National NCP Day
Program Update
&
Special Educational Speaker

November 2, 2020
Webinar & conference call
See meeting connection email for details
Disclaimer

This session is offered for general informational purposes only. This document could include technical inaccuracies or typographical errors and participants are responsible for verifying any information found in this presentation and related “live” webinar or webinar playback.

All information presented here is confidential to the NCP program and is not to be shared outside of your respective organizations.

The comments today are my own and not necessarily those of The Clearing House Payments Company L.L.C., ECCHO or the ECCHO membership.
Today’s Agenda

- Welcome
- Update on NCP Program
- 2020 Highlights
- Drawing for free Workshops
- NCP Certification Benefits
- Special Educational Speaker:
  “Federal Reserve’s 2018 Check Sample Survey (CSS) Findings”
- Q&A
Why Celebrate NCP Day?

• This is a day to honor all NCPs and recognize the new class
  – However this year due to COVID-19, the group was deferred

• NCP Day is an opportunity to:
  • Celebrate YOU as an NCP, your staff NCPs, and your member NCPs
    – Bring focus to the NCP Program and its Continued Education (CE) offerings
  • In addition, provide NCPs a unique educational session each year!
National Check Professional (NCP) resources

• RECOGNITION: NCPs listed in online directory
  www.eccho.org/ncpc_current_ncp_dir

• MAINTAIN: Continuing education guidelines to retain NCP status (5-year renewal cycle)
  — Details in the Continuing Education Handbook
  www.eccho.org/ncpc_cont_edu

• SHARE: Become a mentor to a future NCP through the NCP Guide Program
  www.eccho.org/ncp-guide-get-a-guide
National NCP Forum

- Objective: To share payments knowledge and network with peers
- NCP Forum is:
  - A virtual community connecting all active NCPs
  - A quarterly discussion forum hosted by ECCHO
  - Exclusive for NCPs and invited guest speakers
- Meeting Format:
  - Webinars; register & participate online
  - Anticipate regular meetings 1st month of each quarter
  - 2021 Dates: To be announced in December
Next National NCP Forum

4Q National NCP Forum
December 2, 2020
2pm ET | 1 pm CT | 11 am PT

Click here for more details

Come join a lively panel discussion on:

- 2021 NCP Program – Economical ways to earn CE credits
- ECCHO Education & the New ECCHO Rules Book
- Question & Answer Session

If you have any questions you would like to have answered during the call, please email them to us in advance at ncpc@echo.org

Register Today!
Additional meeting connection information to follow

Questions? Contact 214.273.3218 or ncpc@echo.org
2020 Highlights

• Due to COVID-19 decision to cancel 2020 Exam
  – Many registrants reported they were relieved to:
    • Have more time to prepare
    • Not have to sit for the exam at this time
  • Decision was made with the exam registrants health and safety as #1 priority
  • Special recognition was given to NCP 2020 Deferred group encouraging them on a successful 2021 Exam
Special thanks to our Partners

ePayResources
EPCOR
First National Bankers Bank
MACHA
NEACH
PaymentsFirst
Southern Financial Exchange
TCH Payments Authority
UMACHA
United Bankers’ Bank
WesPay
Continuing Education (CE)

- 5-year renewal cycle requirements include:
  - Fifty (50) credits of approved Continuing Education
  - 3 ECCHO hosted NCP Workshops

- Maximums per calendar year
  - 30 CE credits & 2 NCP Workshops within a given year

- Certification Renewal Period
  - Renews every 5 years

- Final 2020 CE program webinar:
  - “All About ECI’s”: Nov 5 at 2 pm ET
ECCHO Education CE Opportunities

- **ECCHOEd**
  - On-Demand library of educational sessions
  - “Complimentary Webinars” available to the public
  - All ECCHOEd offerings are free of charge to ECCHO members

- Education Subscriber
  - Low cost subscription to general education programs offered by ECCHO; available to non-ECCHO members
    - Contact Dal Bolt for more information: [Dal.Bolt@theclearinghouse.org](mailto:Dal.Bolt@theclearinghouse.org)

- All education eligible for NCP CE credits!
  - Visit our website for more information: [www.eccho.org/education](http://www.eccho.org/education)
Workshop Drawings

• Two (2) free ECCHO-hosted NCP workshops
  — Drawn from registered attendees

And the Winners are. . .

Congratulations!

Contact ECCHO at ncpc@eccho.org
to redeem your free workshop!
NCP Certification Benefits

• NCPs are respected payments experts – respected in your organization, by auditors/regulators, and across the industry.

• NCPs provide value through their knowledge of regulatory and compliance rules and their ability to expedite critical customer issues.

• Best of all, NCPs have the expertise to resolve complex check problems reducing the potential of risk within your organization.
Special Educational Speaker

NCP Day:
2018 Check Sample Survey (CSS) Findings

FEDERAL RESERVE SYSTEM RETAIL PAYMENTS OFFICE

MIKE WILLIAMS, VP
KEVIN McKENNA, AVP

NOVEMBER 2, 2020
NCP Day: 2018 Check Sample Survey (CSS) Findings

FEDERAL RESERVE SYSTEM RETAIL PAYMENTS OFFICE

MIKE WILLIAMS, VP
KEVIN McKENNA, AVP

NOVEMBER 2, 2020
The views and opinions expressed are made in good faith and are those of the individual speaker and are not necessarily the views and opinions of the Board of Governors, the Federal Reserve Bank System, the Retail Payments Office, or any Federal Reserve System Product Office. The primary purpose of this presentation is to educate and inform, and no warranties or representations of whatever nature are made, including but not limited to the accuracy or completeness of the information contained herein. Lastly, this presentation does not constitute legal or other professional advice or services.
Agenda

- COVID overview
- Purpose/research design
- Survey overview
- Checks paid
- Checks returned
- Possible fraud
- Market update
- Q&A
COVID overview

Kevin McKenna
Assistant Vice President
Revenue Management & Billing
Retail Payments Office
Federal Reserve Bank
Commercial Check Year-over-Year Volume Comparison

Forward volume

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Check Forward Volume Year-over-Year Percentage Change by Quarter 2019 vs. 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>-20.9%</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>-14.6%</td>
</tr>
</tbody>
</table>

Return volume

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Check Return Volume Year-over-Year Percentage Change by Quarter 2019 vs. 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>-39.8%</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>-35.8%</td>
</tr>
</tbody>
</table>

*Data reflects year-over-year percentage change by quarter for commercial volume, and is adjusted for number of business days (e.g. 61 business days in 1Q2019 vs. 62 business days in 1Q2020).
*The black lines represent the year-over-year trends prior to the impact of COVID-19.
Commercial ACH Year-over-Year Volume Comparison

**Origination volume**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Year-over-Year Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>5.7%</td>
</tr>
<tr>
<td>Second</td>
<td>3.2%</td>
</tr>
<tr>
<td>Third</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

**Receipt volume**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Year-over-Year Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2.5%</td>
</tr>
<tr>
<td>Second</td>
<td>3.0%</td>
</tr>
<tr>
<td>Third</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

*Data reflects year-over-year percentage change by quarter for commercial volume, and is adjusted for number of business days (e.g. 61 business days in 1Q2019 vs. 62 business days in 1Q2020). *The black lines represent the year-over-year trends prior to the impact of COVID-19.*
Check Sample Survey (CSS) overview

Mike Williams
Vice President
Retail Payments Office
Federal Reserve Bank
Study Purpose:

Contrast business & consumer check usage patterns and provide current data on the use cases for those who still pay by check.
What is the CSS?

February 2018 – January 2019

26 Data elements:
- Routing number
- Value
- Payee/Payer
- C or B
- Purpose
- Etc.

Forward items: 55,000

Return items: 10,000

2018 Check Sample Survey

COVID Overview | Purpose & Research Design | Survey Overview | Checks Paid | Checks Returned | Possible Fraud | Market Update
How was the 2018 CSS conducted?

Sample selection:

**Forward**

1. On each business day, 20 cash letter files were randomly selected.
2. Checks were randomly selected each month from the daily set-asides, yielding 21,500 items monthly.
3. At the end of the 12-month period, a random sample of 55,000 checks was then selected for analysis.

**Return**

1. On each business day, four return cash letter files were randomly selected.
2. At the end of the 12-month period, a random sample of 10,000 checks was then selected for analysis.
How was the 2018 CSS conducted?

Check categorization

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Counterparty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill</td>
<td>B2B</td>
</tr>
<tr>
<td>Point of Sale (POS)</td>
<td>C2B</td>
</tr>
<tr>
<td>Indeterminate</td>
<td>B2B</td>
</tr>
<tr>
<td>Income</td>
<td>C2B</td>
</tr>
<tr>
<td>Casual</td>
<td>B2C</td>
</tr>
</tbody>
</table>

COVID Overview  | Purpose & Research Design | Survey Overview | Checks Paid | Checks Returned | Possible Fraud | Market Update | 11
How is the CSS different this year compared to previous years?

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 CSS</th>
<th>Previous CSS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial institution representation</strong></td>
<td>All kinds, sizes, and geographic locations of U.S. depository institutions – commercial banks, savings institutions, and credit unions</td>
<td>Up to 12 large U.S. commercial banks</td>
</tr>
<tr>
<td>Information on return checks</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Includes on-us items</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Account holder representation</td>
<td>Mix of business and consumer accountholders</td>
<td>Weighted toward business account holders</td>
</tr>
<tr>
<td>Transit items</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Data completeness</td>
<td>Metadata provided for all items</td>
<td>Metadata for some items</td>
</tr>
<tr>
<td>Data comparability</td>
<td>All recording of check information by Fed consultants</td>
<td>Recording by multiple parties: consultants and various commercial banks</td>
</tr>
</tbody>
</table>
Overview: 2018 CSS fast facts

- Checks written (number)
- Recipients (number)
- Checks written (value)
- Checks returned (number)
- Checks returned (value)
- Checks returned by reason

Outside circle: number; inside circle: value

Businesses
Consumers
NSF
Other
Consumer check use continues to decline in the U.S.
Noncash payment trends 2000–2018

<table>
<thead>
<tr>
<th>Payment type</th>
<th>CAGR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>9.9%</td>
</tr>
<tr>
<td>Nonprepaid debit</td>
<td>8.4%</td>
</tr>
<tr>
<td>Prepaid debit</td>
<td>7.1%</td>
</tr>
<tr>
<td>ACH</td>
<td>6.0%</td>
</tr>
<tr>
<td>Check</td>
<td>-7.2%</td>
</tr>
</tbody>
</table>

*CAGRs are from 2015 to 2018.

Trends based on annual number of payments from 2000–2018

Source: Federal Reserve Payments Study
Check trends 2000–2018

Check numbers in billions

Source: Federal Reserve Payments Study
2018 noncash payments proportions

- **Number**
  - Cards: 75%
  - ACH: 16%
  - Checks: 8%

- **Value**
  - Cards: 7%
  - ACH: 66%
  - Checks: 27%
Checks paid

- Checks written, collected, and paid as checks
- Also known as forward checks
- *Excluded* checks converted and collected through ACH
Checks paid (number) by counterparty and purpose

**Shares by number**

- **C2B**
  - Bill, 33.9%
  - POS, 2.9%
  - Indeterminate, 2.9%
  - Total: 39.8%

- **B2B**
  - Bill, 24.3%
  - POS, 1.1%
  - Indeterminate, 0.8%
  - Total: 26.2%

- **B2C**
  - Income, 20.3%
  - Total: 20.3%

- **C2C**
  - Casual, 13.7%
  - Total: 13.7%

---

**Sections**

- COVID Overview
- Purpose & Research Design
- Survey Overview
- **Checks Paid**
- Checks Returned
- Possible Fraud
- Market Update
Checks paid (value) by counterparty and purpose

**Shares by value**

- **B2B**
  - Bill, 55.8%
  - Indeterminate, 1.3%
  - POS, 0.3%
  - Total: 57.4%

- **C2B**
  - Bill, 17.2%
  - Indeterminate, 0.9%
  - POS, 0.3%
  - Total: 18.4%

- **B2C**
  - Income, 17.7%
  - Total: 17.7%

- **C2C**
  - Casual, 6.5%
  - Total: 6.5%
Checks returned

- Unpaid checks the paying bank returns to the depositing bank
Checks returned (number) by counterparty and purpose

**Shares by number**

- **C2B**
  - Bill, 42.4%
  - POS, 5.5%
  - Indeterminate, 3.8%
  - Total: 51.7%
- **B2B**
  - Bill, 15.5%
  - POS, 1.0%
  - Indeterminate, 1.5%
- **B2C**
  - Income, 14.6%
  - Total: 14.6%
- **C2C**
  - Casual, 15.7%
  - Total: 15.7%
Checks returned (value) by counterparty and purpose

**Shares by value**

- **B2B**
  - Bill, 48.0%
  - POS, 1.6%
  - Indeterminate, 3.7%
  - Total: 53.2%

- **C2B**
  - Bill, 21.1%
  - Indeterminate, 1.0%
  - POS, 0.9%
  - Total: 22.9%

- **B2C**
  - Income, 12.7%
  - Total: 12.7%

- **C2C**
  - Casual, 11.2%
  - Total: 11.2%
Why do checks get returned? *Mostly, it’s NSF*

**Shares by number**

- NSF: 67.2%
- Stop payment and similar: 21.2%
- Possible fraud: 10.2%
- All other: 0%

**Shares by value**

- NSF: 50.7%
- Stop payment and similar: 24.9%
- Possible fraud: 15.1%
- All other: 9.3%
Possible fraud reasons: number & value

- Refer to Maker
- Duplicate Presentment
- Altered/Fictitious/Suspected Counterfeit
- Not Authorized
- Suspected Forgery
- Forged & Counterfeit Warranty Breach/Forgery/RCC Warranty Breach/Warranty Breach

Chart showing the percentage of fraud reasons in terms of volume and value.
Possible fraud category by counterparty & purpose (number)

**Shares by number**

- **To business**
  - B2B: Bill, 14.2% (Indeterminate, 0.2%)
  - C2B: Bill, 22.2% (Indeterminate, 0.9%)
  - POS, 0.3%

- **To consumer**
  - B2C: Income, 43.2%
  - C2C: Casual, 17.2%
Possible fraud category by counterparty & purpose (value)

**Shares by value**

- **Bill, 55.6%**
  - B2B
  - C2B
- **Income, 26.4%**
  - B2C
- **Casual, 9.4%**
  - C2C
- **Possible fraud**
  - Indeterminate, 0.02%
  - POS, 0.02%

**Values:**
- 55.64%
- 8.52%
- 26.44%
- 9.40%
Remotely Created Checks (RCC)

Checks with a *signature authorization only* were the predominate characteristic in both the forward and return samples.

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCCs Paid</td>
<td>96.7%</td>
<td>96.4%</td>
</tr>
<tr>
<td>RCCs Returned</td>
<td>90.4%</td>
<td>92.8%</td>
</tr>
</tbody>
</table>

By both number and value, consumer payers generated the lion’s share of RCCs.

C2B was most prevalent for RCCs paid and returned by number and value, all of which were bill.
Conclusion

Usage

Anticipate continued decline in the United States

Consumer

Checks continue to meet the needs of businesses & consumers

FRS

The Federal Reserve System will continue to track trends and provide analysis on check usage along with providing support in the Check marketplace
Market update

Kevin McKenna
Assistant Vice President
Revenue Management & Billing
Retail Payments Office
Federal Reserve Bank
Appendix
Resources

• 2018 Check Sample Survey, including data and technical documentation
  https://www.frbatlanta.org/rprf/publications.aspx

• 2019 Federal Reserve Payments Study


• FRB Services
  • www.frbservices.org
Thank You!

National Check Payments Certification

ECCHO | The Clearing House
3710 Rawlins Street; Suite 1075
Dallas, Texas 75219

www.eccho.org

Copyright © 2020 by The Clearing House Payments Company L.L.C.