



# Fricke & Associates, P.C.

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### Consider Electronic Funds Transfer for Your Organization

**H**ealth clubs, insurance companies, automobile financiers, and day care centers know a secret that can make your not-for-profit organization's cash flow smoother: Electronic funds transfer (EFT).

In a nutshell, EFT is an arrangement in which a third-party processor takes a predetermined amount of money from a donor's bank account on a monthly basis and deposits that cash into your bank account. It speeds up payments, frees you from the invoicing-and-reminder cycle and saves donors the hassle of writing and mailing checks. The option appeals to people who want to contribute regularly to your organization and ensures that they don't forget.

What's more, these third-party EFT processing companies answer to federal regulations, which can be a nice fraud-protection selling point in a world concerned with identify theft. In most cases, the transactions are handled by software that the processor provides. Your organization's responsibility is merely to enter information into the computer after getting a signed agreement and a cancelled check from the donor.

#### How Much Does it Cost?

Some processors set no minimum on the number of EFT accounts that your organization must sign up - it's a flat rate no matter how many or few you hand them. Others, like TeleCheck and National Payment Systems, base their fees on the total dollar volume you transfer each month. Both payment systems cost anywhere from 25 to 45 cents per transaction - on par with the percentage amounts that credit card companies charge merchants.

It's a good idea to look for an EFT processor that releases funds into your account within 24 hours rather than hanging on to the money for up to five days, claiming to guard against any chargebacks.

Not-for-profit organizations may resubmit any bounced transactions up to two times for payment. As long as you state publicly on the sign-up forms that you intend to recover bank fees in these situations, you can take an additional \$20 from the donor for your resubmission troubles.

#### Making an EFT Program Work

Of course, you need old-fashioned salesmanship to get donors to sign up. For starters, never say, "We can put you on a monthly draft program. All I need is your checking account number and on the 30th of every month, we'll take out \$25." Instead, use less scary phrasing: "Would you like to authorize your bank to conveniently pay \$25 automatically each month?"

Make sure all your contribution literature and your Web site list the EFT option.

Finally, it's a good idea to dedicate the time and resources to pour over EFT monthly reports to

#### When shopping around for a processor, ask about these hidden services fees:

- Security deposit to cover missing funds.
- Set-up fee per customer bank or credit card account.
- Data entry or uploading fees.
- Insufficient funds charges.
- Batch and file charges.
- Maintenance charges.
- Missed deadline penalties.

double-check that closed account requests are handled properly and promptly. After all, you don't need angry donors.

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