

COMMERCIAL BANKING INNOVATIONS (CBI)

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# CheckCollect

**User's Guide**

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**Version 2.0**



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# Check Collect™

*There are tremendous opportunities in the marketplace for your business. Welcome to a new future!*

## I. Welcome

**S**uccessful enterprises focus on their core business. Check Collect solves your NSF problems so you can do just that. You can finally stop chasing down bad checks and concentrate on your business instead.

Check Collect allows you to collect bounced checks electronically! Save time and money, while increasing collection percentage and cash flow. Collecting out-of-town checks is no longer a hassle. Our electronic collection process is much faster and more convenient than any other method available, and it will work on any bank in the U.S. and its territories.

Your customers will benefit, because bouncing a check is an embarrassing event that no one likes to handle in person. Check Collect handles it for them quietly. Check Collect notifies your customer's bank of the ACH transaction and adds it to his or her statement.

### **What is Check Collect?**

When your customer bounces a check, your bank forwards the returned check directly to Check Collect. Check Collect enters the check into a database and re-submits it electronically via the ACH network. If the item bounces again, our processing center then calls the bank to verify funds before a third and final attempt to collect.

### **The Check Collect Advantage**

- No limit on number of checks
  - Eliminates high cost of guarantee services
  - No special equipment needed
  - No long-term contracts to sign
  - When the funds are collected and released with our electronic re-presentment program, you receive 100% face value of the check paid each week.
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## **II. Overview**

### **How Does Check Collect Work?**

1. Merchant accepts checks in the normal course of business and deposits those paper checks with their local banks (1st Presentment).
2. Returned items are forwarded to CHECK COLLECT by Merchant's bank. The Banks are instructed by the "Return Items Release Authorization" to forward to Check Collect.
3. Upon arrival at CHECK COLLECT, each check is evaluated and assigned to one of two collection groups.
  - RCK Collection Group – checks returned for either NSF or UCF and are eligible for automated RCK collection.
  - Regular Collection Group – checks that are returned Account Closed or other reasons that precludes automated collection are eligible only for the optional collections process. If no regular collections are selected, then Check Collect will request an affidavit or police report for checks marked stolen, and then return them to the merchant.

### **The RCK Process**

1. When the check items are received by our processing center, they are presented electronically (2nd presentment) for clearing via the ACH (to maximize the likelihood of funds recovery from a timeliness standpoint). This ACH transaction is followed by a separate transaction for the state-allowed return fee.
  2. If the 2nd presentment is returned (2nd return) by the consumer's bank, a 3rd presentment is necessary. CHECK COLLECT will attempt to minimize the likelihood of a 3rd return by utilizing the following procedure:
    - a. CHECK COLLECT will attempt funds verification calls to the consumer's bank.
    - b. If funds verification is positive, the item will be selected for re-presentment with the following ACH file, usually the next business day (3rd presentment).
    - c. If funds verification is negative, the 3rd presentment of an item will be timed to hit the consumer's account after being in the system 60 days. This is a final effort to collect the funds electronically before regular collection efforts or return to the merchant.
  3. If the 3rd presentment is returned (3rd Return) by the consumer's bank, the transaction can no longer be processed in the RCK Collections group and (if applicable for this merchant) is placed in the Secondary Collections group.
  4. If the account is closed, Check Collect will send a letter to the consumer in most states (statutory requirement, some states do not allow letter
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collection). After 60 days, if there is no response the item will be placed in the Secondary Collections group.

#### The Secondary Collections Process

Secondary collections will consist of letter writing to the consumer. This will come from the office of Howell & McClinton, P.C.

### **III. Compliance Issues**

It is the responsibility of the merchant to obtain proper consumer authorization on each NSF and UCF item submitted by a Merchant. This authorization is to be a full signature and not simply the initials of the customer.

Additionally, notice is now required that allows the Check Writer to revoke the authorization provided. The Check Writer would return to the location where the check was written, and revoke the previous authorization in a reasonable time. The Check Collect Client would then call or e-mail Check Collect with the Revocation. This notice can be tear-off slips provided to the Check Collect client, or the verbiage can be added to the stamp or contracts authorizing electronic collection of return items.

If check is not stamped, Check Collect will assume that proper consumer authorization was obtained at the Merchant location to allow for the electronic collection of the state-allowed return fee.

There are many methods by which proper authorization can be obtained:

- Stamping the check at the point of sale and having the customer sign the stamp
- Consumer's signature on a printed receipt
- Consumer signed a contract with the Merchant containing an ongoing authorization clause

Merchants, in the Check Collect agreement, shall indemnify CHECK COLLECT for their failure to obtain proper consumer authorization.

For every returned item submitted by a Merchant, CHECK COLLECT will assume that proper consumer notices were posted at the Merchant location to allow for the electronic collection of the state-allowed return fee.

Unfortunately the processors for Check Collect currently will not accept these types of business opportunities: Check Cashing and Pay Day Loan Companies. Check Cashing businesses present special challenges to the electronic re-presentment of items.

Pay Day Loan companies are restricted by the state in the fees that they can charge for return items.

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Legal recourse to settle checks are affected in that the DA's office will not accept post dated checks as a valid debt instrument.

Collection rates on these types of items are notoriously bad, in that many accounts will be closed. If traditional collections are used, it is not cost effective, because the vast majority of these checks will not be recovered. The address will change, phones disconnected, and stop pays placed on valid checks.

Cashed Payroll Checks present other problems for collections in that they do not carry the signature authorization of the check maker. Even if the person cashing the check signs authorization to collect, the company that issued the check did not agree to electronic collection.

At one time our processors felt that this would be desirable business, but experience has shown that it is not profitable to process return items, and that any profit made is usually eaten by the special requirements imposed by the state.

Without exception, our processors have declined these businesses, and so have our competitors.

#### **IV. Merchant Customer Services**

Electronic Financial Group will administer the Check Collect program. They are located in Waco, Texas and they are very experienced in customer service-oriented collections.

They have convenient hours of operation: Monday thru Friday from 9:00am – 5:00pm CST

Customer Service Phone Number: 1 (254) 399-0607

Customer Service E-mail: [info@mail.checkcollect.com](mailto:info@mail.checkcollect.com)

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## **V. Reporting**

With Check Collect you have an option of two methods of reporting with an additional reporting service by fax that is available to all Check Collect clients for weekly reports by fax.

Check Collect offers online reports for all clients that wish to access their records and images of their checks via the Internet.

### **Online Reports**

To receive your ID and password for online reports contact Check Collect Merchant Services at (254) 399-0607, or write to our e-mail address [info@mail.checkcollect.com](mailto:info@mail.checkcollect.com)

### **Email Reporting**

Includes:

- Daily New Check Report (for every day that the account has activity)
- Daily Statement Report (for every day that the account has activity)
- Weekly Paid Check Report
- All merchants receive a mailed Monthly Statement if the account had activity during the month.

### **Printed Reports**

Includes:

- Mailed Weekly Statement Report.
- All merchants receive a mailed Monthly Statement if the account had activity during the month.

### **Fax Back Reports**

*This is an additional option for any merchant who has a fax machine with a handset. Merchants are set up for Fax Back when they are set up for Check Collect.*

Includes:

- Weekly Statement Report. The reports they get from Fax Back are updated each weekend and cover a date range of the previous week. If there was not activity in the previous week, there will not be a Fax Back report available to the merchant.
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## VI. Reporting Report Back System Instructions

To utilize the Check Collect Report Back System, you must be calling from the handset of your fax machine. The telephone number for the system is:

**254-399-9250**

Dial this number and follow the voice prompts. These prompts will guide you through the system so that you can obtain your report.

The following is a summary of how the system will work when you call the Report Back System:

Dial the Report Back telephone number (**254-399-9250**) from the handset of your fax machine.

The Report Back System's voice prompt will begin: "Thank you for calling Check Collect's Report Back System. Please note, to receive a report you must be calling from the handset of your fax machine. If you are ready to place a report order, press one (1). If you would like to hear a description of how Check Collect's Report Back system works, press two (2)."

### **Press one (1)**

"You may order up to one report during this Check Collect Report Back session."

"Enter your Merchant ID number followed by the pound (#) key."

### **Enter Merchant Number (111)**

***Please keep your merchant number secure. You will need this number to access your reports each time you call the Report Back System.***

"Thank you for your report order. To receive your report, press the **START** button on your fax machine now."

### **Press START**

Your Check Collect report will now begin printing from your fax machine!

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## **VII. Payment to Merchants and Pricing**

### **Payment to Merchants**

Merchants will be reimbursed only for recovered items. Reimbursement will occur every Friday via ACH credit to the Merchant's account.

### **For Collected Check Items**

Check Collect and Secondary Collections

- 100% of face value of check items collected via Check Collect
- 100% of face value of check items collected via Secondary Collections

### **Pricing**

There is NO CHARGE to Merchant for Check Collect.

The process for payment is as follows.

WEEK 1, return checks are input to the system and an ACH debit file is sent for the face amount of the check, later a separate file is sent for the collection fee.

WEEK 2, the financial institutions confirm payment of the debit request.

WEEK 3, all items collected in the previous week are paid to the merchant. Items returned uncollected in Week 2 are placed back into the collection system for 3<sup>rd</sup> presentment, regular collection, or return based on the instructions in the agreement.

This is an on-going process that results in the Check Collect Client receiving payments each week when collections have occurred in the previous week.

## **VIII. Helpful Tips to Avoid Fraudulent Checks**

### **Record important information on the front of the check.**

Oftentimes, the District Attorney will refuse to prosecute the forger if a driver's license number is not recorded when the check is accepted. Obtaining the information below at the time of presentment is crucial in order to obtain a high collection rate. Use the **T** method:

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Drivers License #	Verification #
Cashier's or Manager's Initials	Daytime Phone #

**Examine the check writer's driver's license carefully.**

More than 60% of all forged checks taken last year were cashed with an expired driver's license. Compare the check writer's driver's license photo ID with the check writer. Make sure the address on the ID is the same as the one imprinted on the check.

**Exercise caution when a check is presented from a recently opened account.**

Of all insufficient "hot checks", 90% of them are drawn on accounts that are less than 1 year old. Be extra careful regarding check accounts that have a check series number from 100 to 200.

**Use a check reader to verify all checks before acceptance is finalized.**

Significant reduction in check loss will be realized when accessing a good database that provides negative check writer data and tracks check writing patterns associated with fraud rings.