**1) http://study.com/academy/lesson/what-is-an-electronic-funds-transfer-definition-process-benefits.html**

Learn about what electronic funds transfer is and all the ways you may use it in your daily life. Find out how the process differs from the older paper style and some of the many benefits that you can experience by adopting electronic funds transfer.

Electronic Funds Transfer Defined

Can you imagine trying to shop on the Internet and the only way to pay is by sending a check in the mail? How about not being able to use a credit or debit card when you went out to eat or put gas in your car? The way in which we transfer money has advanced tremendously over the last several years. PayPal, online bill pay, and mobile payments are all examples of recent advancements. These changes are referred to as **electronic funds transfer**, or the electronic transfer of money from one account to another. Electronic funds transfer uses computer systems to move funds without the need for paper documents. Yes, people sometimes still use paper checks, but electronic funds transfer methods are now the preferred way to do business.

Common Uses for Electronic Funds Transfer

Let's look at several ways that you may currently use electronic funds transfer:

Using a credit or debit card - Using this method, money is transferred electronically from your account to the seller's account. This is one of the most widely used forms of payment. In 2010, Visa and MasterCard processed over $5 trillion in transaction volume!

Online bill payment - Often referred by many as online banking, this has become very popular as a quick and easy way to pay monthly bills. More than two out of every three bills are now paid in an electronic form. This has recently further evolved into the ability to pay bills directly from your mobile device or phone.

Direct debit - This is often referred to as electronic checks or monthly auto draft. Individuals can set up a recurring schedule and payment instructions for companies to automatically pull money from their bank account to pay for bills or services. Many people pay their house or car payments this way. The method simply requires sending the institution a voided check with your routing and account number.

Direct deposit -This form of employee payment is now the preferred way to get paid from your employer and is often the only way for some jobs. Your paycheck enters your bank account quicker, and the employer saves hundreds or thousands of dollars in not printing and delivering checks.

Traditional vs. Electronic

Because the electronic funds process is simplified and entirely electronic, the cycle of transferring and paying money is much faster. Let's compare both traditional and electronic processes side by side.

Writing a Paper Check

The store manually deposits the check at their bank, and the bank sends the check to a **clearing house** , or an establishment where checks and bills are exchanged. The clearing house sends the check to the customer's bank to be posted. This is an older process that contains no electronic money transfer and would usually take at least a week to complete the cycle.

Electronic Funds Transfer Process

When you use your card at a store, money is electronically transferred from your account and then it is simultaneously deposited in the store account. This may involve an automated clearing house or sometimes a central electronic processor, which could add a day to process, but it is still much quicker.

The process for a consumer to set up online bill pay, direct deposit, or direct debit is fairly simple. It usually involves providing data to the financial institutions, including your bank routing and account numbers, vendor account numbers you want to pay and dates of payments. It can usually be done online or by filling out a simple form.

Benefits of Electronic Funds Transfer

There are many benefits to electronic funds transfer. Let's explore them more in detail.

Cheaper - The cost savings are numerous. For example, by using online bill pay every month to pay bills such as water, gas, electricity, and credit card, you could save the postage rate on every bill paid. So if you paid 10 bills a month this way, you are saving almost $5 in postage, plus the costs of checks for the month. Plus, it takes only a few minutes to pay all of your bills online. Writing out checks and delivering them to the post office could take you much more time. So add in the value of your time saved!

Faster - Electronic funds transfer has made buying and selling on the Internet much simpler. Money can be sent between accounts in real time. For example, when you sell something online, you can see when money has been deposited into your account within minutes or seconds of the other person sending it. A paper check could have taken five days.

2) <http://www.investinganswers.com/financial-dictionary/personal-finance/electronic-funds-transfer-eft-2328>

An**electronic funds transfer (EFT)**is a transaction that takes place over a computerized network, either among accounts at the same bank or to different accounts at separate financial institutions.

## HOW IT WORKS (EXAMPLE):

EFTs include direct-debit transactions, wire transfers, direct deposits, ATM withdrawals and online bill pay services. Transactions are processed through the Automated Clearing House (ACH) network, the secure transfer system of the Federal Reserve that connects all U.S. banks, [credit](http://www.investinganswers.com/node/5244) unions and other financial institutions.

For example, when you use your [debit](http://www.investinganswers.com/node/5756) card to make a purchase at a store or online, the transaction is processed using an EFT system. The transaction is very similar to an ATM withdrawal, with near-instantaneous payment to the merchant and [deduction](http://www.investinganswers.com/node/1048) from your checking account.

[Direct deposit](http://www.investinganswers.com/node/720) is another form of an electronic [funds](http://www.investinganswers.com/node/5054) transfer. In this case, funds from your employer’s bank account are transferred electronically to your bank account, with no need for paper-based payment systems.

## WHY IT MATTERS:

The increased use of EFTs for online bill payments, purchases and pay processes is leading to a paper-free banking system, where a large number of invoices and payments take place over digital networks. EFT systems play a large role in this future, with fast, secure transactions guaranteeing a seamless transfer of [funds](http://www.investinganswers.com/node/5054) within institutions or across banking networks.

EFT transactions, also known as an [online transaction](http://www.investinganswers.com/node/2321) or [PIN-debit transaction](http://www.investinganswers.com/node/2320), also [offer](http://www.investinganswers.com/node/3909) an alternative to signature [debit](http://www.investinganswers.com/node/5756) transactions, which take place through one of the major [credit card](http://www.investinganswers.com/node/2366) processing systems, such as Visa, MasterCard or Discover, and can cost as much as 3% of the total purchase price. EFT processing, on the other hand, only charges an average of 1% for debit card transactions.

3) <https://en.wikipedia.org/wiki/Electronic_funds_transfer>

Electronic funds transfer (EFT) is the electronic transfer of money from one [bank account](https://en.wikipedia.org/wiki/Bank_account) to another, either within a single [financial institution](https://en.wikipedia.org/wiki/Financial_institution) or across multiple institutions, via [computer](https://en.wikipedia.org/wiki/Computer)-based systems, without the direct intervention of bank staff. EFT's are known by a number of names. In the United States, they may be referred to as electronic checks or e-checks.

The term covers a number of different payment systems, for example:

* cardholder-initiated transactions, using a [payment card](https://en.wikipedia.org/wiki/Payment_card) such as a [credit](https://en.wikipedia.org/wiki/Credit_card) or [debit card](https://en.wikipedia.org/wiki/Debit_card)
* [direct deposit](https://en.wikipedia.org/wiki/Direct_deposit) payment initiated by the payer
* [direct debit](https://en.wikipedia.org/wiki/Direct_debit) payments for which a business debits the consumer's [bank accounts](https://en.wikipedia.org/wiki/Bank_account) for payment for goods or services
* [wire transfer](https://en.wikipedia.org/wiki/Wire_transfer) via an international banking network such as [SWIFT](https://en.wikipedia.org/wiki/SWIFT)
* [electronic bill payment](https://en.wikipedia.org/wiki/Electronic_bill_payment) in [online banking](https://en.wikipedia.org/wiki/Online_banking), which may be delivered by EFT or paper check
* transactions involving [stored value](https://en.wikipedia.org/wiki/Stored-value_card) of [electronic money](https://en.wikipedia.org/wiki/Electronic_money), possibly in a [private currency](https://en.wikipedia.org/wiki/Private_currency).