



ELECTRONIC CHECK RECOVERY (RCK) and CONVENTIONAL CHECK COLLECTION PROCESSING

(Revised 10/02/09)

CHECK PROCESSING TRANSACTION FLOW

(Associate the Letter to the Flowchart Transaction)

- A. Check writer (parent) presents a paper check as payment for products or services.
- B. School district deposits paper check into his financial institution (bank).
- C. School district's bank presents paper check for payment by the check writer's bank. The check writer's bank assesses a handling fee to the check writer for processing the bad check.
- D. Check writer's bank stamps reason for return on paper check and returns bad check to merchant's bank or transmits an image.
- E. If school district permitted us to file a bank release form with their bank, the school district's bank forwards the bad check by mail to our check-processing center. The check-processing center will transmit an email to the school district upon receipt of a bad check.
- F. Check-processing center attempts the first electronic re-presentation (RCK) through the Automated Clearing House (ACH) system by uploading a transaction for the full face of the check. First re-presentments are uploaded into the ACH system on Friday. Debits uploaded into the ACH system post first thing the next business day. A paper copy of the check is maintained for two months after collection is complete and the check data and image is maintained for seven years.
- G. If the initial RCK debit for the face is unsuccessful it is eligible for a second re-presentation. The second debit occurs the following week.
- H. Reimbursement of recovered funds is paid by electronic fund transfer (EFT) via the ACH system on the Thursday following recovery of both the full face value of the returned check and state allowed fee. When reimbursement occurs, the check-processing center also transmits an emailed Contingency (reimbursement) Report to the client. Like checks recovered using RCK debits, reimbursement for checks collected by secondary collection efforts normally occurs after both the full face and fee are collected. The rebate is sometimes paid at a later date after the state allowed fee is eventually collected.
- I. On rare occasion when a school district opts to not use a bank release form, returned checks are mailed from the bank to the school district.
- J. On rare occasion when a school district opts to not to use a bank release form, they forward bad checks for collection by mailing those items directly to our check processing center.
- K. Like RCK debits to recover the face amount of the check, an electronic debit is transmitted via the ACH network to recover the state allowed fee. See Fee #3.

SECONDARY COLLECTION EFFORTS

The following tasks are performed by our Secondary Collection Team.

- L. A bad check writer can offer payment manually to the check-processing center by mailing payment (in full or in increments).
- M. Checks not eligible for RCK (non-NSF checks such as closed account and stop payment) are collected using traditional methods (phone calls and letters). NSF checks no longer eligible for RCK after two electronic debits may also be collected using traditional collection methods.
- N. The secondary collection team may attempt to communicate with the bad check writer via telephone calls.
- O. The secondary collection team may attempt to communicate with the bad check writer via letter correspondence.
- P. A bad check writer may offer payment by mailing payment, paying with a credit card, or by authorizing a bank draft (in full or in increments).

FEES

(Associate the Number to the Flowchart Transaction)

There are up to three fees assessed during the described process.

- 1. The check writer's bank will assess a handling fee to the bad check writer when a check returns for any reason. Our service has no control over this fee. The fee ranges from \$10 to \$30.
- 2. The school district's bank may assess a handling fee to the district upon receipt of a returned check from the check writer's bank. Our service does not stop the check writer's handling fee. However, use of the bank release can eliminate the manual re-presentation and second handling fee that occurs if the check is returned a second time. Our service has no control over the amount of this fee that can range from \$2 to \$10. The average fee is \$5. Some non-profit organizations, like school districts, do not pay this fee.
- 3. If the check is recovered electronically or by secondary collection efforts, the check-processing center charges a state allowed recovery or collection fee to the bad check writer. We can provide information on the specific state allowed recovery fee in each state.

CHECK STATUS REPORTS

The check-processing center provides check status data in two formats: email attachment and online.

Online reporting system is available to every school district by secure login and provides details on every check in our system, plus an image of the check, and data can be downloaded to your computer in Microsoft Excel format. Data is entered when the check arrives at the check-processing center, including an image of the front and back of the check. Online data is retained for seven years. We provided training on the use of the online reporting system.

An email report is transmitted to inform the school district of checks received and being processed. Each Thursday an emailed Contingency (reimbursement) Report is transmitted to inform the school district of check recovered and reimbursed.