



REMOTE LOCKBOX DELIVERS FLEXIBLE LOCKBOX PROCESSING OPTIONS FOR FINANCIAL INSTITUTIONS



EXECUTIVE SUMMARY

Traditionally, lockbox payment processing has been an overhead-intensive affair. The high fixed costs of mail sorting, imaging and other hardware along with the high-end software have required large investments to purchase and maintain. Employing the staff to run these systems and acquiring the physical space to store them have added to the burden.

At the same time paper payments are on the decline, demands have increased for more features and flexibility from lockbox systems. These dual pressures have caused some organizations to wonder whether they should invest in upgrading or maintaining their current systems to stay competitive.

Fortunately, new technology is enabling financial institutions to meet these demands and seek out new sources of revenue. In particular, outsourcing and employing Remote Lockbox creates a system with flexible and lightweight payment capture and low overhead, converting the high fixed costs of traditional lockbox into variable costs that scale with payment processing needs. Not only that, but outsourcing keeps organizations current on the latest remittance hardware and software and creates opportunities to easily enter new profitable verticals to seek out new sources of revenue.



Delivering Flexible Lockbox Processing Options for Financial Institutions

Not long ago, remittance and lockbox processing required financial institutions to make a sizable investment in infrastructure, systems and staff. It was not uncommon for large financial institutions to maintain a network of brick and mortar lockbox sites, each with a standalone lockbox processing system. Financial institutions leveraged the geographic footprint of third-party providers to fill any gaps in their lockbox networks, sacrificing margin to meet customer needs. The significant upfront expense of this approach was a major obstacle for small and mid-tier financial institutions looking to attract new business customers.

The emergence of remote lockbox is turning the economics of processing remittances and payments on its head, helping to turn the high fixed costs of traditional lockbox into a flexible, variable investment based on processing needs.

With the shift to alternative payment channels common billers who bear the full expense of these major systems are now facing paper attrition. But the emergence of remote lockbox is turning the economics of processing remittances and payments on its head, helping to turn the high fixed costs of traditional lockbox into a flexible, variable investment based on processing needs.

WHAT IS REMOTE LOCKBOX?

Remote Lockbox uses the technology enabled by remote deposit capture to create a robust but lightweight alternative to traditional remittance processing.

- **CAPTURE: LIGHTWEIGHT AND FLEXIBLE**
Unlike the traditional lockbox model, where capture is generally only performed at a few select locations the point of payment capture is now flexible and can be done at not only the bank but also at individual customer locations using check or full-page scanners.
- **PROCESSING: FIXED COSTS BECOME VARIABLE COSTS**
Payee validation and data entry can happen at the point of capture or the captured images can simply be transmitted to Deluxe's central processing hub in Lynn, Massachusetts. Account validation, data entry, and business rules unique to the individual customer are completed on Deluxe's core processing platform.



REMOTE CAPTURE

Where traditionally this type of functionality has required large fixed cost investments in hardware, software, staff and physical space, remote lockbox enables the local payment processing footprint to be much more cost efficient.

- **OUTPUT: ELECTRONIC DEPOSITS, ONLINE REPORTING, DIGITAL ARCHIVING**

Exceptions can be handled by Deluxe or by the customer via online access. Lockbox customer outputs and ICL files are created at the hub, settlement files sent to the bank, and reporting is made available through web-based software. Deluxe provides archiving options for up to 10 years for research and recovery purposes in the event of a disaster or other issue.

Previously, to match this level of functionality, processors would have to make investments in software, hardware, and skilled technical staff.

GAINING COMPETITIVE ADVANTAGE: FIRSTBANK

Remote lockbox has provided operational and competitive advantages for FirstBank, a financial institution with a corporate treasury leadership team that has a large appetite for growth.

Headquartered in Lexington, TN, FirstBank is Tennessee's third-largest bank with 47 locations across the state. With over \$2 billion in total assets, FirstBank has the resources to provide a variety of financial services and products while maintaining its community-banking approach to business.

Before deploying remote lockbox, FirstBank processed a low volume of payments using two full-time equivalents and an in-house lockbox solution that was "archaic and uncompetitive," admitted FirstBank Senior Vice President Wade Peery. The issue came to a head when FirstBank won the business of a lucrative behavioral sciences healthcare client that represented an additional 12,000 payments per month. "Walking away from this deal, or not successfully delivering, was not an option," Peery explained. Recognizing that its lockbox volumes were not large enough to entice lockbox providers in the region, FirstBank began to investigate using remote deposit capture. That's when it discovered the Remote Lockbox solution from Deluxe.



REMOTE CAPTURE

“Remote Lockbox provided us with the best of both worlds,” Peery said. “It immediately made us competitive with the regional banks without requiring large upfront or ongoing expenses.” Remote Lockbox also provided FirstBank with a fast time-to-market—a key consideration with a customer waiting to go live. “The implementation couldn’t have been any easier,” Peery recalled, noting that FirstBank converted its approximately 10 existing lockboxes to Deluxe’s platform over the telephone. FirstBank deployed remote lockbox in October 2012 and began converting its existing lockbox accounts to the new platform the next month.

To conserve its internal resources, FirstBank captures only and leverages Deluxe for all their set-up, keying, and processing functions. “We created a document for our sales team that includes all of the options for setting up a new lockbox account. Once we receive and review completed documents with the business requirements for new lockbox accounts, we provide them to Deluxe. Deluxe then notifies us when the lockbox is setup, and we arrange a time to walk the customer through the online interface” Deluxe provides FirstBank with a service level agreement for new account set up.

All FirstBank customers have online access to reports and images thus eliminating any packaging requirements.

“We lost about \$70,000 a year with our old operation. By the end of our migration to remote lockbox, we were already breaking even.”

Wade Peery, FirstBank

Migrating to remote lockbox provided FirstBank with immediate tangible benefits:

- **Cost savings:** “We lost about \$70,000 a year with our old operation. By the end of our migration to remote lockbox, we were already breaking even,” Peery said.
- **New revenues:** Remote lockbox has provided FirstBank with a more competitive product, resulting in \$150,000 in additional treasury fees and \$20 million a year in deposits. “We now have competitors asking us how we are able to do all of this,” Peery noted.
- **Expanded geographic footprint:** When one of FirstBank’s customers acquired a company in another state, the bank was able to provide them with a scanner for remotely capturing lockbox transactions and transmitting them for processing. In the past, FirstBank likely would have lost this revenue since its old lockbox system didn’t support remote capture.



REMOTE CAPTURE

- **New market opportunities:** Remote Lockbox has provided FirstBank with a competitive solution for processing explanation of benefits (EOB) documents. With many healthcare firms in Nashville, Peery sees a potentially lucrative opportunity for FirstBank.
- **Improved disaster recovery:** FirstBank maintains an off-site scanner for disaster recovery. Combined with Deluxe's processing capabilities, FirstBank now has greater peace of mind.

"Remote Lockbox has been a saving grace," Peery concluded.

MEETING CUSTOMER DEMAND: FIRST COMMONWEALTH BANK

Remote Lockbox enabled First Commonwealth Bank to fulfill a key customer requirement, while reducing transaction processing costs and generating \$144,000 a year in new revenues.

With assets of approximately \$6 billion, First Commonwealth Bank is headquartered in Indiana, PA, and operates throughout 15 counties in western and central Pennsylvania. The bank prides itself on offering corporate customers all of the products and services they would expect from a large bank.

As part of this strategy, First Commonwealth Bank used a correspondent bank in the Pittsburgh area to deliver lockbox processing services to 10 of its corporate customers.

The problems began when their provider consolidated its lockbox operations due to declining check volumes. First Commonwealth Bank soon felt pressured by the provider because of its low volumes. Unfortunately, none of the other lockbox providers in the region were interested in the bank's low volume. The matter reached a tipping point when one of First Commonwealth Bank's customers reported being able to view another company's healthcare payments using the third-party's Web portal. "We knew we had to make a change," said Jack Davitt of First Commonwealth Bank. "The question was how to do it. For 10 lockboxes, it wasn't worth purchasing a system and trying to establish ourselves as a full-service provider."

Remote Lockbox enabled First Commonwealth Bank to fulfill a key customer requirement, while reducing transaction processing costs and generating \$144,000 a year in new revenues.



REMOTE CAPTURE

After an evaluation of available options, in August 2012 First Commonwealth Bank deployed the remote lockbox solution from Deluxe. Over the next month, the bank hired and trained staff and began processing transactions from its existing lockbox customers in anticipation of starting live production in October 2012. “What I didn’t know at the time was that my sales staff had started signing up new lockbox customers,” Davitt said. “I found myself visiting the Post Office to set up five new Post Office boxes, and would soon be back four more times.”

By April 2013, First Commonwealth had grown its lockbox business to 45 lockboxes.

Today, the bank receives mail on behalf of its corporate customers and uses Kodak devices to scan checks and remittance documents. The images and data are then securely transmitted to Deluxe’s remittance hub for processing. Once the transactions are balanced, Deluxe makes images and data available online for viewing (which First Commonwealth Bank’s customers can access through the bank’s online banking product), and generates an ICL for settlement and receivables posting file for each client.

Remote Lockbox has provided First Commonwealth Bank with significant benefits:

- **\$30,000 per month in additional revenues from the new lockboxes**
- **Reduced transaction processing costs, despite supporting over four times as many lockboxes**
- **Provide same day viewing of images and data**
- **Path to new revenue sources such as healthcare payments processing**
- **Private-label branding of the service**
- **Better disaster recovery through cross-training of staff at a second location**

“We couldn’t have achieved all of these benefits without remote lockbox,” Davitt said.



THE BOTTOM LINE

Remote Lockbox helps providers add important new features that today's billers demand. These include the need for geographic flexibility in payment capture, additional or custom keying services, state of the art archiving, research and reporting tools, intra-day decisioning and the ability to move to integrated receivables.

All of this makes remote lockbox ideal for a range of billers and financial institutions.

Corporations processing payments in-house are facing attrition in paper payments, rising costs of software and hardware upgrades and increased cost in space and skilled FTEs, but they have unique considerations to deal with:

- **Desire to keep their local post office box for remittance mailings**
- **Skilled staff that understand their unique processing needs**
- **Need to find ways to reduce the overall expense and physical footprint of payment processing**

Small and new banks looking to attract the business market:

- **Need a way to offer lockbox, but can't justify the investment**
- **Need a lockbox solution that can adapt as they grow**
- **Need feature functionality to be competitive with bigger banks**
- **Same day processing**
- **Online services**
- **Vertical Market specific features to grow revenues in areas such as property management and healthcare payments**

Mid-sized and larger banks:

- **Need to retain local businesses who prefer having their customers remit to a local post office box**
- **Need to keep expenses down, yet continue to innovate and reinvent their product offering**
- **Seeking growth in new verticals, such as healthcare and property management**

The emergence of remote lockbox means banks no longer have to choose between fixed cost investments in lockbox processing infrastructure, systems and people, or giving up control of their receivables. Remote Lockbox combines the best elements of advanced lockbox processing and outsourced services, delivering significant operational and business benefits.



REMOTE CAPTURE

ARRANGE A CONSULTATION

Deluxe is leveraging its deep, ongoing understanding of payments and receivables processing issues and needs with remote lockbox solutions. We offer a range of outsourcing services supported by distributed capture sites within 150 miles of 80 percent of the United States population.

Deluxe's outsourced services include:

- **Fully outsourced payments processing**
- **Remote Lockbox**
- **Integrated Receivables**

Our outsourced remittance solution processes multiple forms of payments, in addition to traditional check-centric lockbox transactions. Payments can be integrated, archived, reported and researched.

Since our remote lockbox solutions run on our own software, billers and financial institutions can always be confident that they are running the most up-to-date feature functionality.

Whether it's our in-house, outsourced or BPO receivables solutions, Deluxe has a proven commitment to superior customer satisfaction and a fast return on investment.

Arrange a private consultation by contacting your sales representative at (800) 937-0017.

Key Benefits of Remote Lockbox

- **Retain control of customer service**
- **No large capital investments in software, hardware and physical space**
- **Offer new features as soon as they are available**
- **No burden on valuable IT resources**
- **Reach markets outside geographical footprint**
- **Grow revenue by expanding into new vertical markets such as healthcare and property management**



REMOTE CAPTURE



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INFORMATION?**

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About Deluxe Financial Services

Deluxe Financial Services is a trusted partner to more than 5,600 financial institutions across North America, including 23 of the top 25 largest treasury management banks. We help our clients succeed in a competitive landscape through a diverse portfolio of best-in-class financial technology solutions. These solutions help clients target, acquire and retain customers; enhance the customer experience; improve efficiency; and optimize commercial and treasury operations.

Industry-leading companies rely on Deluxe Treasury Management Solutions to accelerate working capital, improve straight through processing, better serve their customers, control costs and drive profitable growth with in-house or outsourced offerings for receivables management, remote capture, treasury management onboarding and payment processing services.