



Should Your Center Be Collecting Fees Electronically?

By Doug Schoenberg

Several child care programs around the country have recently adopted a new approach to fee collection that dramatically reduces the time and effort they spend on collecting and processing payments—electronic funds transfer (EFT).

EFT requires parents to pre-authorize their financial institution to make payments electronically. These can be charged to a credit card or transferred directly from a checking account, eliminating all the work associated with processing payments. It also ensures that all fees are collected on the day they are due.

Where it started

EFT technology originated in the health club field; today, virtually every health club collects a significant portion of its monthly fees electronically. Until recently, centers that wanted to offer this means of payment had great difficulty. Although most banks offer the ability to process credit cards, their services are usually tailored toward retailers and require the swiping of cards or the manual punching in of data for each transaction. Additionally, if an organization also wants to offer payments by bank draft, banks require a separate system and expenses can be prohibitive unless hundreds of payments are processed at a time.

For directors and owners of child care centers, software is now available that simplifies the entire process. Centers that wish to offer pre-authorized electronic payment can purchase programs that let them enter parents' bank account or credit card information and automatically create a transaction file that is transmitted by modem to the processor. For users of some management software, the transaction amount will be based on the current ledger balance, and the system will automatically post the payments to the family's ledger. The collected funds are then deposited in the center's bank account on the day they are due.

This process completely eliminates the need to produce invoices and receipts, post payments manually, create deposit slips, and pursue families that have failed to make their payment when due. In addition, it eliminates concerns about the security and controls necessary when multiple people within an organization handle checks and funds.

Gaining Parents' Acceptance

As with anything new, gaining parent participation will require overcoming some of their fears. There are two common concerns that are expressed by parents:

1) Some worry about having money "automatically" taken from their account. Most of these concerns are based on misconceptions about the technology, and can be easily addressed by a careful education campaign. For instance, it is important for them to recognize that if an unauthorized or incorrect draft were ever made, they can dispute it with their bank (just like a credit card charge) and the transaction can be easily corrected.

2) The other reason for parent resistance is the loss of control over the timing and disbursement of the funds. In truth, they are giving up the ability to not pay on time, but by offering an option to pay by credit card, this concern is overcome.

Although it is typical to encounter some parent resistance initially, the vast majority of families (especially younger ones) are already paying some bills this way, and many parents

Program: Electronic Funds Draft: EZ-EFT™ Child Care Center
Transactions to be drafted on 01/11/2000

Account	Amount	Draft Method	Credit Card	Credit Card Member Exp.
Almond, Keri	\$1,025.00	Checking Account		
Dever, Sarah	\$276.75	Credit Card	MC	01/28/2001-01/28/02
Peterson, Mary	\$1,180.00	Credit Card	VISA	01/24/99-01/24/01
Johnson, Lisa	\$223.32	Checking Account		
Olsen, Mary	\$170.80	Checking Account		
Johnson, Lisa (and Brian)	\$1,150.00	Credit Card	AMEX	01/24/99-01/24/01
Moore, John	\$22.00	Checking Account		
Johnson, Lisa	\$1,180.00	Checking Account		
...

Bank Drafts: 5 # Credit Cards: 7 # Transactions: 12
Bank Total: \$1,314.27 Card Total: \$2,767.25 Draft Total: \$4,081.52

Cancel Done

really appreciate the timesaving and convenience EFT provides. Barbara Fowler, director of PV Kids Korner based in Palos Verdes, Calif., says "Along with the software, our vendor provided us sample authorization forms, a sample letter explaining the benefits to parents, and materials to assist us in answering questions and concerns. It really made it easy for us to overcome some of the initial concerns, and we now have over 100 families paying their charges this way."

Besides purchasing the necessary software, centers should expect to pay about 45 cents per transaction (plus credit card fees) for processing. Fowler further noted, "We found that the costs are actually much less than we were spending processing checks

Better security and control of funds—By eliminating checks, you no longer have to worry about them being lost, funds being mishandled, or deposits not being made in a timely fashion. This is particularly advantageous for multi-site operations.

Less administrative time—Depending on your accounting system, payments may be automatically recorded, saving posting time.

Better Customer Service—EFT is a time-saving and convenient way for parents to pay, alleviating them of one weekly or monthly task.

manually when you consider the bank fees, as well as the labor costs for handling payments and attempting to collect unpaid balances. In addition, the ability to collect most of our payments by EFT is saving us a lot of money on the discount percentage that credit cards charge."

Joanne Woodard, PV Kids Korner's accountant, says, "Implementing EFT last year has literally saved us hundreds

of hours of administrative burden and dramatically improved our timeliness of collection. We no longer have to spend our time chasing down parents who are late in payment." CCB

Douglas Schoenberg is the CEO of SofterWare, a company that develops computer systems for child care center management. He can be reached at (800) 220-4111.

HOW MUCH TIME WOULD YOU LIKE TO SPEND COLLECTING FEES?

HOW ABOUT NONE!

Introducing EZ-EFT™, a revolutionary new way to handle your center's fees. Payments are automatically transferred from parents' bank accounts (or credit cards) when due.

CALL 800-220-4111
TO LEARN MORE ABOUT



SofterWare • 540 Pennsylvania Avenue, Suite 200 • Fort Washington, PA 19034

