

# IMAGE SCAN

## *Remote Lockbox Applications for State Government*

*Presentation to  
Federation of Tax Administrators  
August 13, 2008*

## Agenda

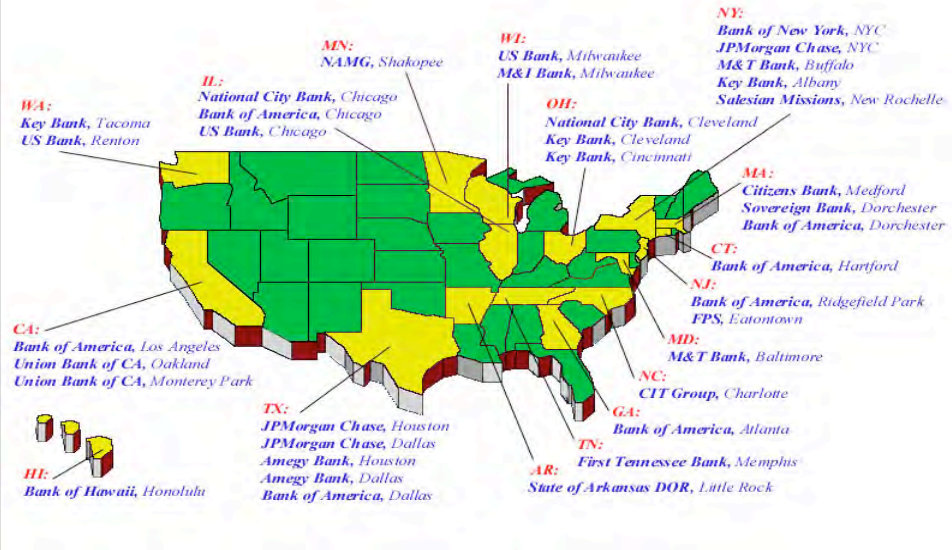
1. The Purpose of a Lockbox
2. Check 21 Based Deposit Processing Model
3. Value Proposition of Remote Lockbox
4. Things to Look for When Considering Remote Lockbox



# What is a Lockbox?



# What is a Lockbox?



## Purpose of a Lockbox

- Float
- Security
- Economies of Scale



## Types of Float

- Process Float
- Money Float
- Mail Float



## Tax Time!

- Most states receive between **1.5 - 5.0** million paper checks/yr.
- The average check amount is about **\$1,700**



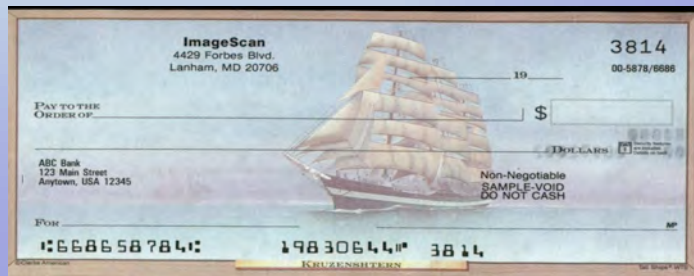
## Interest Float Loss on Delayed Deposits

Total Checks per Year	2,500,000
Average Check Amount	\$1,700
Total Check Revenue	\$4,250,000,000
Yearly Interest Rate	3.00%
Daily Interest Rate (365)	.0082%
Float Gain for Average Check <u>per Day</u>	\$0.14

\$349,315 for just one day gain on each check

## The Check Clearing Act of the 21<sup>st</sup> Century

- An image (or printed image) of a check, based on certain rules, is a legal representation of the original check
- Image Cash Letter may be submitted for deposit in a standard format acceptable to banks known as X9.37



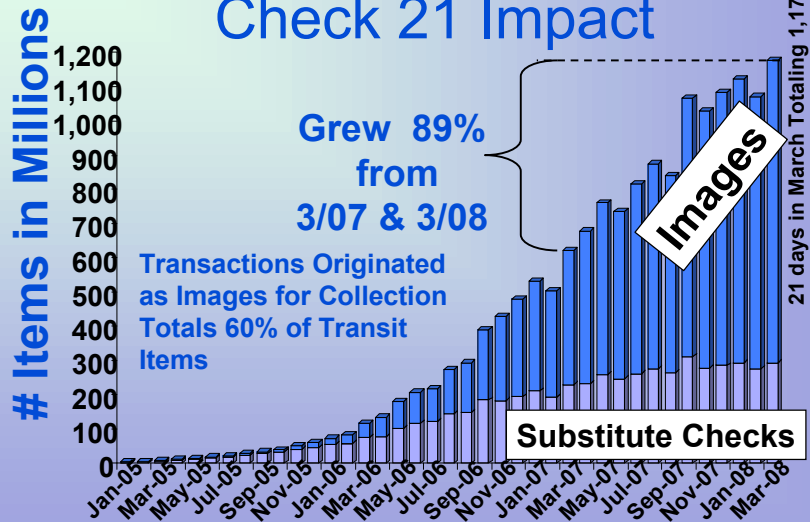
## Check 21 Impact

On an average day during May 2007, more than **9,784 institutions** (60%) received **42.1 million** check images for posting. These total **10.6 billion** checks per year.

[ECCHO.org](http://ECCHO.org)



## Check 21 Impact

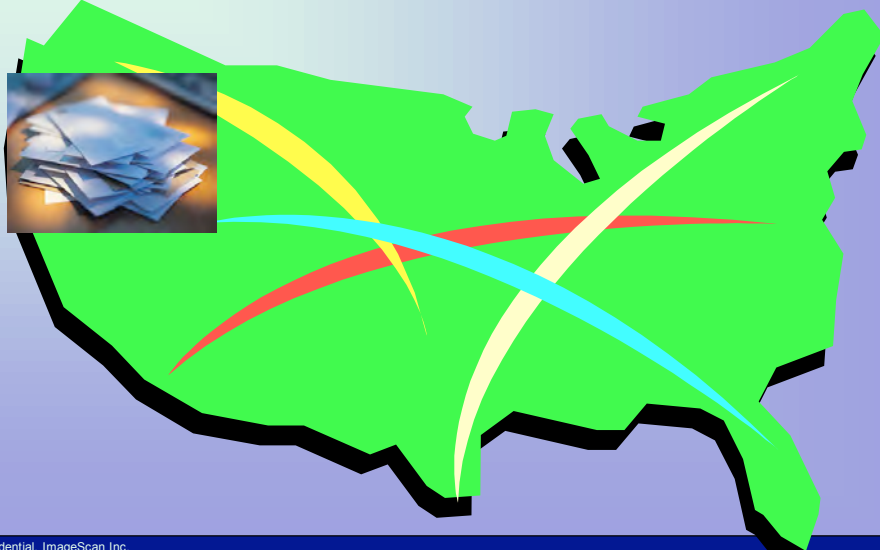


Source: Federal Reserve, PaymentsNation, SVPCO and local / regional exchanges

## Importance of Accuracy with Check 21

Checks/Yr	Accuracy Rate	Right Amount	Wrong Amount
2,500,000	99.0000%	2,475,000	25,000
2,500,000	99.9000%	2,497,500	2,500
2,500,000	99.9900%	2,499,750	250
2,500,000	99.9990%	2,499,975	25
2,500,000	99.9999%	2,499,997	2.5

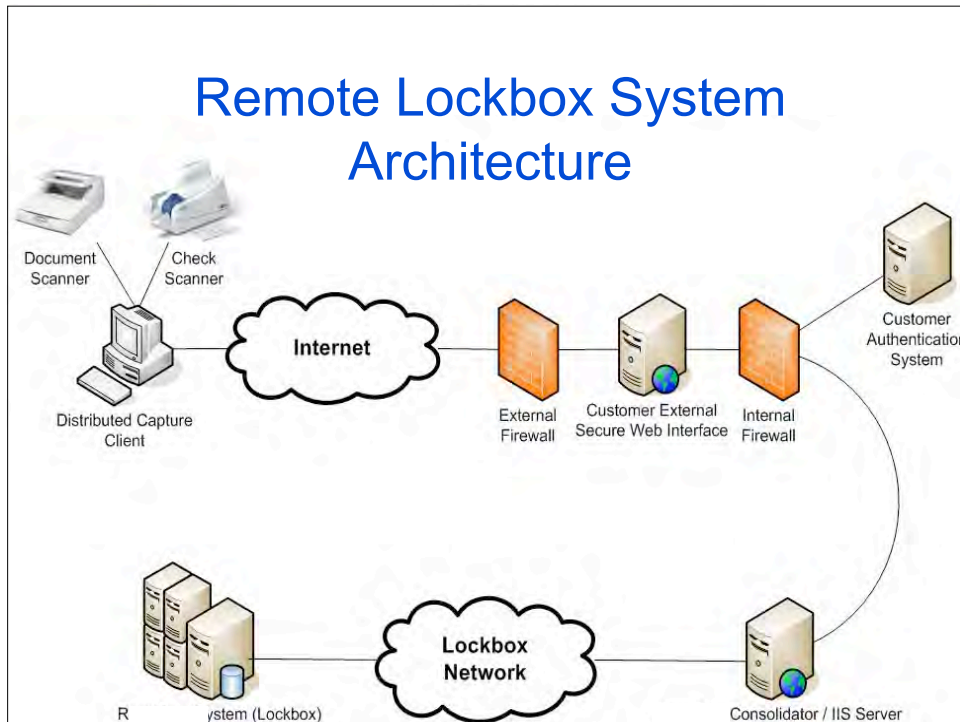
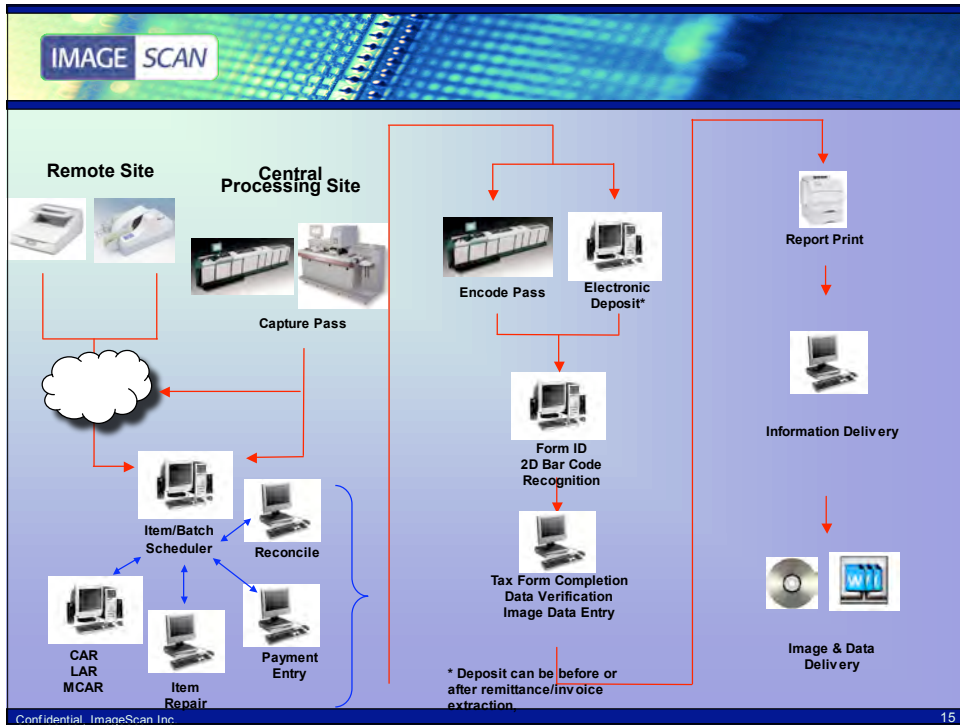
## A New Model



## Remote Lockbox

- Scan Full Transactions Remotely
  - Check only
  - Check(s) and Coupon(s)
  - Check(s) and Full Page(s)
- Assembly of complex transaction docs
- Deposited via X9.37
- Quality Assurance to FED standards





## Remote Lockbox Benefit

- Reduced Mail Cost
- Reduced mail sorting and scanning requirements
- Improved Security
- Consolidated Reporting of Cash Receipts
- Utilization of tax processing infrastructure for other state agency receipts



## Benefits Extend Across Agencies

- Tax
- Motor Vehicle
- Drivers License
- Fish and Wildlife
- Professional Licenses
- Employment
- Parks and Recreation



## Things to Look For in Remote Lockbox

- Scanning Debits and Credits
- Quality Assurance to X9 Standards
- Checks, Check(s) and Coupon(s), Check(s) and Full Page(s)
- Easy to Use – Automatic Assembly of Debits and Credits
- Encryption / Decryption
- Acknowledgement to Remote Site
- Report Reconciliation



## Summary

- Remote Lockbox emerging based on rapid adoption Check 21 based deposits
- Low cost / easy to use method to attain the float advantages of faster deposits
- Lower operations costs
- Extends to other state agency receipts
- Agencies must consider high standards for accuracy, fitness and security when considering Remote Lockbox



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Thank You