



Remote Deposit Capture vs. Lockbox What to Consider and What is Next?

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Agenda

- **A Brief History of Both Products**
- **What Needs Do Remote Deposit Capture and Lockbox Address?**
- **Feature Comparison**
- **Pros and Cons**
- **What is Next and What Does it Mean for Your Business?**

A Brief History of Lockbox and Remote Deposit Capture

Lockbox

- 1940s: Banks offer lockbox services to corporate clients
- 1950s-60s: Banks offer lockbox transmission services for “automatic” cash posting
- 1970s: Lockbox Networks are created and consolidated transmission of information is offered.
- Late 1980’s: Image Lockbox is born! Access to lockbox images via the Internet, image archival services are offered.
- 1990s:
 - Lockbox Image Transmission offered
- 2000s:
 - Check conversion to ACH is offered for consumer checks
 - Clearing Checks via Image Exchange or Image Replacement Documents
 - Extended Image Archival Solutions
 - Lockbox Decisioning
- 2008: What is Next for Lockbox:
 - Virtual Lockbox!

Remote Deposit Capture

- September 11th attacks demonstrated our Financial Systems reliance on transportation of paper checks.
- Congress passed a law called “Check 21” that required banks to accept substitute checks. Check 21 went into effect October 2004.
- 2005: Many larger banks offered Remote Deposit Capture Services.
- 2005-to 2007:
 - Conversion to ACH is offered as part of Remote Deposit Capture Services
 - Remote Deposit Capture software continues to improve with the ability to key enter important posting information, additional reporting and access to check images.
- 2008: What is new for Remote Deposit Capture?
 - Virtual Lockbox!

What does it mean for you?

Remote Deposit Capture

The Need

Checks are received at one or several sites. Employees either go to the bank daily to deposit or a few times a week. Some payment detail is provided with the check payment.

Challenges

Working Capital Impact:

- Loss of availability
- Too many banking relationships
- Risk Management: Returns are not identified in a timely manner.

Personnel Resources:

- Employees are spending too much time creating deposits and leaving early to arrive at the Financial Center to make deposits.
- Employees are spending too much time making photocopies of deposited checks and storing them.
- It takes too long to research a client inquiry due to inefficient paper storage process.

The Solution

Remote Deposit Capture

- Increase Employee Productivity
- Improve Customer Service
- Increase Access to Working Capital

The Need

Checks are received at one or several sites. A courier goes to the post office to pick up the mail. Employees must spend several hours to all day gathering up check payments and manually key entering payment information into Accounts Receivable System. Checks and remittance backup are scanned or photocopied for future research purposes. A courier comes every day to pick up the check deposit. Not all the checks are deposited same day.

Challenges

Working Capital Impact:

- Loss of availability, increased mail float
- Too many banking relationships
- Risk Management: Credit Department and Sales do not know immediately when a check is deposited or when a client is in arrears. Goods are shipped.
- Customer Service: Employees must rely on Accounts Receivable for photocopies of checks and backup.
- It takes too long to research a client inquiry due to inefficient paper storage process.

The Solution

Image Lockbox

- Increase Employee Productivity
- Improve Customer Service
- Increase Access to Working Capital & Decrease Risk of Write-offs

Remote Deposit Capture vs. Image Lockbox – Functionality Comparison

Remote Deposit Capture	Lockbox
Workflow improvements: Checks can be processed in-house as they are received.	Workflow improvements: Check deposit process is performed by Bank, high volume keying and transmission is available.
Aggressive availability schedule, no loss of check clearing availability vs. Lockbox. In general, later day deposit deadline than lockbox.	Same-day continuous processing , and multiple deposit deadlines and result in faster funds availability.
Multiple accounts for deposits.	Standard single account per lockbox; multi-acct deposits can be customized
Client manages the association of remittance details with check payments.	Remittance document images are linked with check images within online application.
Client can add customized, pre-populated data fields to deposits. Exportable (comma delimited, excel)	Additional data fields can be captured for client to sort in customizable online reports to streamline accounts receivable updates. Direct Transmission, flexible formatting.
Image Access Online. Exportable. 7 year Archive	Image Access via Online, CD Rom or Image Transmission. 7 Year Archive

Remote Deposit Capture – Pros and Cons

Pros	Cons
➔ No need to go to the bank for check deposits. No need for multiple banking relationships.	➔ Mail Float: waiting for courier or mail to arrive from post office.
➔ Access More Cash: Extend the processing day; later Deposit Deadlines.	➔ If clients send a lot of remittance information and packages of backup, posting and keying into Accounts Receivable is cumbersome.
➔ Multiple accounts for deposits	➔ No direct transmission into Accounts Receivable
➔ Convenience: deposits can be created and transmitted throughout the day.	➔ No “reassociation” between check and remittance images.
➔ Eliminate Courier Expense.	➔ No single place to research checks and remittance images.

Image Lockbox – Pros and Cons

Pros	Cons
➔ Free up posting staff for other value added civilities.	➔ Value Proposition: Consider volume of payments and detail required.
➔ Access to Working Capital: Multiple Deposit Deadlines provide aggressive availability.	➔ Lack of Consistency: Some of your clients may still decide to pay you in the office.
➔ Archival of both check and remittances images for seven years.	➔ Administrative Challenges: Clients may send non-remittance related documents to Lockbox.
➔ Convenience: Company wide access to images simultaneously	➔ Inconvenience: No centralized archival tool for all types of receipts.
➔ Risk Management: Update Accounts Receivables faster with transmission. Release goods faster or stop goods or services from being shipped as appropriate.	➔ Increased Cost for Overnighting Items to Lockbox.

Questions to Ask

- How do your clients pay you?
- What is your volume of payments?
- How much remittance data do your clients send with each check?
- Do your clients send all the information you need in order to post Accounts Receivable?
- Where are your remitters located?
- Do you receive a lot of non-remittance related backup in lockbox? Why? What do you do with it when you receive it?

- Your Accounts Receivable System
 - Do you need to key directly into the system? Why?
 - Can your Accounts Receivable accept a data transmission from lockbox?
 - What is your auto cash posting rate from lockbox? Why?
 - How many cash posters to you have?

**The Right Solution Varies From Client to Client
What if Your Company Needs Both??**

Virtual Lockbox

The Need

Manage Receivables from Lockbox and into your offices. A significant volume of keying is necessary for automated cash posting. In addition, a single archival vehicle is desired for checks and remittance backup.

The Solution

Virtual Lockbox – Provides clients the ability to remotely image and deposit checks and the associated remittances including coupons, invoices and envelopes.

The Process

- Client receives checks and backup in their offices. Clients also remit directly to Lockbox.
- Client scans checks and remittance back up using approved scanners and transmits the images to their bank.
- Bank receives image transmission and sends checks into the clearing network either via image transmission or substitute check.
- Remittance documents are transmitted to Lockbox Keying Staff, where each client's unique processing instructions are accessed and followed.
- Data transmission from Bank's keyed data is sent to client for auto posting into Accounts Receivable System.
- Images of checks and remittances that arrived directly into lockbox or to the client's office first are available for seven years.

Customer Value Proposition

Improve Payment Processing

- Invest funds and pay down more debit
- Track and manage your cash flow more effectively
- Release goods sooner

Reallocate Headcount

- Less headcount required_ data keying performed by lockbox.
- Data Transmission file created for automated posting of AR-Improved Accuracy
- Employees can focus on value added tasks

Improve Customer Service

- Access to better information sooner means more responsive customer_service and less time spent researching

Reduce Expenses

- Eliminate paper storage by using 7 year Image Archive
 - Eliminate courier delivery to branch and branch deposit
 - Eliminate overnight package to lockbox
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Summary

- Banking Technology Continues to Evolve
- Each Client's Situation and Environment is Unique
- However, Cutting Costs, Having Greater Access to Working Capital, Managing Risk and Leveraging Technology all remain top Client Goals
- Ask your Banker to help you in the thought process for assessing your situation and the most appropriate solution(s)!!



Appendix

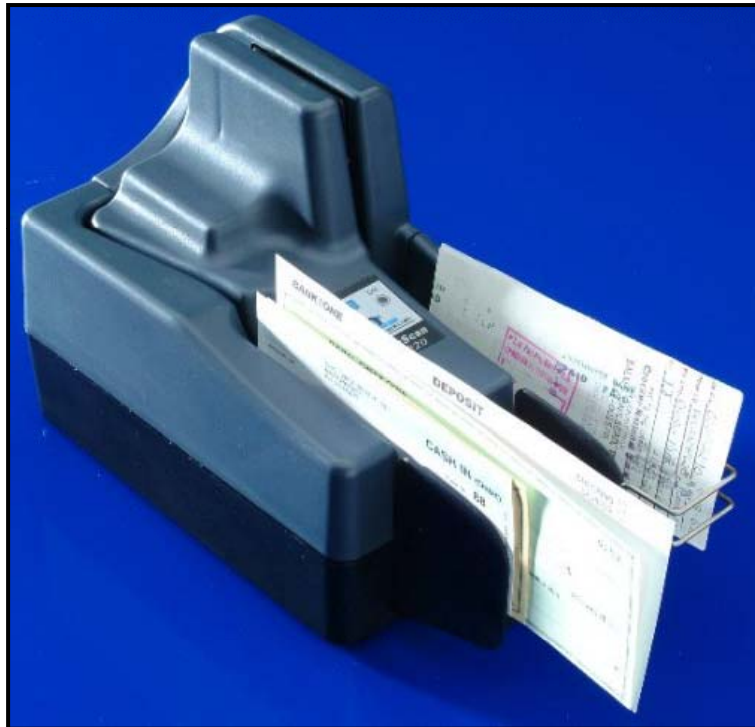
Appendix

- The Check Clearing for the 21st Century Act (Check 21) was signed into law on October 28, 2003, and became effective on October 28, 2004. Check 21 is designed to foster innovation in the payments system and to enhance its efficiency by reducing some of the legal impediments to check truncation. The law facilitates check truncation by creating a new negotiable instrument called a substitute check, which permits banks to truncate original checks, to process check information electronically, and to deliver substitute checks to banks that want to continue receiving paper checks. A substitute check is the legal equivalent of the original check and includes all the information contained on the original check. The law does not require banks to accept checks in electronic form nor does it require banks to use the new authority granted by the Act to create substitute checks.

Source: Federal Reserve Website

What is Remote Deposit Capture?

- With a small desktop scanner, a PC, and an Internet connection, a client can scan checks and transmit check images to a bank for deposit.



The Need

In order to manage incoming receivables Deposit approximately 50 items per month for membership and project payments.

The Solution

Remote Deposit Capture (RDC) – Automates the check deposit process by providing Elance with the ability to scan checks at your desktop and electronically send the images to Wachovia.

The Process

- All checks are send directly to the your offices.
- Client creates an electronic deposit by scanning each check using a PC, internet-based application and a desktop scanner.
- Client then balances the deposit dollar amount to the sum of the scanned checks and electronically transmits to Wachovia through a secure internet transfer.
- Once image quality has been verified, Wachovia provides a deposit acknowledgement, determines the appropriate clearing channel for each check image —image exchange or substitute checks —and then assigns float and posts the deposit to your account.
- Client retains or destroy the original checks, per your preferred process.



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