

2002 BUSINESS GUIDE

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A check-up on bad checks

By STEVE GOLDMAN

BEDFORD - "Insufficient funds."

Those two words present a frightening proposition for many people, including those who receive checks as well as those who write them. For while they cause embarrassment as well as expenses and headaches for those who hold the accounts, they also signify that individuals and businesses on the collecting end are not getting the fair amount agreed upon. Add to that the additional fees incurred on both ends, as well as the ill will that is often created on both sides, and you have a situation that everyone would like to avoid.

But as has happened many times, technology has come to the rescue by providing a method that enables such checks to be collected while minimizing the expense and hassle. One such company that provides that service is eCollect of Ohio, Inc., which was established by Michael E. Kline.

In early 2001, Kline, who is a certified public accountant in Bedford, established eCollect in accordance with a law that was passed by Congress in late 1998. Under the law, businesses can use the Automated Clearing House (ACH) network to electronically redeposit checks of up to \$2,500 that have been returned because of insufficient funds.

Clients of eCollect authorize their banks to send such checks to eCollect. An employee of eCollect will then contact the check writer's bank on a daily

basis until enough funds are present to cover the amount of the check. Because, in large part, of the speed involved with using online processing, the check will usually clear, but if not, eCollect will try again until enough funds exist in the account once again.

eCollect can submit a check two times for collection. Manually, it can only be done once. A check generally remains valid for 180 days after the date written.

The success rate for eCollect, one of 200 such services in the country, is estimated at close to 90 percent.

If the check clears, a \$30 fee is charged to the check-writer's account. Part of the fee is kept by eCollect, and the remainder is sent to SurePay LP, a company in Melville, New York, which developed the concept.

The result provides conveniences to both sides. Obviously, the payee, whether a small entity that only has occasional use for the service or a large business which encounters insufficient checks on a regular basis, collects on the bad check, without incurring a cost. Meanwhile, although the check-writer does encounter the \$30 fee, he or she avoids direct contact with the payee, which can result in adversarial and/or embarrassing situations. In fact, it is often the case that the check-writer is unaware that there has been a problem until the ACH entry in the account is noticed.