

## HIGHLIGHTS

### THE CHALLENGE

This top-25 bank wanted to enhance its loan portfolio performance. The bank knew the key was to make it as easy as possible for customers to pay.

### THE SOLUTION

The bank selected ACI's UP<sup>®</sup> Bill Payment<sup>™</sup> solutions for affordable debit card and ACH payments processing. Customers can pay via debit card and ACH online for free, or through the IVR and call center for a small fee.

### THE RESULTS

Customers doubled the number of loan payments made with debit cards over the past two years, far outpacing the growth of ACH payments. Making it easy for customers to pay increased the delinquency cure rate by double digits while raising the percentage of on-time payments.

# TOP-25 BANK BOOSTS LOAN PORTFOLIO PERFORMANCE WITH DEBIT CARD PAYMENTS PROCESSING

Today's banking customers insist on convenient options for paying their loans. In order to meet these demands, a top U.S. bank responded by offering debit card payments processing to its entire prime auto loan portfolio. By adding the debit card option, the bank improved loan portfolio performance — not only through increases in customers paying on time, but also double-digit improvements in payments received from delinquent customers. In addition, accepting debit card payments online reduced customer service calls by one-third and virtually eliminated staff time spent on payment exceptions when customers pay with debit cards rather than ACH.

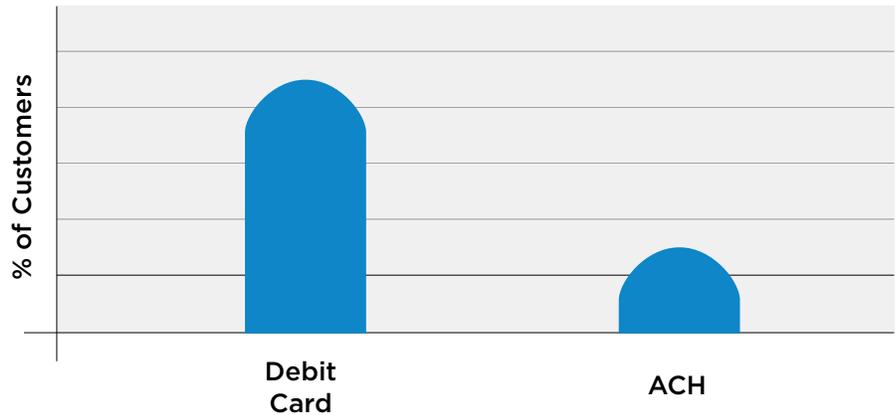
## CONVENIENT LOAN SERVICING PLAYS A KEY ROLE IN IMPROVING PORTFOLIO PERFORMANCE

A vital mission for every bank is to increase the number of performing loans. The key is to make it easy for customers to pay their loans — otherwise they will pay their other bills and put their loans at the bottom of their pile of bills.

**80%**  
OF CUSTOMERS  
DO NOT CARRY  
THEIR  
CHECKBOOKS  
FOR MAKING  
ACH PAYMENTS.



## CUSTOMERS PREFER TO PAY BILLS BY DEBIT CARD



Source: Mercator Advisory Group: 2015 ConsumerMonitor Survey

Failure to meet these customer preferences means higher rates of non-performing loans and perhaps missing Wall Street's quarterly profit expectations.

To meet this challenge, a top-25 bank in the U.S. enhanced its loan servicing capabilities by deploying the UP Bill Payment solution. The solution allows customers to pay monthly loans via debit card and ACH payments. Offering debit card payments makes it easier for customers to pay since 80% of customers do not carry their checkbooks for making ACH payments.<sup>1</sup>

While the bank also offers online banking bill pay, it recognized that the majority of online customers want different options:

- Many customers prefer to quickly pay loans without logging into online banking.
- The bank also provides loans to many customers who do not have a checking account with the bank.

The UP Bill Payment solutions enable the bank to satisfy these customers. Industry-wide, 50 percent more customers pay their loans with a biller-direct payment option like this rather than through online banking.<sup>2</sup>

## AFFORDABLE AND EFFICIENT DEBIT CARD PAYMENTS PROCESSING

Interchange rate myths prevent some banks from improving loan portfolio performance by accepting debit cards. But changes to regulations and interchange rates specific to banks now actually make accepting debit cards affordable. The bank understood this development and selected ACI's reasonable rates for debit card payments.

<sup>1</sup> Onovative consumer survey

<sup>2</sup> Aite Group: How Americans Pay Their Bills



Accepting debit cards is not only affordable for the bank, it also lifts efficiency. When customers enter their debit card number, the UP Bill Payment solutions validate the account in real time. This saves time for the bank's treasury department by resolving ACH returns for wrong account numbers and insufficient funds.

The UP Bill Payment solutions also simplify operations for the bank, which relies on ACI as a single partner for debit card and ACH processing across website, IVR and call center payment channels. The bank now has a single provider in ACI to help serve super-prime and prime auto finance clients as well as RV, marine, home equity and commercial loan clients.

Accepting debit cards can create complex treasury operations. Six years after initially selecting ACI, the bank solved this challenge by adding on the ACI Integrated Treasury Management™ service. With the previous internal processes, payments did not settle until several days after they were initiated. This meant customer payments required back-dating in order to credit customers for when payments were first entered.

Outsourcing treasury management to ACI generated several key benefits:

- Saved staff time spent back-dating payments
- Freed up cash by receiving all funds the next business day and delaying processing fees until month end
- Simplified operations by combining payments from all card networks and ACH into a single deposit and posting file

## ACCEPTING PAYMENTS ONLINE REDUCES CUSTOMER SERVICE CALLS

To migrate customers to lower-cost loan servicing channels, the bank used two strategies: customer fees and search engine optimization. Accepting payments online generates the lowest cost for the bank, so debit card and ACH payments are free to customers that pay at the bank's website. In comparison, the bank charges customers a fee to pay over the phone. Customers talking to a customer service representative pay a higher fee than customers paying through the interactive voice response system. As a second strategy, the bank optimized its website for the phrase most frequently entered into search engines by customers when they want to make a loan payment. This makes it easier for customers to arrive at the right website page to make their online payments.

# RESULTS: HIGHER LOAN PORTFOLIO PERFORMANCE WITH DEBIT CARD PAYMENTS PROCESSING

As an ACI client utilizing the UP Bill Payment solutions for more than 10 years, the bank boosted their loan portfolio performance by achieving two key objectives:

- Raising the number of performing loans
  - Increased customers paying on delinquent accounts by double digits
  - Collected a greater number of payments on time
- Lowering the cost of collecting payments
  - Found affordable interchange rates for debit cards
  - Virtually eliminated staff time spent on payment exceptions when customers used debit cards instead of ACH payments
  - Reduced customer service payment calls by one-third
  - Saved treasury staff time spent on reconciliation
  - Freed up cash flow

ACI Worldwide®, the Universal Payments® (UP®) company, powers electronic payments for more than 5,100 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries, as well as thousands of global merchants, rely on ACI to execute \$14 trillion each day in payments and securities. In addition, myriad organizations utilize our electronic bill presentment and payment services. Through our comprehensive suite of software solutions delivered on customers' premises or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience.

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## KEY LEARNINGS: OFFER MORE PAYMENT PROCESSING OPTIONS

With the success of the UP Bill Payment solutions, the bank learned the importance of continuing to open up new payment options to strengthen portfolio performance. The bank also recently partnered with ACI again to add a solution that contacts delinquent customers via an outbound IVR system. After reaching customers and informing them of a payment that's overdue, the ACI solution collects their payment. By deploying this new channel, the bank has already seen a double-digit increase in collections on delinquent accounts.

The UP Bill Payment solutions are proving to be a major win-win for both the bank and its customers. By making payments easier for customers and its staff, the bank has significantly enhanced loan portfolio performance.

It's no wonder then that the top five banks in the U.S. now accept debit card payments for loans. To see why one customer exclaimed, "By far the best phone call I have ever had with Capital One" after paying with their debit card, read [Capital One's Business Case for Accepting Debit Cards](#).