

RLSS Direct Deposit

Sometimes the best way to ensure prompt payment with high-risk lending is to automatically withdraw funds from your borrower's bank account. Supplement #816 Direct Deposit can assist with this process.

There are a few issues to be explored when considering this supplement. First of all, check with your bank and make certain their policies and procedures conform to your needs. For example, you will want notification from your bank when funds are transferred. Experience has shown that some banks only reflect the transfer on the end-of-month bank statement. This is usually not an acceptable timeframe, because you want to know the funds were transferred when the payment was due. Second, you need authorization from your borrowers to access their bank accounts. Check your closing documents to see if this is allowable, and if not, consider a mailing informing your borrowers of your plans to begin using the supplement. Your bank can provide you with authorization forms to be completed by your borrowers, which will allow access to their account. As usual, we recommend you check with your auditor or legal advisor prior to instituting any new practices within your lending program.

This supplement will allow you to identify which loans are to be accessed, when the transfer is to take place, and the amount of the payment, or funds, to be transferred into your account. It will create a file that can be submitted to your bank detailing the transfer specifics. Loan Activity is processed for payments transferred, a report may be prepared detailing the transfer, and Loan Acknowledgment forms are available for printing. Any transfers will appear on the Monthly Activity Report with a notation that it was processed via Direct Deposit and the date of the transfer.

You can see that this supplement could be a timesaving tool for your lending personnel, and also help ensure timely payments – a benefit to both you and your borrowers. In addition, by allowing the system to automatically post repayments, the risk of data entry errors is limited. This can also assist in saving staff time by reducing the need for adjustments, which are necessary to correct data entered inaccurately.