

# Pay.gov Frequently Asked Questions: Collections

This document expresses functionality expected to be available by mid-2003.

## Table of Contents

1. What collection methods are available? .....	3
2. In what ways can direct debit and credit card transactions take place? .....	3
3. For direct debit transactions, what does Pay.gov do to ensure the correctness of the routing number and account number? .....	3
4. Why is it important to implement safeguards for direct debit transactions? ...	3
5. What recurring collection options are allowed? .....	4
6. Are recurring collections an option for credit card collections?.....	4
7. Where do collections settle?.....	4
8. What happens if a direct debit is returned?.....	4
9. Which items are subject to re-presentation?.....	4
10. Will my agency see CA\$H-LINK entries for every re-presented direct debit item?.....	4
11. Why should my agency be concerned about the number of times a returned direct debit item is re-presented?.....	4
12. What are exposure limits? .....	4
13. How are exposure limits determined? .....	5
14. What other dollar limitations are there on direct debit transactions?.....	5
15. What will you do to make it easier to determine the financial institution information needed for direct debit transactions?.....	5
16. If the financial institution information is entered properly, is there any reason a direct debit transaction will not go through? .....	5
17. What is needed to engage in credit card transactions? .....	5

<b>18. What types of credit card transactions are supported? .....</b>	<b>5</b>
<b>19. Is there any reason why my agency might be precluded from engaging in credit card transactions? .....</b>	<b>5</b>
<b>20. What is the Plastic Card Network (PCN)? .....</b>	<b>6</b>
<b>21. What is a merchant account? .....</b>	<b>6</b>
<b>22. Does my agency need a merchant account for Web transactions settled through the plastic card network if my agency already has a merchant account for paper transactions settled through that network? .....</b>	<b>6</b>
<b>23. What type of credit cards are accepted? .....</b>	<b>6</b>
<b>24. Why is it called the plastic card network when it really seems like a credit card network? .....</b>	<b>7</b>
<b>25. Can my agency or Pay.gov initiate credit card refunds? .....</b>	<b>7</b>
<b>26. What is the Fedwire option? .....</b>	<b>7</b>
<b>27. In what ways can my agency access the Fedwire option? .....</b>	<b>7</b>
<b>28. Why is it an option for an agency to allow an end-user to lower but not raise the collection amount? .....</b>	<b>7</b>
<b>29. Are all collections final? .....</b>	<b>7</b>
<b>30. When are collections available to my agency? .....</b>	<b>7</b>
<b>31. How far in advance can an initial collection be scheduled? .....</b>	<b>9</b>
<b>32. Is Pay.gov looking at any other ways of processing collections? .....</b>	<b>9</b>
<b>33. What will be the URL for my agency if it connects an application hosted on the agency site to collection pages hosted on Pay.gov? .....</b>	<b>9</b>
<b>34. Why is my agency being asked for Treasury Account Symbol information?... </b>	<b>9</b>
<b>35. What does my agency do if it has multiple Treasury Account Symbols associated with a cash flow? .....</b>	<b>9</b>
<b>36. What if my agency can't know the Treasury Account Symbol information before a collection occurs? .....</b>	<b>9</b>

## 1. What collection methods are available?

Pay.gov accepts the following types of collections, which are available at the choice of the agency:

- Direct debit (Automated Clearing House (ACH) debit entries)
- Credit cards
- Fedwire

## 2. In what ways can direct debit and credit card transactions take place?

Direct debit and credit card collections can be invoked through standardized scripts in the following ways:

- **By an end-user through an agency.** If handled at the agency site, the agency will host the collection pages and pass the financial institution or credit card account information to Pay.gov, which will process the collection authorization behind the scenes and reply back to the agency. Pay.gov will accept information in batch or as individual items.
- **By an end-user through Pay.gov.** If handled at the Pay.gov site, Pay.gov will host the Web pages used for the collection and report back to the invoking entity. The invoking entity could be either an agency or Pay.gov's forms and bills service. If handled at the Pay.gov site, the agency will have the option of allowing the end-user to authorize future-date or recurring transactions, which are limited to direct debits.
- **By an agency or Pay.gov customer representative through Pay.gov after the representative receives authorization to do so from an end-user.** If handled by an agency or Pay.gov customer service representative, the representative will "step into the shoes" of the end-user to authorize the payment.

## 3. For direct debit transactions, what does Pay.gov do to ensure the correctness of the routing number and account number?

Pay.gov will check the validity of the routing number and the account structure of any financial institution account received. This software (provided by US Data Works) will integrate the functionality of Thomson's Financial Publishing EPICware database and will re-format financial institution account information when necessary and possible, to allow transactions to take place that otherwise could not.

## 4. Why is it important to implement safeguards for direct debit transactions?

Financial institutions may accept direct debits solely based upon routing and account numbers; unlike many credit card transactions, there is no requirement to match the numbers to the name on the account. In addition, there is no approval passed back by the financial institution as to

whether the transaction was successful, unlike credit cards; nothing is known until the item is actually collected or a return is received.

## **5. What recurring collection options are allowed?**

If the agency chooses to allow recurring collections, the end-user can select from weekly, twice-monthly, monthly, or quarterly options, or after a number of days set by the end-user beginning on a date determined by the end-user.

## **6. Are recurring collections an option for credit card collections?**

No. Recurring collections are limited to direct debit transactions to encourage use of this less-expensive collection method.

## **7. Where do collections settle?**

Collections generally settle at the Federal Reserve Bank of Cleveland. Credit card transactions settle at Bank of America or Mellon Bank. Fedwires settle at the Federal Reserve Bank of New York.

## **8. What happens if a direct debit is returned?**

If a direct debit is returned and if an agency desires, Pay.gov will take additional steps to collect the amount. By default, items will be re-presented during the next ACH window, on either the next banking day or the same day. Up to two such re-presentments are possible.

## **9. Which items are subject to re-presentment?**

ACH items with return reason codes for insufficient funds (R01) uncollected funds (R09) will be re-presented.

## **10. Will my agency see CASH-LINK entries for every re-presented direct debit item?**

No, Pay.gov has taken steps to ensure this does not occur. The agency will not have to see a CASH-LINK entry for any item until Pay.gov determines that it has exhausted its ability to collect the direct debit item.

## **11. Why should my agency be concerned about the number of times a returned direct debit item is re-presented?**

Each re-presented item can result in a service charge assessed by the financial institution against the account, if the re-presented item is returned. This can result in substantial charges to the end-user.

## **12. What are exposure limits?**

For a given cash flow, the exposure limit is a daily cap on the amount that may be drawn from a particular financial institution account. The National Automated Clearing House Association

(NACHA) properly has noted that one of the unique characteristics of the Internet is the number of transactions that rapidly can be completed over that medium, which it refers to as volume and velocity factors. If fraud occurs, an exposure limit can prevent the account from being drawn-down completely. It is similar to the built-in limits that exist on many credit cards. This is envisioned for a future release of Pay.gov.

### **13. How are exposure limits determined?**

FMS and the agency will determine whether and what an exposure limit should be imposed for an application. This limit is most likely to be implemented for retail transactions in which goods are to be delivered to the end-user, because these have the highest risk of fraud.

### **14. What other dollar limitations are there on direct debit transactions?**

The ACH network requires that each transaction be under \$100 million.

### **15. What will you do to make it easier to determine the financial institution information needed for direct debit transactions?**

Pay.gov performs edits on the information to let the end-user know if the information was incorrect. Pay.gov requires end-users to know this information but also provide instructions to help end-users “parse” this information from the MICR line off the bottom of a check for direct debits from checking accounts.

### **16. If the financial institution information is entered properly, is there any reason a direct debit transaction will not go through?**

Yes. For instance, some financial institutions use software that block debits to a particular account except for those that originate from financial institutions that have explicitly been granted permission by the account owner to transmit debits to the account. It is the responsibility of the account owner to make sure that the direct debit transaction will not be blocked.

### **17. What is needed to engage in credit card transactions?**

An agency must have a merchant account with Bank of America or Mellon Bank and a separately signed Plastic Card Network Agency Participation Agreement. A separate merchant account and agreement is needed for Internet transactions.

### **18. What types of credit card transactions are supported?**

The types of credit card transactions supported are authorization only, authorization and settlement, force, credit, void authorization, and void credit.

### **19. Is there any reason why my agency might be precluded from engaging in credit card transactions?**

Credit card transactions carry substantial fees to the Government. Because the credit card companies preclude transaction limits, the FMS will review any application provided to

determine whether to allow credit card transactions to occur. If a cash flow will have a peak transaction of over \$5,000, special permission is needed to use credit cards as a collection method. The FMS may also ask the agency to assume the credit card fees if, in the opinion of the FMS, the transaction fees are too high to otherwise justify the availability of credit cards as a payment method.

## **20. What is the Plastic Card Network (PCN)?**

The PCN is one of the collection mechanisms FMS manages for Federal departments and agencies. Through the PCN, the government collects obligations via a plastic card, either a credit card or a credit card branded check card. The objective of the network is to increase collections received by the Government, receive the collections electronically, and receive the collections in a more timely manner.

There are two acquiring banks for the PCN, Bank of America and Mellon Bank. These banks are the Treasury's financial agents, acquiring the credit card transaction and depositing the funds for the Government. Once funds are collected, an agency's Agency Location Code (ALC) is credited through CASH-LINK.

## **21. What is a merchant account?**

A merchant account for Internet and manual plastic card transactions is created with one of the PCN financial agents. Funds received through plastic card transactions are sent to the merchant account.

## **22. Does my agency need a merchant account for Web transactions settled through the plastic card network if my agency already has a merchant account for paper transactions settled through that network?**

Yes. Separate merchant accounts are needed for Web transactions and other credit card transactions.

## **23. What type of credit cards are accepted?**

The agency can choose from:

- Visa
- MasterCard
- Discover
- American Express

#### **24. Why is it called the plastic card network when it really seems like a credit card network?**

Both credit cards and credit card branded check cards are accepted, so it technically is broader than just credit cards. However, because people are more used to the term "credit card" than "plastic card," Pay.gov's documentation generally refers to "credit card." The terms are interchangeable for the purpose of Pay.gov documentation.

#### **25. Can my agency or Pay.gov initiate credit card refunds?**

Yes. In addition to any chargebacks initiated by an end-user, the agency and Pay.gov can initiate refunds if there are problems with a transaction.

#### **26. What is the Fedwire option?**

The Fedwire service is offline, meaning that the end-user will have to engage in some offline action, in particular going to their financial institution to initiate the Fedwire. As part of this offline collection, the end-user will include a Pay.gov tracking number that will allow Pay.gov to associate the collection with a form or bill for reporting purposes.

#### **27. In what ways can my agency access the Fedwire option?**

These options are accessible only for forms and bills hosted on Pay.gov.

#### **28. Why is it an option for an agency to allow an end-user to lower but not raise the collection amount?**

Some agencies are willing to accept partial payments, so allowing the end-user to lower the collection amount is a needed feature. However, if an end-user were allowed to raise the collection amount, it could result in a refund payment to the end-user, which could be used as a means of facilitating fraud, so we have disallowed this capability.

#### **29. Are all collections final?**

No. Agencies should be aware that with the exception of Fedwire, all of the collection methods are subject to reversal. Credit cards can be charged-back and direct debit and direct credit transactions can be reversed. With direct debit and credit cards in particular, reversals are possible sixty days after the deposit date.

#### **30. When are collections available to my agency?**

Treasury uses an accelerated cash concentration system called CASH-LINK to make funds available to agencies. Electronically authorized collections are available to the Government on the deposit date, which is when funds are credited to accounts. Checks are available on the day after deposit, which is when the check is received. However, if transactions are received after a pre-established cutoff time that is required for processing, the deposit date will be pushed back one banking day. As shown in the figure below, the cutoff time varies depending on the collection method used, varying between 2:00 PM local time and midnight Eastern Time.

**Figure 1. Summary of Collection Services**

Collection Service	Direct debit (ACH Debit)	Credit card	Fedwire	Paper check (for comparison purposes)
<b>Is this Service Available For Invocation On the Agency's Site?</b>	Yes, for batch and single items	Yes, for batch and single items	No	No
<b>Is the Collection Authorization Accomplished Online?</b>	Yes	Yes	No	No
<b>Are Future Dated or Recurring Entries Possible?</b>	Yes, but only for transactions in which the collection pages are hosted on the Pay.gov Web site	No	No	No
<b>Agency Account Location</b>	Federal Reserve Bank of Cleveland	Bank of America or Mellon Bank	Federal Reserve Bank of Cleveland	Lockbox that handles paper forms or bills
<b>Is Customer Service Authorization Possible?</b>	Yes	Yes	No	No
<b>Are There Limits on Amounts?</b>	ACH network can process transactions only less than \$100 million; we may place daily limit on financial institution accounts for certain cash flows (with notice to agency if self-imposed cap is reached); authorization of the end-user also may be needed through Pay.gov's access control	Charge limits are imposed on cards by card issuing banks; because of cost factors, we may not allow use of cards for certain cash flows	No	No
<b>Deposit Date (Reflected on CASH-LINK Deposit Ticket (SF 215))</b>	Deposit date for electronic collections normally is the date funds are actually collected; this is the next banking day for transactions received prior to cutoff time (T+1)	Deposit date for electronic collections is the date funds are actually collected; this is the next banking day for transactions received prior to cutoff time (T+1)	Deposit date for electronic collections is the date funds are actually collected; depends on when the offline collection is initiated (T+0)	Deposit date for checks is the date check is received; depends on when the offline collection is initiated (T+0)
<b>Cutoff Time for Deposit Purposes</b>	4:00 PM Eastern Time	Midnight Eastern Time	To be determined	Varies by lockbox, but no earlier than 2:00 PM local time
<b>Funds Availability</b>	Electronic collections are available on the deposit date (T+1)	Electronic collections are available on the deposit date (T+1)	Electronic collections are available on the deposit date (T+0)	Check payments are available on the banking day after the deposit date (T+1)
<b>Is Collection Final Upon Settlement?</b>	No	No	Yes	No
<b>Date that Deposit Information Is Viewable on CASH-LINK</b>	Next banking day after deposit date (T+1)	Next banking day after deposit date (T+2)	Next banking day after deposit date (T+1)	Next banking day after deposit date (T+1)

### **31. How far in advance can an initial collection be scheduled?**

For direct debit transactions, the initial collection can be scheduled to occur up to thirty days in advance. Credit card transactions take place immediately.

### **32. Is Pay.gov looking at any other ways of processing collections?**

We are always researching other electronic collection services, such as Internet-authorized collections that are switched to ATM networks to provide immediate feedback on funds availability. Some pilots are currently underway in the private sector to test this service.

### **33. What will be the URL for my agency if it connects an application hosted on the agency site to collection pages hosted on Pay.gov?**

Agencies can choose from either <www.pay.gov/[agency choice]> or <[agency choice].pay.gov> as their URL.

### **34. Why is my agency being asked for Treasury Account Symbol information?**

The FMS has not previously asked for Treasury Account Symbol information when processing collections on behalf of the agency. However, capturing this information is part of a larger Government-wide accounting initiative that is ongoing at the FMS. For the time being, this information is limited only to Pay.gov; it is not sent by Pay.gov to FMS' central accounting systems. Eventually, agencies will be required to provide this information for other Treasury systems to enhance the reporting information provided by Treasury to agencies.

### **35. What does my agency do if it has multiple Treasury Account Symbols associated with a cash flow?**

If it is known in advance that a collection is to be divided between multiple Treasury Account Symbols (e.g., between two on a 50/50 or a known dollar amount basis), this can be handled as a configuration entry on Pay.gov.

### **36. What if my agency can't know the Treasury Account Symbol information before a collection occurs?**

In many instances, it is impossible to know the amount to assign to a Treasury Account Symbol before a collection occurs. For instance, the form may have two separate subparts, each of which may be filled out separately and result in amounts being allocated to separate Treasury Account Symbols. If this is the case, and if Pay.gov hosts the form, Pay.gov will create two versions of the form, with the ability to fill out only one subpart on each, with the other subpart "shaded out." Alternatively, FMS will assign a budget clearing account to serve as a catchall.