



Is the Dollar Bill over the hill? Assessing the New Electronic Payment Mechanisms.

Baffled by electronic payments? Boggled by the many ways your money can move--instantly--into the pocket of another? Bewildered at the prospect of controlling your finances in the face of so many new financial mechanisms? Hold on. This article can help.

While many electronic payment systems are new, their roots (literally, this is where they get hold of your money) are in checking accounts and credit card accounts.

One of the largest categories of the new electronic payments is called e-checks. Originating in your checking account, they are handled through the same "automated clearinghouse" network that routes other electronic funds transfers, such as direct-deposit of payroll checks. E-checks may be used at the point of sale, or over the Internet, such as to pay credit card balances.

Checks also can become electronic through "electronic check conversion." When you present a paper check, the retailer electronically enters the amount, as well as your account number and financial institution. The payment is then debited from your account and your voided check is handed back to you.

Another new payment mechanism, popular on the Internet auction firm eBay, is called PayPal. You can use a PayPal account, though, to pay anyone who has an e-mail address, such as small businesses that don't want to go through the expense and hassle of accepting credit cards.

A radically different, but equally successful, approach to electronic payments is visible at Exxon-Mobil gas pumps. Wave a SpeedPass, a little key-ring size electronic coding gadget, at the pump, and funds are sucked out of your credit-card account. The five million SpeedPasses now in use could gain new talents. Soon, you may be able to buy convenience-store items and even burgers at McDonald's with the pass.

For financial institutions and retailers alike, electronic payment systems are supposed to bring convenience, security, and accuracy--all with a welcome reduction in paperwork.

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