

ARC and Check 21 ... Stories from the Front

Presented by
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Who is your presenter?

- CEO for Aquabanc, LLC
- 25 years experience in banking, operations and business development on forms, check, payment imaging and workflow
- Founder and President for TAWPI Great Lakes Chapter
 - GLC@TAWPIChapters.org includes IL, MI, WI, IN, OH, MN, and Ontario
 - Members involved in check, payment, lockbox/caging, forms processing and imaging
 - GLC cooperates with ACH and AIM chapters

What is AQBANC, LLC?

- Aqubanc's mission: providing payment, check and form processing solutions into under served markets:
 - Non-profits
 - “White knight” system replacement
- Aqubanc funds development of new approaches to “age old” workflows by breaking conventions to achieve new savings and benefits

What would you do?

You own a fleet of people
moving devices in the last
century ...

What would you do?

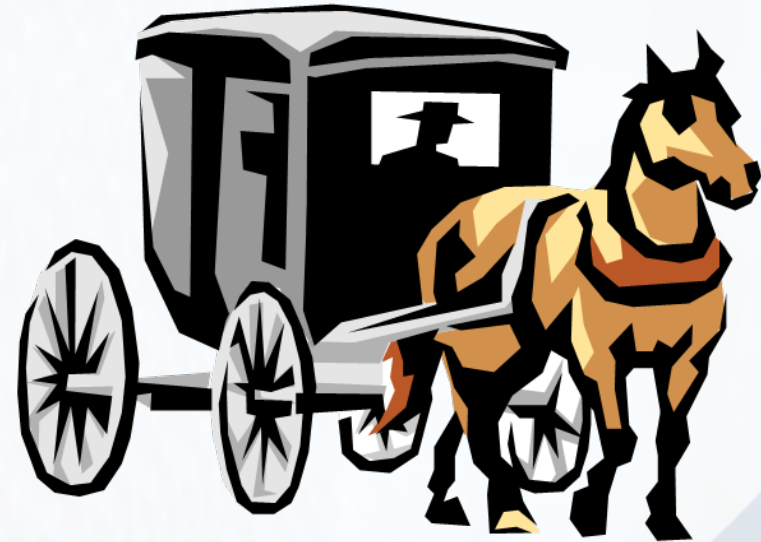
You own a fleet of people moving devices in the last century ...

Oops, wrong century...



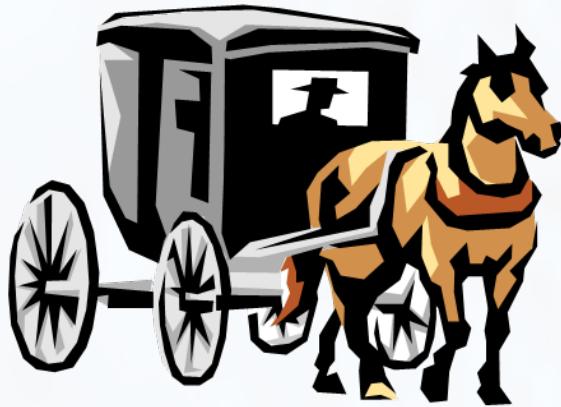
What would you do?

You own this fleet of people moving devices from the last century ...



What would you do?

You own a fleet of people moving devices from the last century ...



- Stage Coach, grandfather to the taxi
- You need more whips, spare parts for the fleet
- You need younger horses too.
- Demand is growing, do you add more Stage Coaches?

What would you do?

You own a fleet of Stage Coaches in the last century ...

- You have seen the future, for it is after all 1904!!!
- What do you do to keep your customers?

What would you do?

- What do you do to keep your customers?



- Horseless carriage is a new people moving device
- It doesn't pollute
- It doesn't need sleep
- It doesn't even need a whip
- It costs a lot
- It needs a road
- It needs petrol

What would you do?

Extra! Extra!

Horseless carriages known as “automobiles” expected to replace Stage Coaches... before decade-ends (1910)!!!



Automobile makes your company obsolete, what do you buy today for your Stage Coach fleet?:

- Name-brand whips or will ropes work in the interim?
- Off-lease horses, maybe mules instead of new horses.
- Invest in oil & petroleum?
- Sell the business, NOW!!!

What a bad dream?

Luckily it is not 1904 ...

- It is 2004
- I receive checks
- Checks are money
- To become my money, checks must be deposited!!!

Stories from the front?

September 2004

- Homeless Shelter
- Mortgage Banker

Homeless Shelter: Problem

- One of the largest Christian homeless shelter in the USA
- Receives 4,000 check donations daily in October to January peak season and continues to grow
- 1998 moved from manual to automated remittance system
- 2000 replaced original remittance system and added 2nd remittance workstation to meet peak season demands
- Upgraded system still needs 15 to 25 people for work
 - 20 transactions processed per hour
- Then their vendors were unresponsive

What would you do?

Homeless Shelter: Problem Extends

- Local reseller for automated remittance system stopped responding to their needs:
 - Hardware failed
 - Software support evaporated
- First step, go direct and bypass local reseller:
 - Hardware manufacturer provided a quote.
 - Software developer erected a roadblock: Glad to help, pay your overdue maintenance first, otherwise NO we won't help you!!!

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Sought help from their donation processing software developer and their fellow users: *People with integrity still do exist!*

Homeless Shelter: Problem Cure

- A museum in New York and fellow donation software user:
 - Met this guy who seemed trustworthy and very knowledgeable about this
- Works with our donation software developer already
 - This guy understands all our needs
 - Software developer recommends him every time
- He knows something about what we already have
 - Yes, we have a choice!!!

Homeless Shelter: Spring Cure

- Accounts Receivable Check Conversion (ARC) can:
 - Replace check encoding
 - Replace manually-intensive 2000 “automated remittance system”
 - Positioned for Check 21
- Can we afford another system?
 - Can we trust the local reseller or the software provider that lacks business integrity ... NO!
 - Can we afford not to move on ... NO!
- We trust our donation software provider, and, this guy and his company will make the cure work for us!!!

Homeless Shelter: Summer Panic

- Most checks that are encoded can be ARC'ed
- Bank says we need to include disclosure
 - Panic
 - This will surely turn-off donors when we include this booklet with each mailing
- What is disclosure?
 - Not a credit card book of disclosure
 - A few sentences
 - Printed on each mailing
 - Font no smaller than smallest font on mailer
- Sample notices remove panic.

Homeless Shelter: Disclosure

“When you donate or make a payment to our organization by check, you authorize us to electronically process your check using the information on your check. If we electronically process your check instead of depositing your check, the electronic debit to your checking account may be on the same day we receive the check by transmitting the amount of the check, routing and transit number and check number to your bank. Electronically processing your check makes us better stewards.”

Suggested Notification For Non-Profit and Ministry Organizations

Steward your resources continues ...

AQUBANC, LLC
Bank on Accuracy™
800.350.4720
www.aqubanc.com

Payment, Check and Form Processing Solutions to Help You Steward Your Resources

2004 Logo

AQUBANC® LLC
STEWARD YOUR RESOURCES™

CHEQUE 21® SYSTEMS SplitPath™ Process
2500M™ Fundraising

2007 Logo

Homeless Shelter: Summer Resolve

- OK we understand disclosure now
- Bank says changing from encoded to unencoded checks will double fees
- Options?
 - Change banks
 - Work-around, continue manually encode checks that are not ARC compliant items
 - Check 21 should eliminate rest of non-ARC compliant checks

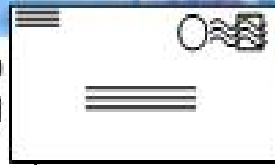
Homeless Shelter: Solution

- ARC over 95% checks
- Image checks, donation coupons and forms
- Fewer processing steps, new workflows:
 - New mail sorting: Checks always after coupons
 - New processing: Checks always after coupons
 - No donation coupon or form redesign
 - Eliminate long OCR scan lines or ugly barcodes
 - Direct ARC auto-conversion
 - Full image storage and retrieval

Homeless Shelter: Solution For Mail Open & Sorting



Mail Arrives from
Post Office Mail



Standard Envelopes



Open Envelopes:

Ultra Systems Milly 2.0 →



Future Growth Options:

3-sided extraction desk →



Ultra Systems Tri-Fold 2000

In single or

dual-station configuration →



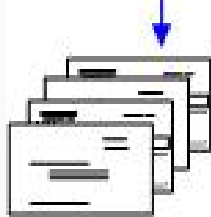
Operator removes and sorts

Contents By Requirements Type

CHECK with Device, and, Exceptions

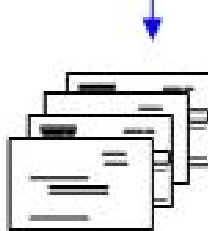
"Good Order
Requirements"

Rejected
Transactions



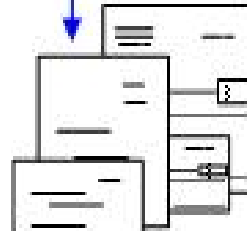
SINGLES

1 check
before
1 device



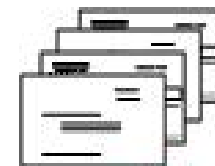
MULTIPLES

1+ check(s)
before
1+ device(s)



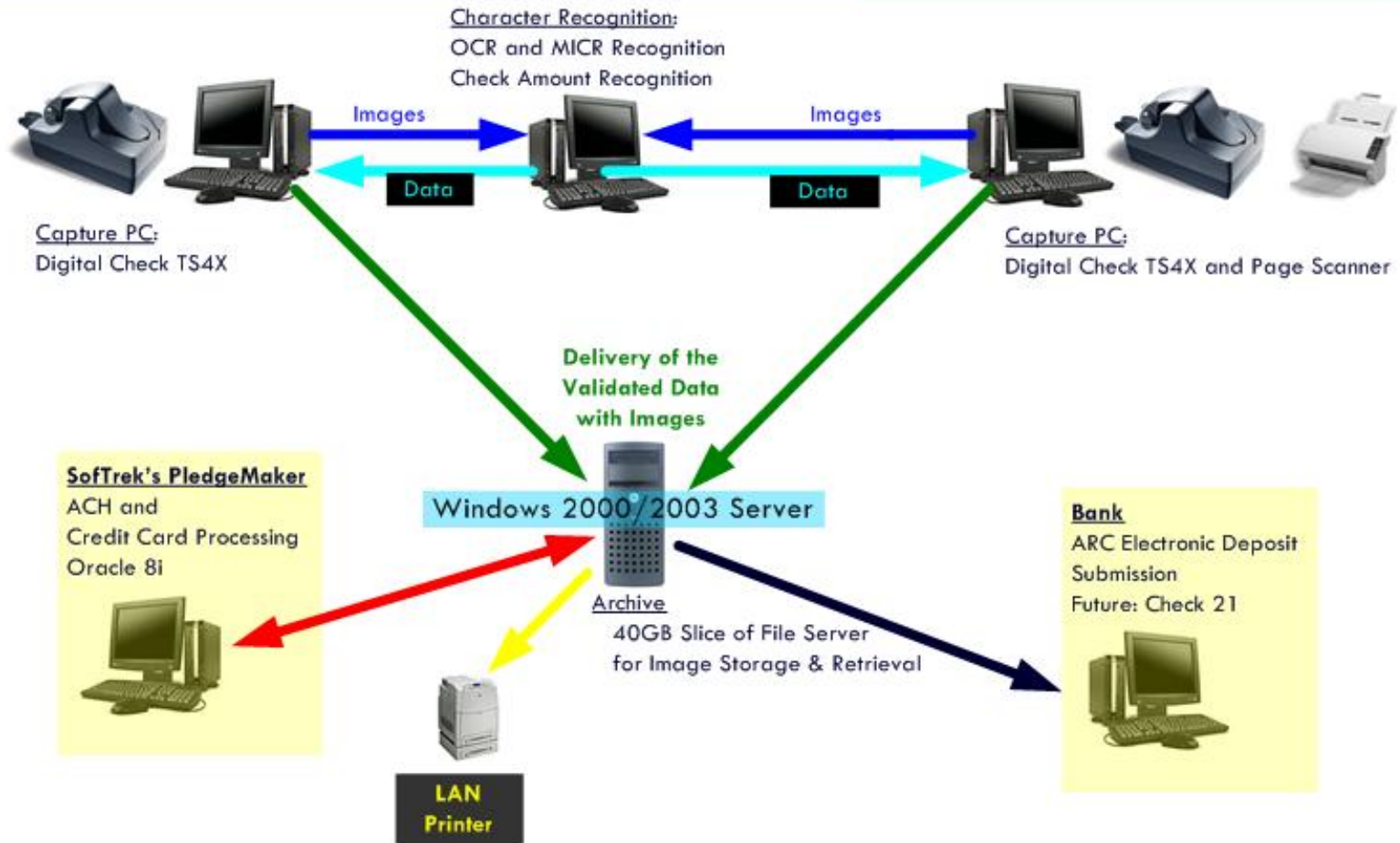
EXCEPTIONS

CHECK Only or
1+ checks with envelope and
any other pages/forms



Failed
Good Order
Requirements

Homeless Shelter: System Layout



Homeless Shelter: Solution Result

- Transactions continue to increase while the number of people needed was reduced dramatically
- Software works, so people resources can go where they are needed most!
- Trusting, integrity-based customer-vendor result.

Mortgage Banker: Problem

- Spin-off from bank holding company
- Automated system for imaging and encoding checks was installed when volume was very small
- Outgrown system
- Continue to acquire loan portfolios, volume grows in chunks
- Compatible with back office software

Mortgage Banker: Boxed Problem

- Receives 48,000 checks monthly
- Automated system is labor intensive
- Back-office provider has expensive payment system
- Same payment system available from 3rd parties:
 - Tell resellers our needs
 - Draw a “box” and let the resellers quote it
 - Boxed responses are less expensive
- Let’s hear the sales pitches
- Then make a decision

Mortgage Banker: Boxed Quote

- \$150,000 for check process hardware, software, and system setup
- \$12,000 for annual maintenance
- Sized for 50,000 monthly transactions
- Grow beyond that, expect to spend another \$100,000
- Image coupons/checks
- Encode checks for deposit

Mortgage Banker: Sales Pitches

- Boxed Quote:
 - \$150,000 to acquire
 - \$12,000 for annual maintenance
 - Another \$100,000 to expand for growth
- Mortgage Banker's CEO asked some questions:
 - We drew a box? Yes
 - You quoted us on that box? Yes
 - Does this box make sense? Depends ...

Mortgage Banker: Ditch the Box

- **Boxed Quote:**
 - \$150,000 for check process hardware, software and system setup
- **Ditch the Box:**
 - Under \$100,000 for system
 - Under \$10,000 to grow the system
 - Do you want to hear about it or stay in the Box?

Mortgage Banker: **New Box**

- Most checks that would be encoded can be ARC'ed
- Non-ARC'ed checks:
 - Deposit unencoded
 - Wait until Check 21 is operational
 - Change banks to get favorable rates for unencoded and fast track to Check 21
- Disclosures are part of the Mortgage Banking already

Mortgage Banker: New Box Gains

- \$7,500 versus \$85,000 for each check image scanner
- Redundancy is a no-brainer at \$7,500 per scanner
- Buy another loan portfolio:
 - Bite-size system growth matches acquisition size
 - Process legacy coupons with existing coupons
 - Eliminate MICR printing on coupons to save more money
- Fewer processing steps
- Faster processing
- Faster access to cash

Mortgage Banker: Delivered Box

- ARC over 90% checks
 - Remaining checks may be manually encoded
- Image checks, loan coupons and supporting documents
- Fewer processing steps, new workflow:
 - Checks always after coupons
- New check process: Check 21 Pass™
- New coupon process:
 - Multi-font recognition accelerates loan integration
 - Replace MICR-encoded coupons, lowers printing cost
- Image archive for everything, sort on every captured data field

Why ARC with Check 21 Coming?

- ARC is now
- 10/28 is when Check 21 starts, 10/29 should be fun
 - Anyone remember their 10/29 history
- ARC sends data, Check 21 sends data + images
 - Small, quick file transmissions
 - Lower communication costs
- ARC requires MICR-line parsing, Check 21 does not
- ARC excludes transactions, Check 21 virtually does not
- ARC + Check 21 can co-exist!!!

Questions/Resources

- Phone: 800-350-4720
- Email: JamesCowen@aqubanc.com
- Aqubanc website: www.aqubanc.com
- Resources:
 - [Financial Services ClipSheets](#)
 - [TAWPI Great Lakes Chapter](#)
 - [Electronic Check Clearing House Organization](#)
 - [The Payments Authority](#)
 - [Digital Check](#)