

The Evolution and Opportunities of EBPP for Credit Unions



Electronic Bill Presentment and Payment (EBPP) offers a comprehensive solution for presenting electronic bills and receiving digital payments from consumers. The payment experience is a crucial touchpoint that must adapt to consumer demands. However, members might not use consistent payment methods and options for each bill, which poses a challenge for credit unions in accommodating members' preferred payment methods.

In a NACUSO-hosted [webinar](#), *The Evolution and Opportunities of EBPP for Credit Unions*, Stuart Bain, Alacriti's SVP of Product Management, discussed the history and future of EBPP and shared insights on crucial aspects of an EBPP solution, including trends in consumer bill payments, opportunities for credit unions, loan payment fraud prevention, impact on member conversion, AI's role, and the significance of the TCH's RTP® network and FedNow® Service.

Evolution of EBPP

Bain began the webinar with a discussion about the evolution of EBPP. The first EBPP solutions appeared in the 90's, but uptake was slow due to the lack of widespread internet access. "There's not a readily available record of who launched the first solution—but it was most likely a large biller that developed a solution in-house. By the early 2000's (around the time of the dot.com boom), internet access was more widespread with sites such as Ask Jeeves and Yahoo. Larger billers started to choose to adopt bill pay solutions. One reason was to be able to support paperless billing, thereby reducing the cost of mailing out statements and the number of returned checks. So as part of that, they obviously wanted to facilitate electronic payments."

Typically, EBPP solutions took the form of web portals supporting ACH payments with occasional card payments. Many of these solutions were developed by billers in-house. They built their own solution and then maintained it and managed it. That's an important difference, as there are fewer in-house solutions these days compared to the early days.

Early EBPP solutions tended to be siloed—there was very little integration. For instance, a biller would have different solutions for their web payments and call center payments. They may have had a different solution for their IVR payments as well. There would also be a separate solution for cards versus ACH or walk-in payment, requiring more effort for a biller to provide customer support. “We have tales of people having to sign into seven or eight different systems to be able to answer a customer’s question when they just said, Hey, I’ve just paid my bill, can you help me? And it also meant they had no one true central view of their bill payments,” Stuart explained. A manual aggregation of all the reporting from different solutions was needed to get a view of how many payments were being processed, the cost, and what channels and types of payments customers preferred.

It's also important to note that early solutions were file-based vs. real-time processing, resulting in some really archaic check-processing practices in the mid 2000's. Shortly after the dot.com bust, larger billers started to demand more integrated solutions and real-time solutions. Customers were starting to expect things to happen in real-time as they could do things in real-time on the internet that they previously had to go to a branch to do.

The EBPP providers responded to the new demand and started to add on or integrate additional channels into their bill pay solutions. For example, adding on a call center solution that unified data from both their web payments and the call center payments into one solution. This also included using application programming interfaces (APIs) to embed external channels. Rather than the client IVR processing payments in its own right, the payments were switched to be processed through the actual bill pay solution provider, and the end result was consolidation. CSRs could provide customer support from one console, one function, one dashboard and reporting started to include all of the channels and payment types. Billers could easily get good insight into where, how, and what was being paid. The end result was a very early integrated receivable solution.

This evolution of adding on channels, features, and functions has continued over time until today's EBPP solutions. They have many direct channels, meaning channels that are managed by the bill pay solution provider themselves, such as a range of different customer websites, mobile channels, pay by text, and also support for API-based payments chatbot channels. Walk-in and kiosk functionality remain for people who still want to pay cash. The end result is a more integrated bill pay solution with billers able to choose the channels they want to deploy based on their specific requirements, their level of IT sophistication, and how they want their customers to be able to pay. It also extends to indirect channels. Solutions can pull in payments from, for example,

online bank bill pay, taking feeds of the paper checks that remain to provide a view of those payments. There are also payment aggregators like bill.com out there. All of that's processed through a central processing warehouse with automation, business rules, fraud and risk management.

Customer support can provide support on any of the payments received without signing into different solutions. With real-time integration, payments can be posted back in real-time. As soon as an IVR payment has been made, a financial institution's call system can be updated so the member or customer isn't called to request a payment. Consolidated files can be produced—both remittance files for services that require those, but also consolidated data files to feed into data warehouses, which can be used for more analytics on how a financial institution's being paid beyond what the bill pay solution online reporting can provide.

Other factors have driven change in the evolution of bill pay. The first of these was compliance. In late 2001, the introduction of PCI DSS Level 1 made many billers start to reevaluate their in-house bill pay solutions. After a series of data breaches, card losses, and card fraud, [PCI DSS](#) Level 1 was a result of the card industry collaborating to produce the first set of standards for card data handling. The new standards introduced rules around handling data, including persistent storage and data from call center recording software. Faced with the cost of maintaining PCI compliance, many billers had to give up their in-house solution and outsource.

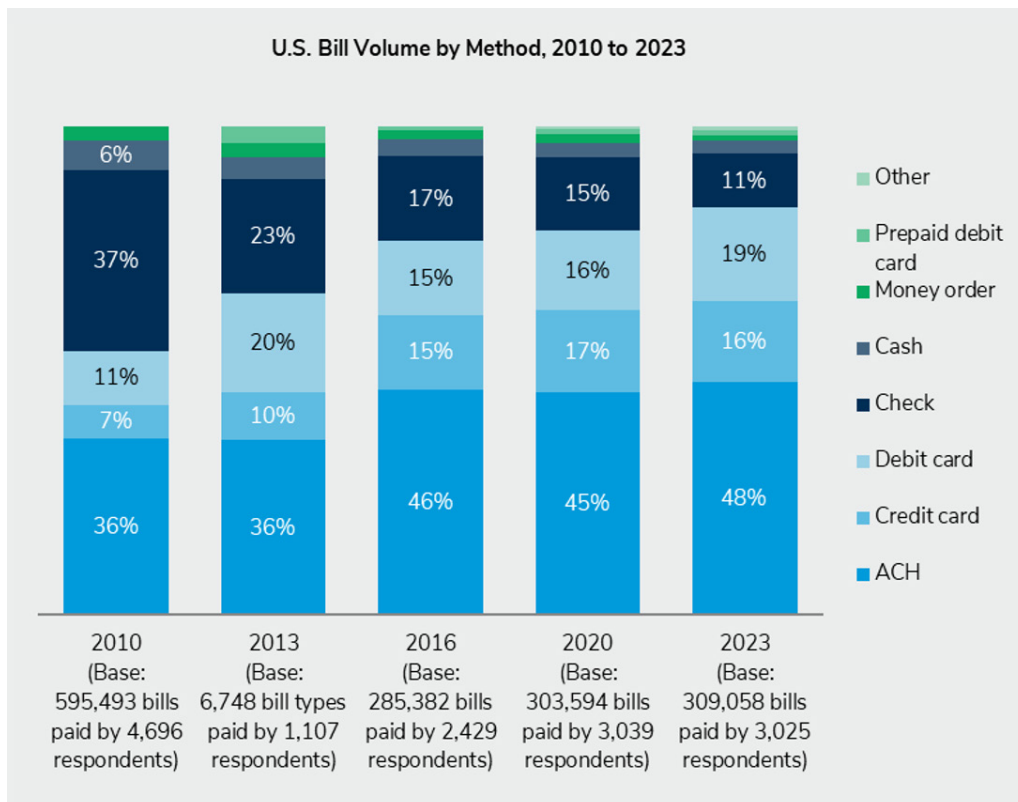
The cost of maintaining PCI compliance goes up every year. Next year there are even more stringent controls on handling card data network security. In addition, NACHA has started to tighten up their rules around handling bank account data. For example, they recently introduced a rule regarding encryption of DDAs at rest. "If you're storing bank account numbers in a database, they have to be encrypted in the same way that a credit card number or a debit card number would need to be encrypted," Bain explained. "More and more billers have chosen to go with a third-party service provider that's PCI compliant such as [Alacriti](#) to provide that service. And it's led to some introduction of some functions. Large billers still want to retain control over their user interface. They don't want it to be obvious that somebody's going to a different website. So we've started to see functions and evolution of things like this hosted web form which provides for a much more seamless experience from a payment perspective as well as compliance. The user interface has evolved over time as well."

The change in user interface has been driven by updates to HTML standards, browser capabilities, and the latest trends in user experience. A big driver for changes in the design and general UI has been the introduction of smartphones. Launched in early 2007, the iPhone spurred quite a few changes worldwide—members and customers came to expect to be able to do everything with their phone, giving rise to features and functions such as QR code trigger payments and pay by text. Responsive web design began to be used and enabled within

websites, which drives the design of the website. Billers had to design websites that can resize to fit on a device and still remain usable. There were also hybrids of the responsive web design websites and full applications that were downloaded from the app store (progressive web applications). Many large companies, e.g., Starbucks, use progressive web apps (PWAs) rather than having all of their sites formed out of an application. One final change was QR code triggered payments. “They basically disappeared for a while,” Bain recalled. “Then in the pandemic they all reappeared again as people started to use them for accessing menus and paying the bill in restaurants. We’re starting to see those come back as ways of triggering payments by scanning a QR code, whether printed or on a mailed statement.”

Trends in Bill Pay

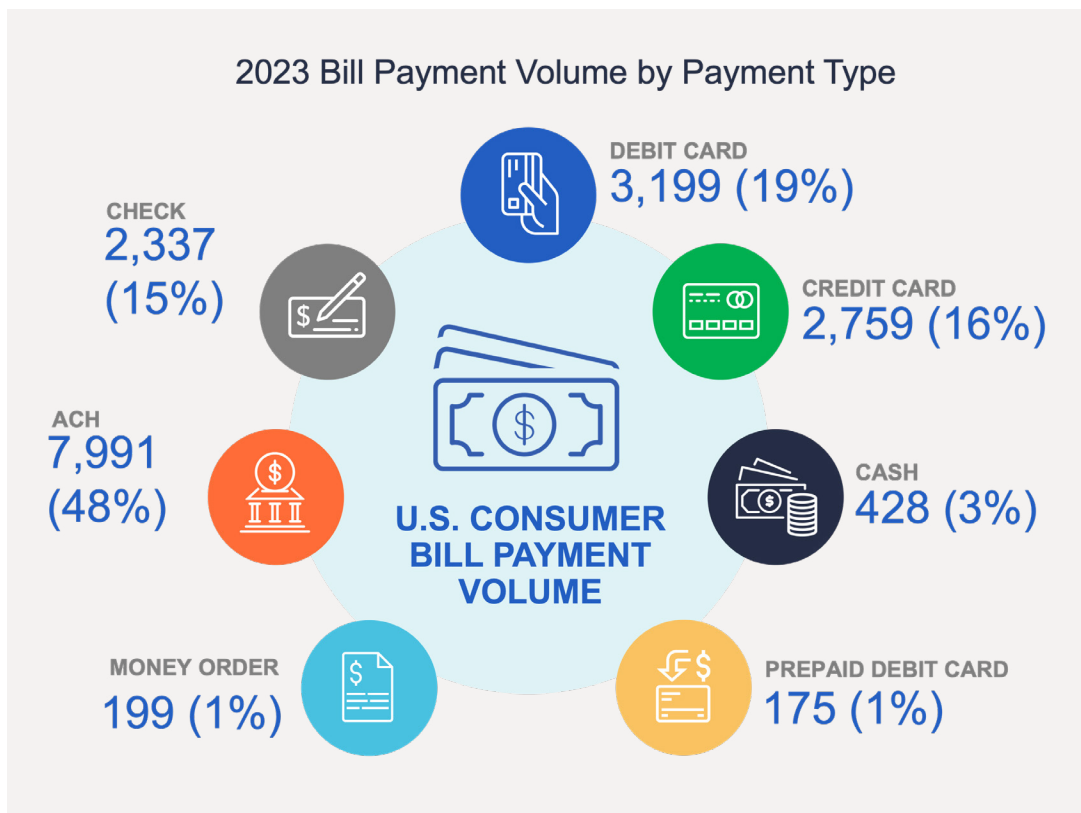
A Datas Insights analysis showed how the consumer bill payment mix is changing. There has been a rise in ACH credit card and debit card payments from 2010 through to 2023 at the expense of check-based payments, which is not surprising. The percentage decrease in checks is roughly 1% off the increase in electronic payment methods, which is expected as more people have switched to paying online. What may be unexpected is that checks did not convert to people switching back to money orders or cash. Those have remained remarkably consistent. There is a constant base that will want to try and pay using cash or some other payment method or using money orders.



Source: Datas-Insights (Formerly Aite-Novarica)

2023 data showed that 16.8 billion bills are paid annually in the U.S. adding up to a total of \$5.4 trillion. Electronic payment methods comprise the bulk (roughly 83%) of those payment methods with the remaining being made primarily by check. There are other less-used payment options—cash, prepaid, debit cards, and money orders—demonstrating a trend toward electronic payments.

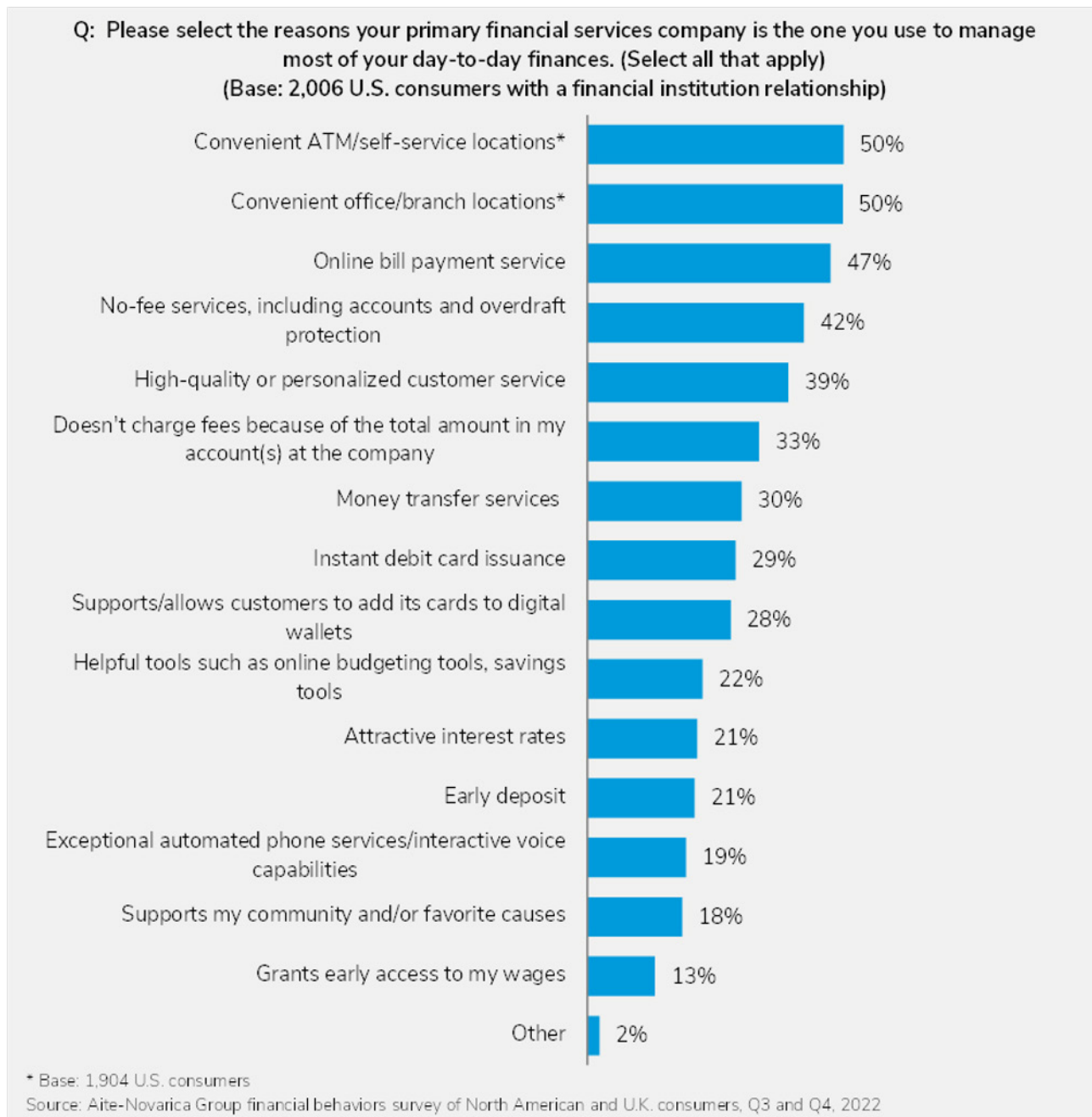
For loan payments, the numbers have to be interpreted differently because Visa does not allow people to pay debt on debt—e.g., using a credit card to pay an auto loan. These credit card volumes have tended to convert to people using debit cards, which shows a preference to use cards. The numbers show on average a ratio of 70:30 from ACH to card for loan repayments. These don't become ACH payments or people switching back to checks. They actually prefer to use their debit card to pay if they're given the option to use a card.



Source: *Datos-Insights (Formerly Aite-Novarica)*

According to *Datos-Insights* research, across the U.S. the average consumer has 14 accounts held at 4.4 financial service providers (which is not just banks, and includes standalone credit card companies, private label store card providers, P2P providers, BNPL, etc.). When consumers were asked about how they chose their financial service providers, half of them listed convenient ATMs and self-service locations as well as convenient office and branch locations. The importance of bill pay shown in that online bill payment service comes in third at 47%. So nearly half of consumers view the ability to pay bills online as important when choosing their institution, which includes not only the ability

to pay accounts at the institution, but also the ability to pay accounts at other institutions from inside that solution. Also worth noting—30% of respondents indicate that money transfer services from their financial institution are important to them. For this reason, Alacriti offers the [Money Movement Services](#) solution to act as a companion to [bill pay](#).



Source: Datos-Insights (Formerly Aite-Novarica)

When looking at Datos-Insights data, it's clear that ease of bill pay enrollment, payment notifications, reminders, and confirmation are important to consumers. 89% of consumers want more payment options from their bill pay solution i.e., going beyond just ACH payments and offering debit card payments. Consumers want to pay for everything in one place. Of course, 91% of consumers demand secure environments and transactions, which are already enforced by existing rules such as PCI DSS. In addition, 95% of consumers demand same-day processing. According to Javelin's U.S. 2019 Household Bill Pay Survey (formerly Mercator Advisory Group) around 70-80% of electronic bill payments occur on the biller's website. However, they don't just use one method to pay all of their bills. How people pay is based on the importance of the bill. Paper cash and check is still used 86% of the time, which is most likely face-to-face payments or very small billers that don't have an electronic payment offering.

Bain also said that autopay and online payments are basically neck and neck. "A mortgage tends to be paid by auto-pay. Whereas with a credit card, the payer may want to check statements and before they pay the bill since it's a different amount each month, and may want to make a minimum payment instead of paying the balance. From this perspective, you need to offer payment options that meet your members' diverse payment needs. Research shows that 2/3 of consumers need to pay their bills at the last minute. Also, in the case of paying a bill for a friend or relative, a solution is needed to quickly pay a bill without having to enroll or sign into online banking."

Bain went on to emphasize the importance of real-time payments."97% of consumers view real-time as important, which backs up the statistic that 95% of consumers demand same-day payments. What this means is you need to offer payment options that support real-time or same-day posting to your members' accounts." When a member has to do a lot of manual processes to make a payment or it takes three days to post, it provides a poor member experience. Members expect to be able to pay their bills with their financial institution the way they want and have the payment applied to their account promptly.

A modern member loan payment experience has a bill pay service provider that integrates with the financial institution's core system, enabling CSRs to look up members' accounts and post payments back, regardless of channel. This should all be done with the single sign-on—login should be aligned with online banking. [Progressive online banking](#) providers are increasingly choosing to integrate bill pay functions, e.g., the ability to do one-time or recurring payments, etc. using APIs, which makes a more seamless experience. There's one place to pay bills regardless of how they're paid.

Opportunities with EBPP

Bill pay is a key member touchpoint, and for some, it may be the only touchpoint. If it's hard to make a payment or they can't get through to make a payment, they'll be dissatisfied and it may deter them from opening new

accounts. If they're offered the opportunity to take out another loan, they may think of the difficulty of making a payment and decide elsewhere. Conversely, a good online loan payment experience may lead to opportunities to expand that relationship. If a credit union makes it easy and convenient to pay a car loan for example, perhaps they will take a look at opening a checking or savings account. Even 20 years ago, a [study](#) conducted showed that members who pay online show more loyalty and are more receptive to other offers. It also revealed that customers who use their bank's web payment tools keep twice as much money in their account as those who simply go online to manage their accounts. Members are more likely to choose to click on offers when there's a good experience. That includes even very simple things such as the option for guest payments i.e., using their email address and cell phone number rather than a member ID when all they have is an auto loan.

Another key opportunity is indirect member conversion when facilitating loan payments from external bank accounts. [Orbipay EBPP](#) can display how those loans are being paid. That can be used to evaluate which external banks are being used, and if members are using debit cards and perhaps incurring fees. A credit union can leverage that data to try and cross-sell checking and savings accounts.

Bain asserted that it's more than just reaching out to those indirect members. "It can also provide you insight into direct members that are using third-party payment methods. So why are they using another bank's checking account to pay their auto loan or credit card with you rather than using your checking account via online banking? Is it because the money gets deposited quicker into the bank? Do they have a mortgage relationship that requires them to keep an account open with that bank (which is fairly common)? This is valuable insight to be able to reach out based on loan payment data to target members of different groups and persuade them to open up more products or accounts with you."

Modern bill pay solutions should also be able to give insights into where the loans are being paid, which channels are being used for payments, and what payment types are being used. Answering questions such as, Is everybody sign up for recurring? Are they using one-time payments? How many people are choosing to pay a fee because they're using a debit card to pay? What bill amounts are being paid? From a credit card perspective, how many members are choosing to just pay the minimum amount due versus the current statement balance in full every month or some amount in between? When are the payments being made? Are they being made ahead of time? Are they being made late? This insight and this data can lead a credit union to make adjustments to the bill pay setup. As another example, very high call center volumes with CSRs taking payments over the phone can suggest it's beneficial to have an IVR solution to reduce call volume load on your call center and automate those payments. All channels of self-service have the potential to free up CSRs to do more valuable work than simply take payment instructions from members.

Another way that a modern EBPP solution can help is by managing loan overpayments and fraud. So for example, [bust out fraud](#) on credit cards where people overpay a card with a low limit to try and get access to those funds, knowing full well that the ACH payments they've made are going to result in insufficient funds. A good bill pay solution can help address these issues with dynamic payment limits based on an amount owed or a credit line and prevent these overpayments from being scheduled in the first place.

Another benefit of bill payment modernization is a reduction in processing costs. Bain presented [Florida Credit Union](#) as an example. "They implemented our solution and they saw a 100% increase in online bill payments in seven months. So they went from less than 10,000 payments a month at launch to over 20,000 payments a month after 7 months. And, interestingly, that growth occurred solely within the self-service channels. 99.99% of their payments are made using self-service through the enrolled experience and a guest experience with an insignificant number of call center payments. Additionally, their ACH-funded payments represent 60% of their transactions—resulting in a reduction of transaction costs of over 30%. Because we made it easier for them to pay using a bank account, they actually saw a benefit there as well. Factoring in both the growth in payment volume and the reduction in payment costs and the elimination of CSR costs, they actually lowered their cost per transaction from bill pay transaction by over 50%."

What the Future Holds for EBPP

When looking at what the future holds for EBPP, it makes sense to consider real-time payments. With the launch of the FedNow Service, there are now two live real-time payment networks in the U.S.—the FedNow Service and TCH RTP network. Bain predicted what was next. "Now initially these are going to mostly be used for credit transfers, which is the pushing of funds as a credit from one financial institution to another. However, what's interesting is when we look at the source of funds for the credit union clients that we've enabled on both RTP and FedNow, now the main sources of funds are actually companies like PayPal, Venmo, and payroll providers who are making payouts in real-time."

"From a pure bill pay perspective, [Request for Payment](#) (RfP) is of the most interest," Bain continued. "It allows you or your member to send a message to their bank requesting a payment from the third party bank. The member then has to approve that request for pay and once approved, it becomes a credit transfer that you receive. The important thing is that these payments are guaranteed good funds and irrevocable. Let's say you want to collect a hundred dollars to pay off a balance on a card. The request goes across the network to the member's bank, they get notified that they need to pay, they sign into online banking to approve the transaction and then the confirmation flows back and you can be notified. And this can all happen in real-time. This could be done whilst you're on the phone talking to the member. RfP'S never going to replace ACH debits fully, especially for things like recurring payments. If I'm automatically paying my mortgage, why would I want to approve every single

month? But it is ideal for high-risk transactions like new account funding because they're guaranteed good funds and it's irrevocable. If I'm opening up a new savings account and want to fund it with \$5,000, if that's funded using a RfP credit transfer, you don't have to worry about ACH returns or people disputing debit card transactions. Also for other sort of high-risk transactions like loan payoffs payments on delinquent accounts, Hey, we need to take a payment of \$750 from you, otherwise, we're going to have to repossess your car.”

Bain described it as a specialist type of payment for high-risk scenarios where you want to make sure that the money's good and it can't be retrieved by the member, especially if they're trying to commit fraud. As of right now, the ability for banks to accept RfP on retail accounts is limited (just major banks such as Citi, US Bank, and Wells Fargo). However, there was an [announcement](#) from The Clearing House where they committed to rolling it out to the top ten banks who owned The Clearinghouse in 2024. So it's expected that RfP will get more traction in 2024.

There has been a lot of talk about artificial intelligence (AI) and how it's going to revolutionize the world. Chatbots are one way that this technology can be used inside bill pay. They can take general member service queries such as, “Where's the nearest ATM?”, or “How do I report my card lost/stolen?”. Chatbots are ideal for answering generic questions rather than tying up a live agent. They can be used for taking loan payments from members. They can also act effectively like a guest channel to allow people to sign in, authenticate, and make payments via the chatbot channel rather than go through a web-based user interface and answer account queries. For example, “How many payments are left on my loan” or “How much interest have I paid this year?”

AI and machine learning can be used in conjunction with payments. The most common usage today is analyzing outbound payments such as ACH transactions, wires, real-time payments, and perhaps even online banking bill pay for possible fraud. Has their account been compromised? Is a payment being made to an external account that's known to be a mule account to try and prevent possible fraud that way? One of the use cases that's being investigated is the analysis of high-risk loan payments. For example, sudden payoffs of loans or customers making several payments towards a credit card. Out-of-normal behavior patterns can be flagged as high-risk, allowing the financial institution to decide to hold the funds or open a line of credit.

AI can improve the general member experience such as anti-fraud checks and decreasing wrong declines. Gartner's 2019 Customer Service and Support Leader poll [research](#) showed that members who can't resolve issues themselves resort to live customer support and live chat and email and phone, which costs around \$8.01 while self-service channels and company and apps only cost 10¢ per contact.

Benefits of EBPP for Credit Unions

To summarize, having a modern payment solution has many advantages, and there are many reasons not to delay. Credit unions can benefit from:

- **Improved member satisfaction** — more convenience means happier members
- **Solidify preferred FI status to increase acquisition** — turn indirect members into direct members with a better experience
- **Improved liquidity management and cash flow** — more transactions will come in as cash
- **Increased transparency** — see exactly where, when, and how bills are paid
- **Ability to scale efficiently to volumes** — process more payments with fewer resources because everything's automated
- **Rapidly adopt new standards** — a modern solution allows for the rapid adoption of new standards e.g., adding on support for RfP for high-risk transactions or PayPal and Venmo for making loan payments.

To explore the history and future of EBPP and gain insights into its most important aspects, watch the full webinar, **The Evolution and Opportunities of EBPP for Credit Unions**, hosted by NACUSO and featuring Alacriti.

WEBINAR PLAYBACK

The Evolution and Opportunities of EBPP for Credit Unions

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The banner features a blue background with a binary code pattern. It includes a large play button icon, three circular icons representing a document with a dollar sign, a computer monitor with a dollar sign, and a smartphone with a dollar sign, and the logos for Alacriti and NACUSO.

Alacriti's Orbipay EBPP is a customizable electronic billing and payments solution for businesses and financial institutions of all sizes. Orbipay EBPP offers convenient and flexible choices that include all the payment channels, payment methods, and payment options expected from a modern digital bill pay experience. For more information, please contact us at info@alacriti.com