

Why successful organizations offer ACH

by Casey O'Keefe, Vanco Services

Adapting to changing payment preferences

Writing checks is an outdated practice for legions of prospective donors who would rather meet their financial commitments with a credit card, debit card or ACH (Automated Clearing House) transaction. The use of electronic payment methods is growing rapidly. In fact, there is a whole generation coming along that will rarely, if ever, write personal checks.

To succeed, organizations need to understand not only *why* people give but *how* they prefer to give. For many well-heeled, tech-savvy donors, an easy electronic process is a requirement. Embracing big check-writers will never go out of style but a growing number of potential contributors will respond more favorably to your financial appeal if they have the option of making one-time and recurring donations electronically. And, after all, recurring donations are the lifeblood of most nonprofits.

The key is to provide donors with a variety of payment options. One popular option, with distinct benefits for nonprofits, is ACH. According to the Federal Reserve, ACH is both the largest and fastest growing form of non-cash payment. This article defines ACH, explains how it is used by small and mid-sized nonprofits and then lists several benefits of offering donors an ACH option.

Transferring funds electronically

The ACH Network is one of the largest payment networks in the world. It is overseen by NACHA-The Electronic Payments Association, a not-for-profit organization based in Herndon, Virginia that represents more than 11,000 financial institutions. ACH goes by several names including Electronic Funds Transfer (EFT), Direct Debit and Direct Payment.

An ACH transaction is simply the electronic transfer of funds from one bank account to another, such as the transfer of funds from the checking account of a donor into the bank account of a nonprofit. A majority of people already receive and make payments via the ACH Network. Payroll and Social Security are the most common ways people *receive* ACH payments. Mortgage payments, car payments, donations and other regularly scheduled transactions are the most common ways people *make* ACH payments.

Available to organizations of every size

Most banks can only cost-justify offering ACH services to large clients. As a result, the need for cost-effective ACH service among small- and mid-sized organizations has been met by solution providers such as Vanco Services. In the case of Vanco, this is accomplished by aggregating the electronic transactions from thousands of nonprofits to achieve the volume needed to make ACH processing affordable to everyone. Nonprofits and their donors can use ACH without the need to open new accounts or change banking relationships.

Churches, with their heavy reliance on weekly, bi-weekly and monthly checks, were among the earliest organizations to recognize the benefits of ACH and widely adopt it as a way for individuals to make recurring donations. Humanitarian, cultural, healthcare and other nonprofit organizations were right behind. Today, more than 10,000 churches and nonprofits process recurring transactions through Vanco.

7 reasons to offer donors an ACH payment option

Please note that this list includes features that may be specific to the ACH solutions offered by Vanco Services.

- **Low processing costs and no monthly minimums**— ACH fees are assessed on a flat per-transaction basis versus a percentage of the transaction amount. The ACH fee for processing a \$50, \$500 or \$5,000 donation is identical. For nonprofits, the result is lower overall fund-raising and administrative costs.
- **Attractive automatic donation plans**— Most donors find it easier to make a series of 12 smaller automatic payments versus one large contribution. Monthly transfers are set up to automatically continue until a series is completed, cancelled or placed on hold.
- **Familiarity**— Donors already make and receive ACH payments.
- **Online or hardcopy authorization**— Donors can initiate ACH transactions on an organization's website or with a paper authorization form.
- **Cash flow**— Recurring ACH transactions produce a consistent revenue stream smoothing out peaks and valleys in an organization's cash flow.
- **Environmentally friendly** —From end-to-end, the process of writing and processing paper checks consumes vast amounts of natural resources. Making electronic payments is widely regarded as an environmentally-friendly practice.
- **Fast & Secure**— Transfers are made in accordance with ACH rules, regulations and guidelines. An ACH processor will ideally transfer funds between the donor and the nonprofit on the same day. If not, funds should always be electronically deposited into the nonprofit's bank account within 2-4 business days. During this period, funds should always be held in a trust account.

Visit ElectronicDonations.com to learn more about ACH and other payment methods that can be used to increase contributions and streamline back office operations in your organization.

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