

THE BACKGROUND

When it began offering online bill payment as a service in 1999, STAR Financial Bank followed the lead of most other banks. It offloaded Q-Up System files representing its customers' payment orders from the web and forwarded them to Princeton eCom, a third-party bill payment company used by many banks, which issued the actual checks and ACH (electronic) payments.

A continuing problem, according to Glenn Bogan and Ralph Marcuccilli, vice presidents of electronic banking and operations, respectively, was that with the payment company on the east coast and payment destinations widely dispersed geographically, it often took as much as a week for the payments to arrive.

"When we considered that speed and convenience are the primary benefits of electronic banking, it was obvious that this solution was not providing the kind of service our customers deserved and it wasn't making our bank look very progressive," Bogan said. "Furthermore, we had no control over the process and we were limited as to the directions we could go with online bill payment."

THE SOLUTION

Bogan and Marcuccilli were walking the floor at a Jack Henry Software user conference, searching for an email system that could bring electronic notification to the online banking operation, when the solution found them. The bank already had an email solution for sending out statements with copies of cancelled checks, but the executives also wanted a similar way to send out notices such as overdrafts automatically and electronically.

They found that an exhibitor, ACOM, had just released such a solution. ACOM's solution ran on the iSeries (AS/400) platform or Windows 2000 Server and it was seamlessly compatible with the bank's Jack Henry software. In the course of their discussion, a broader solution emerged: the email module was not only available independently, but it was also integrated with ACOM's EZPayManager payment management solution. The bankers were intrigued.

EZPayManager merges payment data from enterprise software, such as Jack Henry, with stored electronic check forms, and then spools out the completed check and remittance advice files (pay stubs) for laser printing or electronic transmittal. Checks can be printed using MICR-enhanced laser printers situated on either the iSeries network or on any corporate TCP/IP network. In the same payment

run, it can format data for any necessary electronic payments, to ACH network specifications, and transfers that data to a Microsoft NT server, where a NACHA-compliant file is created and forwarded to the banking network for processing. Electronic remittance advice notification files are also transferred to the NT server, which transmits the "pay stub" information to payees via fax or email.

STAR Financial's IT environment was perfect for the EZPayManager solution. The bank used an AS/400 computer and Jack Henry software for its core processing with a Novell network for Windows-based applications, including the Q-Up Internet banking software. (Q-Up software allows customers to access their accounts via the Internet and phone. According to Dataquest, about 7 million U.S. homes use a personal computer to do their banking, a figure that is expected to grow to 24.2 million homes by 2004.)

STAR Financial already had a payment solution from Bottomline Technologies in-house, but its utility was limited to MICR laser checks. The bankers wanted the ability to perform ACH direct deposits and send electronic notifications as well. EZPayManager represented exactly what they were looking for, without the need to mix and match solutions from different vendors.

Online bill payment is still a relatively small part of the bank's business, representing about 4,000 transactions per month. Currently, there is a fee attached to the bill payments, however, Bogan says they hope to make it a free service, like electronic banking, as volume increases. Such initiatives, he says, create customer good will and encourage the use of other banking business.

THE IMPLEMENTATION

Installation of EZPayManager has brought them considerably closer to that objective. The software was installed in September 2001, and the online bill payment activity was brought in-house immediately. Bogan says that it's saving time and money and improving service.

"ACOM did all the work," says Marcuccilli. "We provided them with an input file indicating the output we needed, and they implemented the solution very quickly. When the software was ready, an ACOM trainer came to Fort Wayne to assist with the installation and to train our staff."

EZPayManager is an extendible system that consists of several modules. The modular architecture of EZPayManager allows users to implement the parts they need immediately, and build out the solution as their needs change. It is seamlessly compatible with all

financial management systems, ERP systems and legacy system data.

The STAR Financial EZPayManager implementation includes the MICR laser checks module, the ACH module, the email module, the PDF module and the auto-processing module. The solution runs on a Windows 2000 SQL server, with checks generated on an HP LaserJet MICR printer previously used with the now-sidelined Bottomline software.

SUCCESS!

Altogether, Bogan says that the bank has invested about \$30,000 in the solution and expects to recover its costs in less than 12 months.

“We’ve been able to automate a lot,” he says, “We just drop the file, the system takes over and notification goes out either as a paper copy or as an email with a PDF attachment, encrypted with the customer’s password.

Although STAR’s customers can send a payment to anyone, Bogan estimates the 10 largest billers make up about 40% of their payments. These billers include the local utility companies and a handful of national companies, such as American Express and Verizon Wireless.

Bogan went on to say, “Even though MICR laser checks are produced at a savings over conventional checks, which are generated on preprinted forms with production impact printers, they still cost close to fifty cents each for printing, stationary and postage. Electronic payments cost about a penny. Meanwhile, our customers know exactly when the money will leave their accounts, and electronic notification lets payees know exactly when the funds arrive at theirs. Nobody has to physically handle anything, and it is economical and effective for all parties.”

Best of all, he adds, EZPayManager’s flexibility and modularity has created an online payment environment that enables the bank to go in any direction they choose.

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