

# Business

**On the beat**

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## Following the bouncing check

Businesses now turn to a private firm to collect bad checks

By Deborah Garofalo  
News-Herald Business Writer

Michael Kline knows that a bounced check can not only be costly for the check writer and the business, it can be costly in the loss of good customers who just made sloppy accounting errors.

"The more contact there is between a business and a bad-check writer, the greater the possibility that person will not return to that business in the future," said Kline, a certified public accountant from Willoughby Hills.

He recently opened eCollect of Ohio, one of the 200 electronic collection processors in Ohio. It serves as the computerized bill collector, or rather, check collector.

"If the collection can be handled with less involvement, the whole process done in the background, then people feel less embarrassed by the situation," Kline said.

The philosophy behind eCollect Inc. is to recover the value of non-sufficient funds electronically which drastically cuts down the involvement by the business, he said.

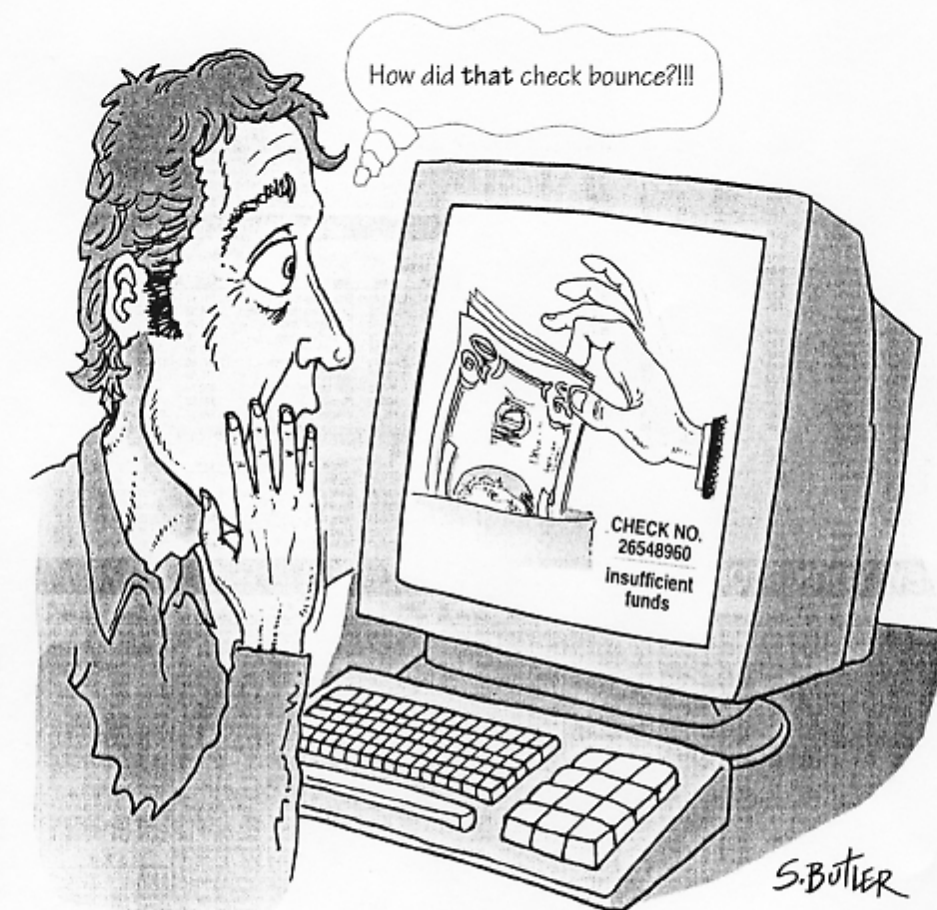
### Entering the e-world

SurePay, a division of eCollect, Inc., created the technology for electronic fund collection. According to their studies, one out of every 80 personal checks will bounce. They also predict 85 billion checks will be written in 2000 with 30 billion being against personal accounts. Of that amount, 731 million will bounce.

The 19,098 recent changes in laws around electronic fund technology allow for re-depositing overdraft checks via the Internet through the Automated Clearing House Association, a government regulated network.

This is the same type of technology that allows consumers to submit electronic checks for payments.

Under traditional banking methods, a bounced check creates a processing fee for the writer of



\$25 as well as a fee to the receiver between \$6 and \$8. The bank will try once or twice more to re-deposit the check but if there is still not enough money in the writer's checking account, funds are removed from the receiver's account.

It is then up to the receiver to attempt collection by letters and phone calls or turn to a collection agency, which could add an additional fee.

Eileen Corrice is vice president of marketing at Hudson & Keyse, Inc. in Painesville, an agency that

collects for the retail and commercial industry.

"Although our collection system is automated, we don't have a separate automated check collection system," she said. "If arrangements are not made for payment and the check is over \$200, we recommend court action," she said.

### Legal repossession

Businesses working with eCollect of Ohio permit all NSF checks to go directly to them after the check bounces, Kline said.

That means eCollect takes on the responsibility of trying to get the money back instead of the banks making a second or third effort.

His company re-submits the check to the writer's bank electronically on the next payroll day. If it still doesn't clear, the account is monitored for 30 days to watch for deposits.

When enough money is in the writer's account, both the value of the check plus the fee is electronically pulled out of the checking account without being required to get the writer's permission.

Office of the Comptroller of the Currency in Washington D.C. is the administrator of national banks. Spokesperson Kevin Mukri said the electronic monitoring of a consumer's account is permitted when checks are returned "as long as a sign is clearly posted at the firm or business so the consumer knows this will occur."

Kline agreed customers must be informed when writing the check, not only of the possibility their checking account can be moni-

tered but also the fee they will be assessed.

It is this \$25 fee from successful processing of NSF checks that provides payment to eCollect and SurePay.

According to Kline, the fee is divided between his company, SurePay and a sales representative, if there is one.

"The fee is the same whether it is a \$10 check or a \$1000 check," Kline said, adding the law permits monitoring for values below \$2500.

The electronic reprocessing takes what used to require weeks or months and cuts it down to days, Kline said.

Charles Natkins is an attorney with the Cleveland based law firm of Javitch, Block, Eisen and Rathbone.

In their work as a collections firm, Natkins said they have many clients in Lake and Cuyahoga counties.

"A typical firm like us does most of their work contingent fee based," he said. "The benefit is we can move to suit faster if all other methods fail."

Ohio law permits collection of triple damages (money owed) if you win in court. But Natkins added, "Just because someone owes you money doesn't mean it's collectible."