be charged an NSF service fee .
3. Customers have to give written authorization to any business before that business can collect an NSF service fee electronically.
4. Consumers cannot be charged in excess of the allowable state authorized NSF fee.

Consumers who are aware of these four key guidelines can avoid surprises in their checking accounts and being overcharged for NSF service fees. Businesses that remain in compliance by paying close attention to these and other check processing guidelines can help avoid costly fines and being exposed to class-action lawsuits for overcharging consumers.

Lufkin said the Electronic Payment Compliance Assessments (EPCA) offered by his company is one method that businesses can use to review their systems to make sure that they're compliant. He has discovered businesses and government agencies that are dangerously out of compliance. Lufkin emphasized that compliance issues include improper electronic check transactions, possible infringement on patents and extend to the complexities of the Sarbanes-Oxley Act, which makes CEOs responsible for establishing and maintaining internal controls, including the accurate accounting and reporting of electronic payments transactions.

About ePayments Corp.

Offering a complete range of merchant check and credit card payment processing and support services, ePayments helps businesses who receive non-cash payment transactions to reduce their risk while increasing cash flow. Unlike the traditional support players (such as banks), ePayments has evolved the technologies and processes associated with accepting checking payments to reduce the costs required to process all forms of payment. The company provides the complete range of processing services, including electronic returned check collection (RCK), electronic check conversion (ARC), Check 21 (C21) conversion, check authorization, check guarantee, check-by-phone/web, consolidated returns, Electronic Payments Compliance Assessments and credit card processing. For more information on ePayments Corp., call 303-486-0850 or visit www.epaymentscorp.com.

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