



Zelle® lowers cost and risk with digital B2C payments

The emerging Zelle network* enables businesses to experience the efficiency of sending payments electronically to one-time or infrequent individual payees without assuming the risk associated with collecting and storing their bank account information.

A U.S.-based digital payment network — owned by a number of financial institutions including U.S. Bank — Zelle allows individuals and businesses to transmit payments to beneficiaries using their mobile phone number or email address*. It started out mainly as a fast, convenient person-to-person payment network where one consumer could pay another by electronically transferring money directly from one bank account to another.

Organizations are also seeing advantages in using the network to initiate certain business-to-consumer (B2C) transactions.

“The Zelle network is allowing businesses to electronify payments to consumers that in the past they would have made by check,” says Laura Listwan, senior vice president, product development and emerging solutions, Global Treasury Management.

Cost, risk and speed

Zelle payments can eliminate the costs of printing and mailing checks to consumers, while helping businesses avoid the risks associated with collecting and storing the payee bank account information needed to make the same payments through other currently available electronic payment options.

Zelle transactions can also offer a speed advantage compared to traditional payment alternatives, improving the experience for payees. Payers choose between real-time

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and one to two-day settlement. In comparison, checks can take several days to clear, and while ACH offers a same-day (but not a real-time) settlement option most ACH transactions settle in one or two days.

Disbursements via Zelle

U.S. Bank offers access to the Zelle network for B2C payments through its Disbursements via Zelle digital payment product. Listwan says bank clients attracted to B2C Zelle payments have included:

- **Insurance companies.** Many insurers are beginning to offer a digital claims experience aimed at speeding reimbursement. Auto insurers, for instance, allow claimants to submit pictures of auto damage by phone. But that digital experience can sometimes get bogged down by traditional paper-based claim payments.

In cases where auto insurers must pay accident victims for damage caused by their customers, Zelle offers an answer. It's an ideal use of the network because the insurer, who often has no relationship with the accident victim, only needs the payee's mobile phone number or email address to promptly provide the claim payment.

- **Utilities.** Utilities regularly need to deliver refunds to homeowners or renters when they close their accounts. Traditionally, those payments have been made by check, which is inefficient and can lead to escheatment costs if a payee never cashes the typically small-dollar item. Paying consumers through Zelle can reduce a utility's check-issuance costs and, by ensuring payments reach the consumers' accounts, the potential for escheatment expenses.

- **A class-action lawsuit company.** These companies often distribute monetary awards to judgment winners. Zelle provides a method to efficiently make those award payments to large numbers of consumers with whom it has no relationship — one that's convenient for the recipients.

The Zelle registration and payment process

To initiate B2C disbursements through Zelle, a business transmits payment instructions, including an email address or mobile phone number, to U.S. Bank, which queries the Zelle directory to see if the payee is registered with the network. If the payee is registered, Zelle initiates the account-to-account transfer. If not registered with Zelle, the payee receives a text or email with an invitation to register. At that point, the payee can register with their bank (if it's a Zelle member institution) or directly with Zelle, and that will trigger the payment. In either case, the speed of the transfer is based on the settlement option the disbursing business chooses — either real-time or one to two days.

If a payee fails to register after an established number of days, the payer can have U.S. Bank print and mail a paper check to the payee, or print and mail the check itself.

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Review your B2C payment practices

“B2C Zelle payments should be viewed as a supplemental solution, one that works for some but not all B2C payments,” says Adam Kruis, a vice president and working capital consultant in Treasury Management at U.S. Bank. “Generally, Disbursements via Zelle is not going to completely eliminate checks or ACH payments to consumers for a company.”

Since Zelle payments are irrevocable, Kruis also recommends that clients establish a relatively low dollar ceiling on transactions through the network — no more than a few thousand dollars — to lessen the business burden for payment sent to unintended recipients.

Contact your U.S. Bank Treasury Management Consultant to arrange for a review of your B2C payment practices and see if you can benefit from using the Zelle network, or potentially any of the other new faster payment solutions being brought to market.

*Originally known as clearXchange, the network was rebranded under the Zelle name in 2016.

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