

Solving the Cash Crunch

Helping Small Businesses Access Check Funds Faster

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Cash flow can be a daily challenge for small businesses. Particularly for owners who also act as operators, running a small business means juggling customers, suppliers, and employees almost single-handedly. These small business owners manage the business' day-to-day operations and ensure cash flow is sufficient to keep the business afloat.



The challenges of managing cash flow, especially converting checks from customers into funds to pay bills and payroll, are common across small businesses and geographies. Many businesses struggle with mismatches in the timing of customer payments and business expenses, and customer payment methods and clearing times exacerbate these issues further. Approximately 90 percent of small businesses accept personal or business checks as a form of payment, yet options to access these funds immediately are limited.¹ The inability to access funds can trigger a cash shortage, affecting the business' financial health.

CFSI researched the options available for small businesses to access funds immediately from customer checks. To better understand the marketplace, we conducted interviews with experts, financial services providers, and small business owners. CFSI found a handful of financial technology companies, national and regional banks, and third-party providers that are innovating in the immediate funds space. Despite the variety of providers seeking to help businesses access expedited funds, however, few traditional financial institutions offer options to access funds immediately.

Given the importance of cash flow management to a business' financial health, our recommendations to financial institutions are:

- 1 Offer guaranteed, immediate availability of check funds by partnering with a third party.**
- 2 Communicate funds availability to customers.**
- 3 Extend check processing times beyond banking hours.**

By integrating risk management solutions currently available in the market, financial institutions can expedite the availability of check funds to help small businesses to manage their daily cash flow better. Separately, they can communicate more clearly about their funds availability policies to set the right expectations. Financial institutions that create solutions for managing short-term liquidity and guarantee check funds for small businesses can ultimately gain a competitive advantage, given the relative scarcity of these solutions in the U.S.

¹ [Holly S. Wade, "2016 NFIB National Small Business Poll," NFIB Research Foundation, 2016.](#)

“ Will the check clear? ” “If so, when?”



For small businesses, receiving payment by check comes with many uncertainties.² A flower shop owner who completed an order for a new client and is paid by check does not know *if* the check is valid, and *when* the funds will be available for use. If the check is deposited, the business owner will have to wait at least a full business day to access the funds, which can result in cash flow uncertainty for the business and frustration with their banking institution. Furthermore, the business won't know if the check is valid or if it has sufficient funds. Despite increasing adoption of electronic payments technology, plenty of small businesses accept checks as a form of payment, and few financial institutions offer a guaranteed, expedited funds solution.

Managing cash flow is one of the biggest problems that small businesses face. The average cash inflows and outflows for a small business are approximately \$380 per day,³ indicating that small changes in cash flows and the ability to access guaranteed funds can seriously affect a business' financial health. In this context, CFSI researched products and services available for small businesses that provide them with guaranteed, immediate access to their funds. We found that small business owners face significant barriers in accessing revenues from check funds, while few financial institutions offer options for guaranteed and instant funds availability.

OUR APPROACH

To produce this report, CFSI reviewed secondary research on payments systems available for small businesses, conducted a market scan to identify product solutions, and drew on existing research on small business financial management. Additionally, we interviewed policymakers and core banking services providers, including those that offer check cashing and expedited funds solutions for small businesses.

To better understand the financial ecosystem for small businesses, we used Kansas City as a case study. In Kansas City, we interviewed local small business owners as well as financial institutions and community-based organizations.

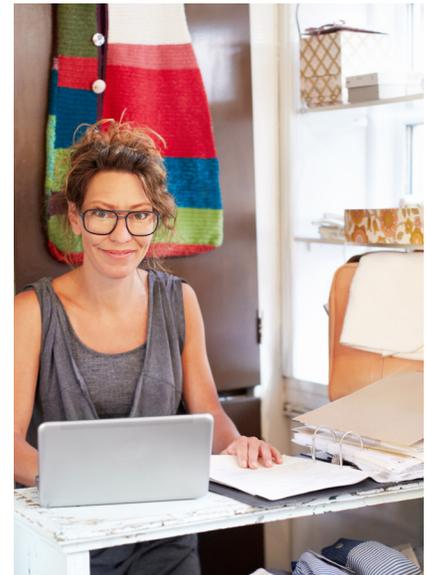
² For the purposes of this research, we define “small businesses” as those who are managed by their owners, with little to no professional staff dedicated to accounting, finance, human resources, or other supporting functions. They may have employees or contract workers, or not, may incorporate, or not, and may have growing revenues and profit, or not. These small businesses ultimately depend on an individual who is generating income, managing expenses, and navigating the complexity of a tax and financial system built for others.

³ Diana Farrell and Chris Wheat. “Cash is King: Flows, Balances, and Buffer Days.” JPMorgan Chase Institute, September 2016.

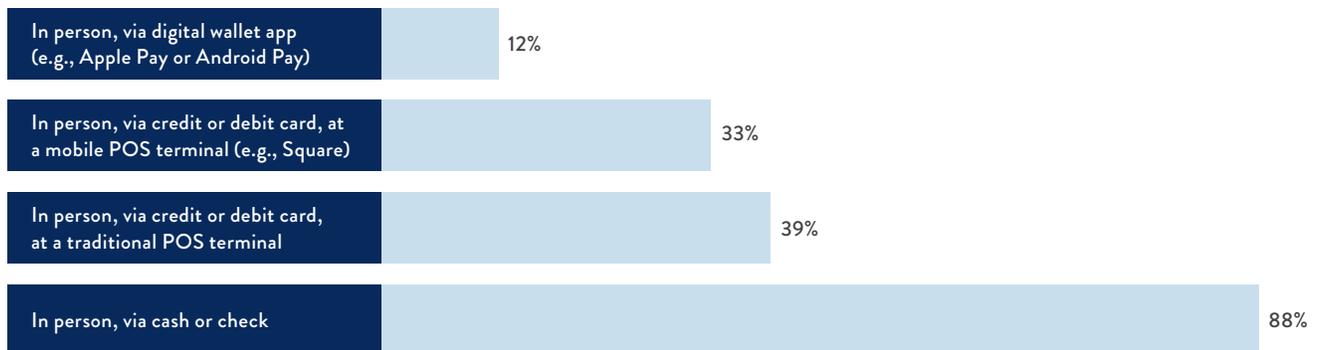
Small business owners wear many hats and often spend significant amounts of time performing traditional back-office business operations. The vast majority of small businesses have no employees, leaving the owner responsible for cash flow management, including converting checks into usable funds.

Despite the inefficient process of converting checks into usable funds, a study by the National Federation of Independent Business (NFIB) reveals that approximately 90 percent of small businesses accept personal or business checks as a form of payment. When businesses were asked about their likelihood to adopt digital payment options in their businesses within the next year, 28 percent responded “not very likely” and 49 percent “not at all likely.”⁴

The total number of checks (except for U.S. Treasury checks and postal money orders) has declined in favor of electronic options, such as e-check and ACH, yet the rate of decline has slowed more recently. Although the rate of check usage declined 9.2 percent from 2009 to 2012, the 2016 Federal Reserve Payments study shows a much slower decline of 3.1 percent from 2012 to 2015.⁵ Small businesses continue to accept checks, given the low barriers to acceptance and lack of transactional costs. Although many have adopted electronic payments systems, including cards and ACH, the percentage of businesses that continue to accept checks is much higher. This reveals that although national trends show an overall check decline in the past years, small businesses continue to see value in transacting with this form of payment.



Small Businesses' Payment Acceptance Methods



Source: Wells Fargo, “Small Business Survey Topline,” October 2017. Based on a survey of ~600 small business owners.

⁴ Wells Fargo, “Small Business Survey Topline,” October 2017.

⁵ Federal Reserve System, “The Federal Reserve Payments Study: 2017 Annual Supplement,” December 2017. Geoffrey R. Gerdes, May X. Liu, Jason P. Berkenpas, et. al. Federal Reserve System, “The 2013 Federal Reserve Payments Study,” Federal Reserve System, July 2014.



Waiting days for checks to clear

Financial institutions limit access to funds for several reasons, including protection from fraud and the risks of checks with non-sufficient funds. When a business deposits a check from a different financial institution at their own financial institution (commonly referred to as interbank checks), the institution sends the check electronically to a clearinghouse to ensure it is valid. The Expedited Funds Availability Act of 1987, commonly known as Reg CC, regulates the clearing time for checks. The statute dictates that, generally, if someone deposits a check at a staffed teller station, the institution must make the funds available within two business days after the banking day it receives the check.⁶ After Reg CC was enacted, the Check 21 Act of 2003 allowed checks to clear using electronic images to speed up clearing times.

These developments were the precursor to remote deposit capture and accelerated the speed of check transactions. Customers still do not have immediate access to these funds, however.

The Federal Reserve has acknowledged the importance of improving the U.S. payments system, creating the Faster Payments Task Force to modernize the U.S. payments system in an effort to support the growing real-time payments environment. The proposed modernization, among other initiatives, includes expanding the operating hours and other capabilities of the National Settlement Service and accelerating interbank settlement for check payments.

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"Banking hours stink and I am concerned with potential delays at ATM deposits. As a business owner, I am busy all the time; I either run to my bank, or run my business."

OWNER OF A VIRTUAL ASSISTANCE BUSINESS

⁶ The next-day availability requirement applies only to cashier's, certified, and teller's checks, USPS money orders, state and local government checks, and some checks drawn on the same bank. For checks not subject to next-day availability, the rule states that \$200 must be made available the next business day after deposit. [More detailed information on Regulation CC is available here.](#)

THE CHALLENGES OF CHECKS

1

Fewer Cashing Options

Most financial institutions do not cash checks issued to businesses, unless the business is their own customer. In this case, the business has to deposit the check and wait for the funds to be available, according to the institution's policy.

2

Processing Timeline

Businesses usually have to wait one to two business days to access the full check amount.

Processing times are longer if the business deposits the check after the financial institution's cutoff time or over the weekend.⁷

3

Time Commitment

Businesses that receive checks issued to the individual, rather than the business, have the option of visiting the financial institutions that issued the checks.⁸

This task can be extremely time-consuming, and even require driving to multiple issuing banks.

Considering banking hours, this chore often conflicts with the business' operating hours.

4

Risk of Insufficient Funds or Invalid Checks

Businesses are at risk of bouncing checks when they are unable to convert the check into usable funds quickly, particularly from customers they do not know.

Bounced checks create an additional expense for businesses. Most financial institutions charge a return fee of between \$10 and \$40, depending on the size of the check.⁹

If a business receives an uncollectable check, it risks not being able to collect payment from customers a second time, resulting in loss of earned revenue.



⁷ Clearing times vary from bank to bank. Banks usually provide access to funds one business day after the deposit as long as the deposit was made before the cutoff time on a business day (Monday to Friday, excluding holidays). If the deposit is made on a Friday after cutoff time, funds will not be available until Tuesday. The financial institution must make the first \$200 of a day's deposit available at the start of the next business day according to the availability schedule, Section 229.12(d) of Regulation CC. The clearing time is generally longer if the check recipient uses mobile remote deposit capture, because of the higher level of losses financial institutions experience in this channel.

⁸ A small business also has the option to deposit this check via mobile remote deposit capture. If the financial institution does not offer expedited funds, however, the business will have to wait the traditional processing time.

⁹ Returned, or bounced, checks are checks that the payer's bank declines to pay, potentially because of insufficient funds in the payer's account to cover the full check amount. The payee is then charged a "deposited item return" fee by their bank, while the payer of the bounced check is charged a non-sufficient funds (NSF) or an overdraft fee. The range of fees was obtained from: Theresa Kim, "Deposited Item Return Fee Comparison at Top 10 U.S. Banks," My Bank Tracker, July 19, 2018.

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"The check cashing process is quick and easy – you don't have to wait, though it is costly. It also takes less time than depositing a check and waiting for it to clear."

OWNER OF AN ONLINE TRAVEL AGENCY

"[Large retail store] has the best prices and a fast process, but I can't take my business or cashier's check there. At the check casher, I know they will cash pretty much any check I bring, but it is much more expensive."

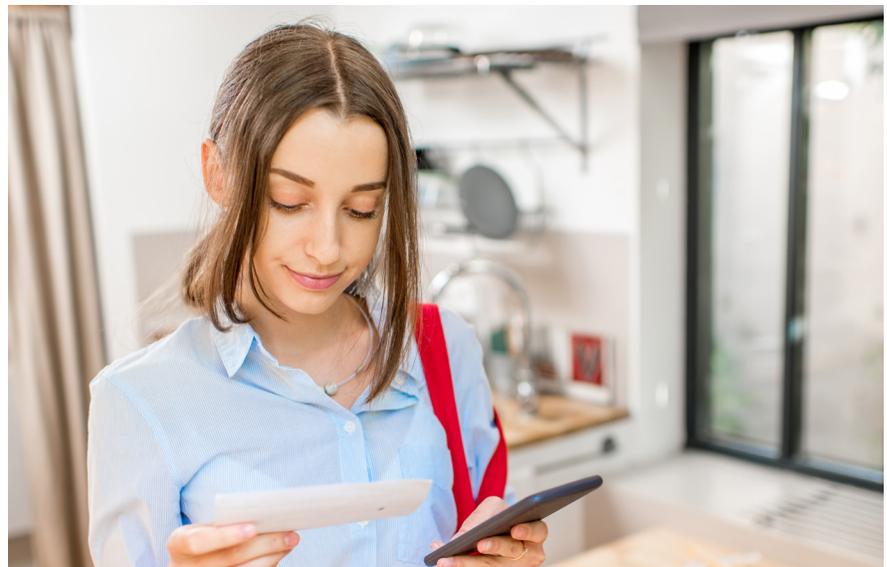
OWNER OF AN ONLINE TRAVEL AGENCY

Alternative options are expensive, but convenient

Even if a small business has a bank account, using a check casher grants fast and guaranteed access to funds – but that access comes at a price. Check cashers offer convenient operating hours, typically closing later than bank branches. Check cashers accept most check types, which eliminates the need for business owners to drive to a specific banking branch to access check funds. Also, using a check casher transfers the risk of a bad check onto the casher, leaving the business with guaranteed funds.

The convenience of check cashers comes at a steep cost. CFSI estimates that as of 2016, check cashing was a \$2 billion per year industry, largely driven by fees these check cashers charge to consumers and businesses.¹⁰ To cash checks issued to businesses, cashers charge a premium as high as 10 percent of the total check amount and, occasionally, a flat fee (fees could be higher in states where there are limited or no check cashing regulations). This pricing is usually higher for a check made out to an individual. Additionally, visiting a check casher is still an extra errand for a time-strapped small business owner. Following a trip to the check casher, the payee is left with cash, which may not actually be the form of exchange that they need to pay expenses. Some may only need funds in their operating deposit accounts so they can write payroll checks, pay rent, purchase goods, or make any other electronic payments. In this scenario, the payee may need to go to their bank to deposit the cash from the check casher.

Some retail locations and grocery stores have begun offering check cashing services themselves at lower rates than check cashers.¹¹ These stores cash limited types of checks (generally payroll- and government-issued) to help manage their risk. Small businesses do not typically receive those types of checks, however, so retail outlets are not a good fit for most businesses.



¹⁰ Eric Wilson and Eva Wolkowitz, "2017 Financially Underserved Market Size Study," CFSI, 2017.

¹¹ Susan Burhouse, Karyen Chu, Keith Ernst, et. al, "2015 FDIC National Survey of Unbanked & Underbanked Households," FDIC, 2015.



Now or Later: A Small Business Owner's Check Cashing Options

PROBLEM: Bob runs a building company, Bob's Builders. He just received a check from a customer for a completed job. He now needs to pay his contractors with the proceeds from this check. The check was issued by a bank different than his. How can he quickly access these funds?

Who is the check made out to?

THE BUSINESS

1

MADE OUT TO BOB'S BUILDERS

Option 1 | Bob's Builders' Bank/Credit Union

WAIT TIME: \$200 of the deposit is available immediately, with the remaining funds generally available in one to two business days. The institution may provide the full amount in cash while placing a hold on an equal amount in Bob's Builders' account.

FEES: No additional fees.

Option 2 | The Issuing Bank/Credit Union

Depositing or cashing a business check at the issuing bank is not an option.

Option 3 | Check Casher

WAIT TIME: Funds available immediately in cash.

FEES: Check cashing fee (up to 10 percent of each check).

INHIBITORS: Must travel in-person to the store.

THE INDIVIDUAL

2

MADE OUT TO BOB

Option 1 | Bob's Bank/Credit Union

WAIT TIME: \$200 of the deposit is available immediately, with the remaining funds generally available in one to two business days. The institution may provide the full amount in cash while placing a hold on an equal amount in Bob's account.

FEES: No additional fees.

Option 2 | The Issuing Bank/Credit Union

WAIT TIME: Funds available immediately in cash.

INHIBITORS: Must visit during banking hours (typically 9 a.m. - 5 p.m. Monday through Friday).

FEES: Check cashing fee (about \$8 per check).

Option 3 | Check Casher

WAIT TIME: Funds available immediately in cash.

FEES: Check cashing fee (up to 10 percent of each check).

INHIBITORS: Must travel in-person to the store.



Digital payment options demonstrate demand for expedited funds

The growing adoption of debit and credit cards have started to replace the need for checks, but not the need for faster access to funds.

Fintech companies such as PayPal, Square, and Stripe are bringing innovation to payment systems, helping many small businesses accept digital payments and reduce their dependence on checks. These fintechs have also identified the need (and opportunity) to offer businesses immediate access to their sales revenues, providing instant funds for a fee.



Small businesses do not have cash buffers

Small businesses face constantly fluctuating cash flows on both the expense and revenue sides. As a result, the timing of payments for a small business is key.

If the average small business' cash inflows were to halt, it would not be able to fund a month's worth of cash outflows from its current cash balances.¹² In particular, labor-intensive, low-wage industries tend to hold a cash reserve of 13 days or fewer.¹³ The inability of a business to access its cash on a given day can seriously affect its operations, including delaying a rent payment, placing a needed order, and paying employees. Forty percent of employer firms reported difficulties paying for operating expenses in 2017.¹⁴ Without sufficient cash flow to maintain operations, a small business may be late on its payments or need to leverage high-cost credit options as it struggles to stay afloat.



The ripple effects of a cash crunch

A business owner who is not able to access the funds from a check may be forced to use personal funds to pay business expenses. In fact, most

microbusinesses use personal funds to respond to business needs and rely on personal assets to fund their business operations.¹⁵ When a business owner relies on their business income to sustain their household and payments are delayed, it not only causes problems for the business, but for the owner's household. Managing personal and business finances amid income uncertainty (and delays) is challenging. In fact, one of the primary financial health needs of small businesses is planning for personal and business volatility.¹⁶ This means that enabling small businesses to access their funds efficiently is critical for those concerned about household financial security and small business success.

¹² [Diana Farrell and Chris Wheat, "Cash is King: Flows, Balances, and Buffer Days," JPMorgan Chase Institute, September 2016.](#)

¹³ [Ibid.](#) JPMorgan Chase Institute defines cash flow buffer days as "the number of days of cash outflows a business could pay out its cash balance were its inflows to stop."

¹⁴ [Federal Reserve Bank, "Small Business Credit Survey," 2017.](#)

¹⁵ [Federal Reserve Bank, "Small Business Credit Survey," 2016.](#)

¹⁶ [Laura Cummings and Alejandra Ruales, "When Business Gets Personal: Addressing the Financial Health Needs of Small Business Owners," CFSI, July 2018.](#)



CASE STUDY SPOTLIGHT: Kansas City

To better understand the market opportunity for immediate access to check funds, CFSI undertook an in-depth study of Kansas City's small business ecosystem and the financial services available for small businesses.

As a medium-sized city, Kansas City's demographics and income levels are broadly representative of those of the United States, with median household earnings 6.5 percent above the national standard.¹⁷ The city has positioned itself as a regional tech hub, and created a supportive environment for startups and entrepreneurs.

Kansas City's government and business leaders have said their goal is to create "the most entrepreneurial city in America." To achieve this goal, the Greater Kansas City Chamber of Commerce and Ewing Marion Kauffman Foundation (the grantor for this paper) provide significant thought leadership and partner with organizations such as Kansas City SourceLink and the University of Missouri-Kansas City to give technical assistance to both budding and established small businesses. Underpinning this support are expanding financial opportunities for Kansas City's community of more than 170,000 firms.¹⁸ Over the past 10 years, community development financial institutions (CDFIs) such as Justine PETERSEN and AltCap have opened their doors to provide accessible capital opportunities for the area's small businesses through the SBA microloan program.

Local financial institutions are looking for ways to innovate and provide better service to their small business customer base. Lead Bank, a local family-owned financial institution, has demonstrated support for the small business community by developing programs to attract investments, opening the doors of their branches to pop-up shops, and, most recently, striking a deal with a local fintech to provide small loans for small businesses. The commitment of community stakeholders to Kansas City generates an environment of support for small business growth and success.

Expedited funds availability in Kansas City

Our analysis of the resources available for small businesses in Kansas City found that immediate access to check funds remains an unaddressed challenge. The number of traditional financial institutions in Kansas City that offer guaranteed, immediate availability for check funds is limited. The five largest banks in the area generally provide prompt access to the first \$200 of a deposited check, in line with Federal Reserve requirements. Some local credit unions have policies

to make funds from check deposits available on the same business day that they receive a deposit. Their funds availability policies impose restrictions "depending on the type of check" to be deposited, however. For the local credit unions we researched, mobile and ATM deposits are subject to longer processing times. The varying policies among financial institutions can generate confusion and uncertainty for business owners about whether and when their checks will clear.

CFSI found that check cashers in the area charge between 3 and 10 percent of the check amount for their cashing services, depending on the type of check.¹⁹ Nonetheless, the small businesses owners we interviewed in Kansas City attributed their use of check cashers to the providers' locations, pricing transparency, convenience, and hours, as well as a lack of alternatives.

¹⁷ U.S. Census Bureau, "Kansas City, MO Quick Facts Table V2017," August 2, 2018; U.S. Census Bureau, "U.S. Census Quick Facts Table V2017," August 2, 2018; U.S. Census Bureau, "American Fact Finder," August 2, 2018.

¹⁸ Number of firms with or without paid employees in the Kansas City Metropolitan Statistical Area (MSA) as of 2012. The Kansas City MSA has an estimated 2.1 million people as of 2017. U.S. Census Bureau, "American Fact Finder," retrieved September 4, 2018. U.S. Census Bureau, "2012 Small Business Owner Survey, SB1200CSA01: Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for the U.S., States, Metro Areas, Counties, and Places: 2012."

¹⁹ Missouri and Kansas do not have state regulations that specifically set limits or ceilings on the rates that check cashers may charge customers. As a result, check cashing fees may be greater than 10 percent at certain stores.



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"I don't find check cashers burdensome; there is a fee, but with traditional bank accounts and monthly fees anyways, I am used to it and it is minimal in my opinion."

OWNER OF AN IMAGE CONSULTING BUSINESS

"With a bank, there is usually a [one] business day delay after deposit before my funds are available. It's never right away, which is annoying because I have to pay my contractors and sometimes I have to use my own money to pay them for their help until the check clears."

OWNER OF A CONSTRUCTION BUSINESS

Opportunities for innovation

Financial institutions in Kansas City have an opportunity to innovate in the small business market by helping customers access their check funds immediately, using one of the recommendations in this report. This would provide financial institutions with a competitive advantage in the Kansas City area, as well as an opportunity to attract new business and retail customers who appreciate holistic approaches to their financial management needs.



As fintechs and alternative financial service providers have demonstrated, there is significant demand among small businesses for immediate access to payments. Financial institutions can help alleviate a common small business pain point by adopting one or more of the following recommendations.

1

Offer guaranteed, immediate availability of check funds by partnering with a third party.

For financial institutions, offering expedited funds to small business customers, at a reasonable cost, represents an opportunity to generate new sources of non-interest fee income while solving a financial health challenge for small businesses. Financial institutions have the opportunity to entice business owners who may have an existing banking relationship, but who are forced to use alternative services providers, such as check cashers, to meet their financial needs. By offering this service, banks can also improve customer relationships by demonstrating their responsiveness to customer needs. Furthermore, only a few financial institutions currently offer expedited funds, making this service a differentiating factor for customers.

Offering expedited funds is risky without a predictive system to approve or deny checks instantaneously and accurately, however. Building such a system can be challenging for a financial institution, given the resources and check volume needed to develop a predictive dataset. Third-party providers can help solve this issue by offering expedited funds availability to banks and underwriting the risk of the checks processed through their system, mitigating financial institutions' exposure to fraudulent checks. The majority of these providers give instant approvals based on internal data models that allow them to provide a decision in real time.





THIRD-PARTY SOLUTIONS

FISERV is a global provider of solutions that enable consumers to move and manage their funds. Fiserv offers solutions in payments, processing, risk and compliance, customer and channel management, and insights and optimization. Its Immediate Funds service allows financial institutions to accelerate funds availability for mobile, ATM, or branch check deposits for both consumers and small business customers. Fiserv employs a “decision engine” using

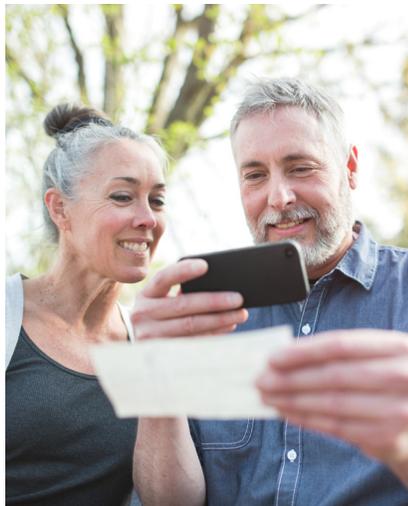
non-personally identifiable information to make customer offers during the deposit process. Customers who receive and accept the offer will gain instant access to their deposited funds, for a fee established by the financial institution. If the check is returned later, Fiserv will reimburse the financial institution for the loss. Customer deposits that do not receive or accept an offer will follow the standard funds availability policy.



INGO MONEY is a push payment technology company that offers real-time guaranteed check funding for financial service companies through Ingo Check. Using an algorithm supported by expert manual reviews, Ingo Check transforms nearly any check type deposited at an ATM and in bank branches into instant,

guaranteed funds. In addition to bank branch and ATM locations, Ingo Money enables real-time funding through mobile, giving consumers and small businesses the option to receive money in minutes directly through their mobile devices via the standalone Ingo Money App or through a partner financial institution.

IN-MARKET PRODUCT IMPLEMENTATIONS



REGIONS BANK serves customers in 15 states in the South and Midwest. Regions began offering full-service check cashing in 2012 for consumers and small businesses, regardless of if they have an account with the bank. Regions promotes the service as a tool for clients to manage their cash flow conveniently and effectively.

Regions cashes all check types, for any amount, using a third party to guarantee the checks and assume the risk. Small business customers with a Regions account also have the option to use the check cashing service for immediate availability on checks deposited by ATM or Mobile Banking.

PNC BANK, a regional bank operating in 19 states in the Mid-Atlantic, Midwest, and Southeast, has developed an easy process for customers to obtain immediate, guaranteed funds from check deposits. Leveraging its mobile deposit platform, PNC recently implemented Express Funds, a solution that allows businesses

and consumers to access check funds immediately via PNC’s Mobile Deposit or Deposit Easy ATMs. When a business makes an approved check deposit on its PNC mobile application, the Express Funds product gives customers the option to make the funds available immediately for a fee.

2

Communicate funds availability to customers.

By communicating funds availability to customers clearly, financial institutions can help them plan more accurately. Required disclosures specify the minimum requirements and are relegated to the fine print of deposit agreements. A small business owner with a limited cash buffer wants to know when the funds will clear for their current deposit and how they can access these funds immediately. Our research found that some financial institutions will consider offering more than \$200 in available funds if the depositor comes to the bank to make the deposit, but that was only uncovered by calling the institution directly. Communicating funds availability options and policies explicitly can be done more prevalently on the company's website, mobile applications, and even at branches. This can help set the right expectations for customers and help them make informed decisions about their deposits.

For example, the **U.S. Bank** and **Bank of America**²⁰ websites clearly present the options for small businesses for accessing deposits. Both banks have a dedicated landing page that acknowledges the need for check deposit access.²¹ The sites also include clear information about the cutoff times and services, depending on the check size and volume of deposits. Deposits made by sole proprietors and small businesses using their check scanners and mobile remote deposit capture qualify for later cutoff times than checks received in the bank branch.

3

Extend check processing times beyond banking hours.

Many small businesses say they use check casher services because of the limited hours their bank branch is open, as well as their daily cutoff times for same-day posting. Especially on Fridays, business owners are uncertain about when their check deposit will clear and the impact of holidays. For example, a check deposited on a Friday after the cutoff time may not be available until the following Tuesday, because an institution might require at least one business day for processing. By providing later cutoff times for deposits made via remote deposit capture and ATMs, banks can help small businesses gain quicker access to their check funds without expanding branch hours. In fact, **JPMorgan Chase** and **Capital One**²² currently offer cutoff times for ATM deposits well past the close of business. Cutoff times vary widely across financial institutions, suggesting there is an opportunity to differentiate among providers.

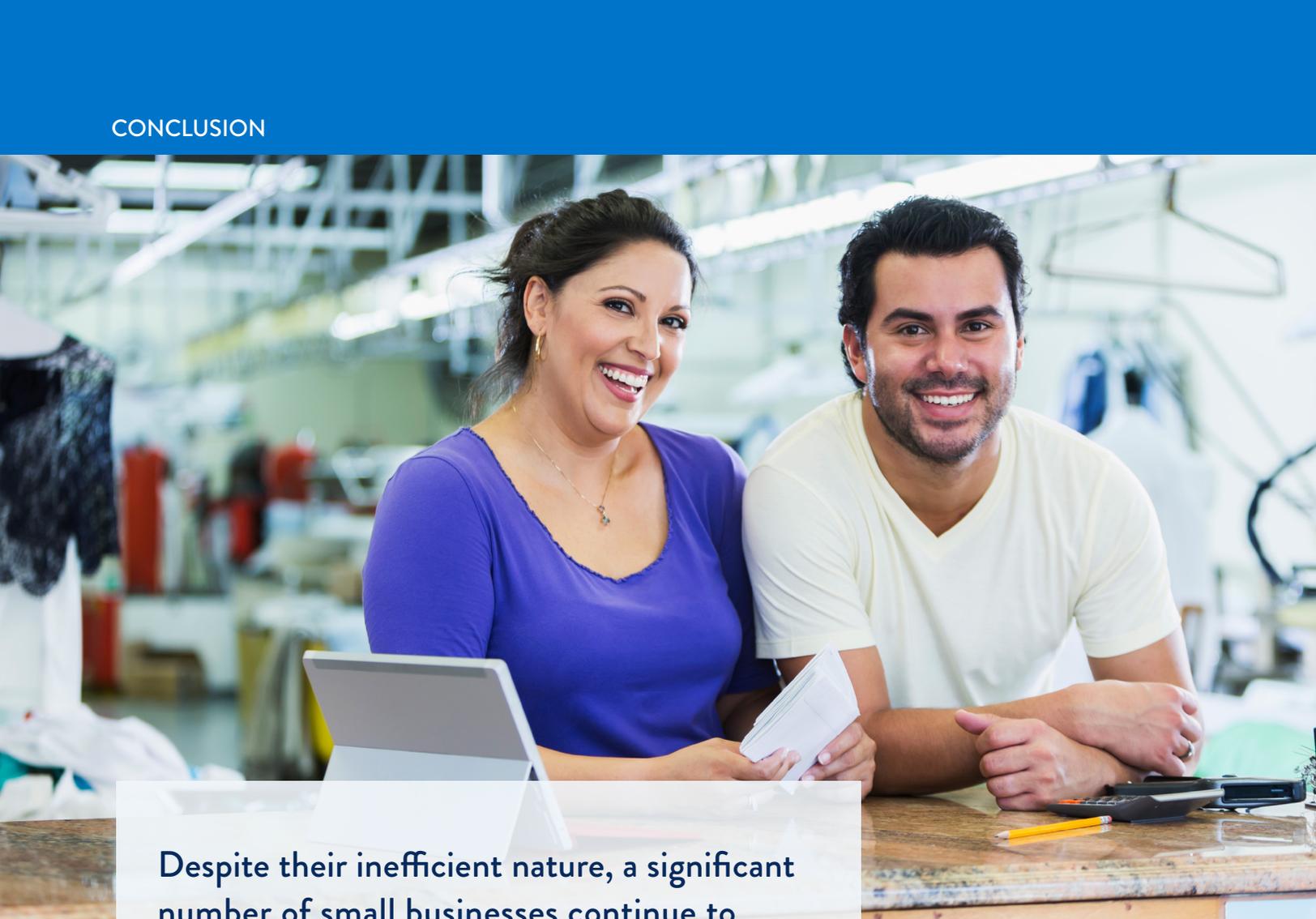
The marketing of such a policy change can focus on the advantages of the bank's remote deposit capture and ATM offerings, demonstrating the institution's focus on customer-centric solutions and acknowledging customers' need for timely access to funds. To accelerate the processing time to clear deposits via ATM or mobile, financial institutions can use the FedForward Image Cash Letter Deposit and select a faster clearing time. Financial institutions are charged a per-item fee when using this service.²³ Although this solution does not guarantee same-day funds, it makes it easier for small business owners to access their funds within one business day without having to rely on branch business hours.

²⁰ Based on a review of business checking account policies and websites on Oct. 3, 2018, of the top 10 banks by asset size and top five banks in Kansas City by market share. Top five banks according to the Kansas City Business Journal, "Largest Banks in Kansas City," Dec. 15, 2017.

²¹ "Customer Check Risk Management," U.S. Bank; "Remote Deposit Capture with Small Business Remote Deposit Online," Bank of America.

²² Based on a review of business checking account policies and websites on Oct. 3, 2018, of the top 10 banks by asset size and top five banks in Kansas City by market share. Top five banks according to the Kansas City Business Journal, "Largest Banks in Kansas City," Dec. 15, 2017.

²³ Federal Reserve System, "FedForward," American Banker Association.



Despite their inefficient nature, a significant number of small businesses continue to accept checks. Offering faster access to those funds enables small businesses to have better control over their cash flow.

With the assurance that they can access payments, small businesses can in turn pay employees and suppliers on time, even when cash is tight. Financial institutions can provide this much-needed access to check funds by offering an expedited funds solution, greater clarity on funds availability, and later cutoff times for remote deposits. By offering immediate access to check funds, financial institutions can earn additional income, attract new customers, and engage current clients that are using alternative ways to access money faster. In turn, small businesses gain an ally in a financial institution that recognizes their challenges and supports solutions that can help improve their financial health.