



FedForwardSM Image Cash Letter Case Study

Frost National Bank

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"Now that we are depositing FedForward Image Cash Letters, we have more operational flexibility and can respond more quickly to environmental changes than we could when sending paper only."

*—David Rathke, Vice President Float Management,
Frost National Bank*

Customer Profile

Founded in 1868, Frost National Bank is the largest Texas-based bank in Texas, operating more than 80 branches across the state. With over 3,000 employees and \$10 billion in assets, Frost prides itself on providing all the advantages of a large bank, i.e. a full range of banking and financial services to retail and commercial customers, while at the same time giving personal service usually found only at a small bank. Frost works closely with the Federal Reserve Bank of Dallas to meet many of its payments processing needs, and recently implemented the Federal Reserve Banks' FedForward Image Cash Letter Deposit service.

Business Challenge

Frost Bank wanted to utilize its investments in technology to help it stay ahead of the competition and adapt to changes in the check clearing business. The bank wanted to minimize its vulnerability to physical transportation risks, such as bad weather, natural disasters and rising transportation costs. Frost was also interested in lowering operational costs by consolidating multiple cash letters being shipped across the country. At the same time, Frost Bank saw the opportunity to provide its corporate customers with the time- and cost-saving benefits associated with image capture and electronic deposits.

Solution

On April 6, 2005, Frost Bank's three processing centers, in Houston, San Antonio and Dallas, began using FedForward Image Cash Letter Deposit to enable cost-effective electronic clearing. With all three processing locations in production, "the process is fairly seamless," explains David Rathke, Frost's vice president of float management. After an image cash letter is created, the file is uploaded and sent to the Federal Reserve Bank through FedLine[®] Web. "It's a very easy and straightforward process," Rathke adds.

In anticipation of Check 21, Frost Bank upgraded its technology. "Last year, our 3890s were not image-enabled, so we began looking at a prime-pass image-capture application," says Rathke. "We looked at several vendors and chose VECTORsgi's VECTOR:Capture for Prime Pass[™]. Around the same time, we researched image-exchange vendors and chose VECTOR:ImageEX because of the tie-in and the long-standing relationship we've had with them." VECTORsgi is a third-party provider of financial-transaction processing solutions based in Addison, Texas.

The testing and implementation process to deploy the FedForward Image Cash Letter Deposit service was smooth and expedient. "To go from the initial call in early December to going live in February [in Houston] says a lot about Frost Bank, the Federal Reserve Banks and VECTORsgi's applications. I think it was a tremendous victory to accomplish this," claimed Rathke.

Case Study At a Glance

Customer Profile

Cullen/Frost Bankers, Inc., headquartered in San Antonio, is a financial holding company with \$10.0 billion in assets and operates over 80 financial centers across Texas.

Business Challenge

Seeking to minimize its exposure to transportation risks on paper deposits where minutes count.

Identified an opportunity to utilize its investment in technology to provide its corporate customers with time- and cost-savings benefits of image capture.

Solution

FedForward Image Cash Letter deposit combined with VECTOR:ImageEX.

Piloting an image-capture service for corporate customers utilizing NCR's ImageMark Passport.

Benefits

- Eliminated float loss caused by physical transportation and weather issues.
- Gained valuable time on critical deposits.
- Added flexibility using multiple file deposit deadlines throughout the night.
- Improved service for corporate customers by helping to reduce risk, lower paper handling costs and improve deposit accuracy.
- Lowered costs by consolidating multiple paper deposits into one image cash letter file.

Rian Maloney, vice president of emerging image products for VECTORsg, adds, "Our working relationship with the Federal Reserve has been excellent. We received great information, feedback, and technically it was a very straightforward and easy implementation." Rathke seconds that: "Our project manager from the VECTORsg side and our project manager from the Federal Reserve side worked very well together on the setup." As a result, Rathke says that Frost Bank was able to step back from the integration process without worry.

Additionally, Frost launched an image-capture pilot for its corporate customers just as it was bringing its third processing center up on image cash letter deposit. Frost deployed NCR's check-image capture software, called ImageMark Passport™, to give corporate customers the ability to scan their own checks and to create image cash letters which are then sent through Frost's processing centers and on to the Federal Reserve Bank.

Benefits

The use of image cash letters in place of paper offers Frost National Bank several advantages.

Transportation

Rathke first notes that FedForward Image Cash Letters eliminate any float loss caused by physical transportation or weather issues. "We have a host of weather issues and plane delays, especially during the winter months," Rathke explains. "[Outbound] paper cash letter transportation is very time critical—a matter of minutes can mean getting availability or not. The image cash letter offers a great advantage by eliminating transportation of items and providing the flexibility of various file deposit deadlines throughout the night."

New Ways to Serve Customers

Frost is now able to offer a group of its corporate customers something new: remote-capture technology. Customers can scan checks at their own sites and transmit their daily deposits to Frost while retaining the original checks for their own archiving needs. Customers no longer need to courier paper deposits to Frost by that day's deposit cutoff deadline; Frost is able to extend the benefit of later image deposit deadlines to these corporate customers.

This corporate image-capture process helps to improve deposit accuracy, reduce risk, speed the settlement of check payments for corporate clients and lower paper-handling costs. For example, one Frost customer had been photocopying every paper check it deposited with the bank, a labor-intensive process now eliminated because it retains the original checks after depositing an image cash letter file. "The overall response from the pilot customers has been very positive," Rathke says.

Consolidating Cash Letters to Save

"One of the other advantages of [FedForward Image Cash Letter Deposit] is being able to combine various high-dollar sends into one cash letter, therefore reducing our cash letter fees," Rathke says. "Instead of going to 15 Reserve Bank [sites] with high-dollar cash letters and paying \$25 to \$30 each, we can combine those sends into one cash letter and pay a \$2 fee." As paper check processing costs and operating expenses continue to rise in conjunction with declining check volumes, image cash letter savings look especially attractive.

For More Information

For more information about Federal Reserve products and services contact your Account Executive or visit our website at www.frbsservices.org.

"None of us know what transportation will look like six months down the road. We feel that the FedForward Image Cash Letter Deposit offers us some real opportunities to help reduce risk and avoid losses in the future."

David Rathke, Vice President Float Management, Frost National Bank

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