

How do I discontinue my Direct Payment arrangements with a company?

You must send a written request to the company if you no longer want to pay your bill/donation with Direct Payment.

With Direct Payment, can the company obtain confidential information about me?

No. The only information available to the company is on the authorization form you signed to begin Direct Payment. Companies do not have access to your account balance or any other information about you that is maintained by your bank.

The above questions and answers are based on the Federal Reserve System's Regulation E, which governs electronic fund transfers. Some transactions, including wire transfers and the sale and purchase of securities and commodities, are not covered under Regulation E. The National Automated Clearing House Association also maintains and publishes rules for the Automated Clearing House service; however, the information in this guide only reflects provisions from Regulation E.

Where Can I Get More Information?

If you would like additional information about your rights when using Direct Payment, please contact the Consumer Affairs Department at the nearest Federal Reserve Bank or call your financial institution. The Federal Reserve's Public Affairs Department can provide you with a copy of Regulation E, which outlines the legal requirements for consumers, companies and financial institutions who use Direct Payment.

Many companies and charitable/non-profit organizations have begun to offer their customers and donors a Direct Payment option.

General information about Direct Payment is available on the following Internet site:

www.directdeposit.org



A Consumer's Guide to Direct Payment



Prepared by the Federal Reserve System



What is Direct Payment?

Direct Payment is a reliable, confidential and efficient electronic payment alternative to paper checks. When you use Direct Payment, you authorize a company to electronically collect a payment from your checking or savings account to pay a bill, make a donation, or pay an obligation. So instead of writing a check every month, your financial institution will automatically make the payment from your account on a predetermined date for you. It's that simple.

Why Use Direct Payment?

Like Direct Deposit, consumers and companies *both* benefit from Direct Payment. As a consumer, you'll save time preparing payments, save money on postage and check fees, eliminate the chance of a late payment, and save time balancing your account statement. Companies benefit by processing payments more efficiently and by enhancing cash flow predictability. In some cases, companies are able to reduce their operating costs by offering Direct Payment.

With Direct Payment, you can anticipate the exact date your payment will be withdrawn from your account.

What do I Need to Know about Direct Payment?

This pamphlet is designed to help you understand your rights when you authorize a Direct Payment. The pamphlet includes a list of questions commonly asked by consumers who, like you, are considering using Direct Payment. The answers to these questions

outline your rights, along with the responsibilities of companies and financial institutions involved in these electronic transactions. The glossary below defines common terms that appear throughout this pamphlet.

Glossary

Account

Refers to your checking, savings, or other consumer asset account. Some financial institutions will only allow you to have Direct Payments withdrawn from a checking account.

Company

Refers to a company or charitable/nonprofit organization that you enroll with to collect a preauthorized payment from your account to pay a bill, make a donation or pledge, or make a payment.

Financial institution

Refers to any bank, credit union, and savings and loan association.

Payment

Refers to a recurring (*monthly, quarterly or annual*) bill or donation or pledge. Some payments are for constant amounts (*e.g. insurance, mortgage and car loan payments, annual alumni dues, and cable subscriptions*), whereas some vary in amount (*e.g. telephone, gas, electric, and water bills*).

Questions and Answers

Is Direct Payment New?

Direct Payment has been a highly reliable and confidential payment method for more than 25 years and uses the same network as Direct Deposit.

How do I get started and sign up for Direct Payment?

It's easy. If a company offers you a Direct Payment option, all you need to do is provide the company with a written authorization to collect money from your account to cover the amount of a payment. You may also be asked to provide a voided check from your account. Companies will use your voided check to obtain correct financial institution and account number information. You are only supplying information that is readily available from any check you issue in payment of a bill. Many companies will provide you with an authorization form for you to sign and return. **TIP:** Keep a copy of the written authorization for your records.

How are my bills/donations paid?

On the predetermined due date, the company's financial institution will instruct your financial institution to deduct the amount due from your account. Your financial institution then lowers your account balance by the amount of the payment. The company's account increases by the amount of your payment.

How can I be sure a payment was deducted from my account?

The payment will be shown on your monthly statement from your financial institution. The statement will indicate the payment date and amount, and the company that received the payment.

Will I receive a payment notice from the company each month?

If the payment amount varies or changes, the company or your financial institution must mail you, at least 10 days before the

scheduled payment date, a written notice of the new amount and the date of payment.

Can I stop a payment?

Yes. Simply notify your financial institution, orally or in writing, up to three business days before the scheduled payment date. If you call your financial institution, you may also be required to provide a written request within 14 days. Some financial institutions may charge a fee for each stop payment. As a courtesy, you also may want to inform the company that you are stopping a payment.

What if the amount on the payment notice from the company is incorrect?

Contact the company immediately. If the company verifies the amount, and you still feel it is incorrect, call your financial institution to stop the payment before it's posted to your account.

What if there is a discrepancy between my financial institution account statement and the payment notice I received from the company?

Notify your financial institution immediately. You have up to 60 days from your account statement date to notify your financial institution in person, by telephone or in writing of an unauthorized payment or an incorrect payment amount. If you notify your financial institution in person or by telephone, you may also be required to provide a written confirmation within 10 days. If you notify your financial institution within the 60 day time period, you should receive credit for any unauthorized or incorrect payments. If the financial institution needs more than 10 business days to investigate and resolve a matter, it must credit the amount in question to your account during the investigation.