The New Future Of Legal Payments:
5 Reasons Law Firms Are Switching To eCheck

By Sarah Schaaf
The Goal Of This Guide

Running a law firm, large or small, is not easy. Many firms report that their biggest challenges involve their accounts receivables (“AR”). Specifically, the biggest pain points include the time it takes to get paid and realization rates for overdue bills, both of which greatly influence cash flow (or lack thereof). Although credit cards are a recognized way of allowing clients to pay online, the transaction fees can leave some firms wondering if they should go back to paper checks.

Over the past few years law firms have started offering eCheck for client payments more than ever before, and it’s easy to understand why: they are a reliable, secure, and fast way of getting paid at fees much lower than credit cards. Perhaps less obviously, eCheck is also gaining popularity in the legal industry because it’s an easy substitute for the paper checks clients have been using to pay for legal services for decades.

This guide will walk you through a brief overview and history of eCheck payments, followed by the top 5 reasons why they’re such a great fit for for attorneys and their clients. The goal of this guide is to help you understand the foundational components of eCheck payments for law firms and increase your financial literacy regarding the acceptance of online payment.

A Brief Overview: What Are eCheck Payments?

For people unfamiliar with the industry term, eCheck payments via ACH might sound scary. But they’ve actually been around since 1974¹. eCheck payments are electronic payments made through the Automated Clearing House (ACH) network. Essentially, the ACH acts as a secure intermediary to move funds from one bank account to another. Direct deposits of wages and bill payments made directly from checking accounts are both enabled by ACH, so consumers are well familiar with the concept, if not the exact terminology. NACHA, the Electronic Payments Association behind the ACH network, states that more than 25 billion ACH payments were made in 2016.²

5 Reasons eCheck Payments Are Gaining Popularity With Law Firms

eCheck payments offer benefits to both attorneys and clients, mostly in the form of price, speed, security, ease of use, and compliance with IOLTA and the ABA Rules of Professional Conduct for accepting online payment.³ eCheck offers additional benefits over credit card payments, particularly in regard to fees and client experience.
Reason #1: Lower Fees

Fees for eCheck payments are generally much lower than credit card transaction fees, but the user experience of paying with eCheck has traditionally been less convenient than the few clicks it takes to pay online with a credit card. The convenience of credit card payments comes at a price, generally at least 2.95% and as high as 4% of the total transaction amount.

Companies like Bill.com, Paypal and other eCheck payment facilitators require clients to go through numerous steps to make an eCheck payment (create an account, give banking information, wait 2-3 business days for microdeposits to appear in their account, return to the payment facilitator’s site to enter the deposit amounts to verify account ownership). The entire process can take up to a week and is an annoying if not onerous request to make to a client.

But this is no longer always the case. Headnote offers an eCheck payment option that mimics the experience of paying via credit card, made specifically for attorneys and their clients. Clients can pay via eCheck in under 30 seconds and are not required to create a Headnote account, wait for microdeposits, provide their bank account information, or take any action outside of making a few clicks to submit payment. Law firms pay only 1.9% for a payment experience that’s as convenient as credit cards at a much lower cost. That means that if your client pays an invoice for $1000, you only pay $19 instead of the $30 to $40 you’d pay in credit card fees.

As you can imagine, not all eCheck payments are created equal. Headnote is the only eCheck payment processor on the market that provides this experience and convenience. More importantly, law firms should be advised to choose a payment processor made specifically for the legal industry when making the decision to switch to eCheck payments.

Reason #2: Faster Payments

Offering online payment is a no-brainer when it comes to getting paid faster than traditional paper checks, the leading form of payment in the legal industry. For instance, law firms report that their current average payment time is 30-60 days. Compare that to the average time it takes to get paid via Headnote, which is only 4 days.

Paper checks also take longer to process once they are deposited into a firm’s bank account than online payment options. While traditional checks take 5 business days to clear, eCheck payments take only 1-3 business days to process once initiated. This means that the funds immediately appear in your account as “pending” until the transaction is fully processed allowing you access to the funds.

While eCheck payments are currently processed on a timeline similar to credit cards, that won’t be the case for long. NACHA is currently implementing a new rule⁴ to enable same-day processing for all eCheck payments⁵ by March 2018, making it the fastest payment option available.

Reason #3: Security and Reliability

eCheck payments are regulated by the Federal Reserve Bank and the Electronic Fund Transfer Act, and consistently rank as the safest method of payment and the lowest targets of fraud.⁶ Stagger-
ingly, paper check payments are compromised at 55% of organizations.\(^7\) Comparatively, eCheck payments are compromised at a much lower rate - only 22%.\(^8\)

Traditional eCheck payment processors require clients to provide bank account and routing numbers to enable payments, which can make some consumers anxious. (Though it should be noted, that same banking info you might be nervous about handing over to enable traditional eCheck payments? It’s printed at the bottom of each and every check you write.)

However, when a client pays via eCheck using Headnote they are not required to provide their bank account or routing number, and no banking information is ever transmitted to Headnote. Clients and firms can have peace of mind that sensitive banking data and information is encrypted and protected, even during the transmission process. Better yet, neither clients nor attorneys will need to worry about a paper check getting lost in the mail or compromised ever again.

Furthermore, the Electronic Fund Transfer Act offers additional protection, allowing consumers 60 days to report fraudulent charges with no liability. There’s a reason why eCheck and ACH debits have proven to be a reliable method for so long, even if under the radar - they’re simply the safest and most secure way to make a payment.

**Reason #4: Client Friendly**

We’ve already discussed how the eCheck payment experience can be just as convenient as paying with a credit card if done correctly, a feature which delights clients. But there are deeper reasons why your clients would likely rather be paying by eCheck than any other method.

Many businesses and consumers report that legal fees account for their largest bills. While they don’t always have the necessary available credit card balance to pay their entire invoice, they often have the funds available in their bank account to make a total or partial payment. More than ever attorneys are reporting that when given the option, both their corporate and individual clients prefer to pay via eCheck instead of other methods.

It shouldn’t come as a huge surprise - it’s an easy jump for clients to switch from paper checks to eChecks to pay their pending legal bills, and provides them with a comfortable and familiar way to do so.

**Reason #5: Trust Compliance**

As we’ve already stated, not all eCheck payment processors are created equal and there are very few that can facilitate compliant eCheck payments to a law firm’s trust account. In order to do so confidently, law firms much choose a payment partner that deeply understands their industry and their professional responsibilities to their clients.

Headnote’s exclusive flow of funds allows firms to accept eCheck payments to both operating and trust accounts with 100% compliance with IOLTA and the ABA’s Rules of Professional Conduct for accepting online payment. Funds are protected and segregated even during the online transmission process, and fees are never taken from the trust funds or account. Furthermore, the trust account is protected at all times from 3rd party access of any kind, including...
chargeback requests. There is simply no other eCheck payment experience on the legal market that rivals Headnote’s in terms of compliance, client experience, convenience, and fees.

How To Get Started

The easiest way to start accepting eCheck payments from your clients is to sign up for a free Headnote account and experience it yourself.

If you’d like to continue using your current software or system and just want to bring the ease of online payment to your firm, use Headnote’s FastPay feature to quickly generate a payment link that can be copied and pasted into any destination. FastPay links can be sent via email, other legal software, Quickbooks, PDF or SMS text message. There is no easier way to start accepting online payment and you don’t need to switch systems or commit to a new software to do so. Visit headnote.com to sign up for your free account and start generating FastPay links within minutes.

Headnote also offers a robust invoicing, billing and client management software product that includes online payment and FastPay links if you’re looking to make a switch to more modern, cloud-based software for your firm.

Visit headnote.com to sign up for a free trial, or email help@headnote or call 888.384.3236 to learn more or schedule a demo.

Conclusion

Once you consider the overall benefits of eCheck payments, it’s hard to find a reason not to make the switch. They’re faster, safer, trackable, less expensive, and make payments easier for your clients to manage.

About The Author

Sarah Schaaf is a “reformed” attorney licensed in the State of California. Sarah attended Loyola University Chicago School of Law where she served as President of the student body and was an editor and author for the International Law Review. After graduating in 2008, she worked at medium and large firms before taking an in-house position at Google. Sarah left Google to become an entrepreneur and founded Headnote in 2016. She lives in San Francisco with her husband, son and rescue dog, and loves the podcast More Perfect about the US Supreme Court.
References


³ Although not all eCheck payments are compliant with the rules for accepting trust account payments, Headnote's exclusive eCheck flow of funds is 100% compliant with IOLTA and the ABA Rules of Professional Conduct, guaranteed.


⁵ Excluding international transactions and transactions exceeding $25,000


⁷ Id. at 5.

⁸ Id.