

Sunday Business

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Bad checks? eCollect helps

Bedford Heights-based business ensures merchants get paid while consumers get tagged with \$25 fee

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Depending on your place in the check-writing experience, the business venture that Michael E. Kline launched early last year may be either a postcard or an annoyance to you.

The venture - eCollect of Ohio Inc. - promises to "take the bounce out of bad checks."

If your company accepts a lot of checks, you know there is a good chance you won't charge you anything but can promise to get the money to cover nearly every bad check you get.

If you're a check-writer, you might not even realize that Kline has tapped your account and taken out the money for the bad check and a \$25 fee. Your first clue might be a bank statement showing "ACH" withdrawals.

Kline added eCollect to his public accounting practice on Northfield Road in Bedford Heights. His company is just one of thousands that are springing up nationwide. In September 1998, the National Automated Clearing House Association adopted rules allowing for electronic "re-presentation" or redisplay of uncollected checks through the various ACH networks.

The nation's four ACH networks electronically tie together more than 25,000 depository institutions - banks, savings and loans and credit unions. In 2000, the ACH networks processed more than 6.9 billion items, including payroll and Social Security direct deposits. The total value of these checks was in excess of \$20 trillion.

Kline uses the network as one of 200 processors nationwide for eCollect. "We're doing, in theory, what the merchant could do," Kline said, but his service collects on bad checks more quickly and for less cost.

Here's how it works: After a merchant, retailer or organization signs

Banking network

The electronic banking industry consists of four operators:

- The American Clearing House Association
- The Federal Reserve System
- Electronic Payments Network
- Visa

(Automated clearing house) operators, providing services through which financial institutions transmit or receive ACH entries.

Banks and other depository institutions connect with the ACH network.

The National Automated Clearing House Association is a not-for-profit trade association that develops operating rules and business practices for the ACH network and for other areas of electronic payments.

MACH rules sometimes go beyond regulators set out by the Federal Reserve System, according to Michael Herndon, a spokesman for the organization. Those stricter rules are to ensure the safety and integrity of the network, he said.

up with eCollect

of Ohio, returned checks are sent to Kline's office. He then sends a record to merchants so they can reconcile their balances.

Checks that are returned because the accounts were closed are passed onto another collection agency. Checks that were returned because of a nonpayment order are sent back to the merchant, who must resolve the issue with the check-writer.

But most of the returned checks are marked NSF, or non-sufficient funds. Making those checks good is how Kline earns his money.

Each day, a Kline employee monitors by phone the account balances on the NSF checks.

"I choose to do this on a daily basis," Kline said, whereas some other companies coordinate monitoring with paydays.

Whenever there's enough money to clear a check, Kline immediately withdraws that amount through the ACH network.

"There's a much greater probability that we'll catch funds in the account" than if we wait for a paper check to clear, he said.

COSTLY BOUNCE

If you write a bad check, here are the fees you may face:

- Your bank's fee. The Web site bankrate.com reported that the average charge nationwide is \$24.45. The amount will be deducted from your checking account.
- The merchant's fee. Most retailers and businesses have signs posted stating they charge \$25 to \$35 to collect on an NSF check. That fee is meant more as a deterrent, but it also covers the amount, generally about \$6, that the merchant or business was charged for depositing your bad check.
- Electronic debt. A fee, capped at \$25 by the state of Ohio, will be withdrawn electronically from your account.

four checks that we cannot re-deposit," Kline said.

After the redisplay, Kline writes through a second electronic withdrawal for \$25, which is split evenly with the national eCollect office.

Once the electronic withdrawal clears, Kline deposits the money into the merchant's account.

If the redisplay doesn't clear, eCollect makes a second attempt to clear the check electronically. Although banks routinely charge each time a paper check bounces, there's no charge if the electronic redisplay fails to clear.

He estimated the success rate at 85 percent to 95 percent.

modification of the fee, he said.

Problems with electronic re-deposits are not a major issue at FirstMerit, Marzina said.

However, if you're a bad check writer, eCollect can have a major impact on you.

Generally, your bank charges you for writing a check. And you might expect a demand from the merchant to make the check good.

With eCollect in the picture, "you have no control over when that debt gets collected from you," said Jean Ann Fox, director of consumer protection for the Consumer Federation of America.

"If you haven't planned on their deducting a \$25 fee tomorrow morning at 9 o'clock," she said, "you're put in a position of probably bouncing more checks."

Even though eCollect has taken on the fee, Kline said merchants still might try to collect money to offset what they were charged for depositing the bad check.

The number of checks collected electronically has grown to 85 million annually, and many companies are advertising electronic collection services on the Internet or through mailings.

balance and are embarrassed to return to the store where they wrote the check.

Once the check has been cleared electronically, "they won't have that sense of embarrassment to go back to the store again," Kline said.

Kline said he has 30 customers, including a check-cashing company and a church social group that operates bingo games.

Some of those businesses have only one or two bad checks a year; others have 10 to 15 a week.

Dale Top, owner of McVay Transfer & Storage Inc., in Kent has been using Kline's service for two to three years. Top was an

accounting customer of Kline's. "It's really worked out well," Top said, recalling the times his secretary tried to collect on bad checks but failed. "It's been a godsend to me because it was always a pain."

Top said he's always glad to get back the amount of the check. He doesn't try to recover from the check-writer another fee to make up for what Top's bank charged him for depositing a bad check.

"I'm just happy to get some thing," he said.

That may sound like a lot, but consumers write an estimated 8 billion to 9 billion checks at the point of sale each year.

Electronic representation is "beneficial to everyone," Herd said, including consumers.

Most people who write bad checks don't keep close track of

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