

FedReceipt Returns: Approaching a complete all-electronic process

Optimizing the benefits of electronic check processing can be achieved by moving to a more complete all-electronic process — FedReceipt Returns. This service provides the bank of first deposit (BOFD) with an electronic file of all return items that have been deposited with the Federal Reserve Banks in an image return letter. As more paying banks adopt the FedReturn Service, the number of items that can be returned electronically continues to grow. For many institutions, this may represent at least half of their incoming returns.

Benefits abound from complete process

Arvest Bank, located in Fayetteville, Arkansas, receives upwards of 80 percent of its 1,000 daily return items electronically through FedReceipt Returns — a vast improvement over paper returns. Diana O'Brien, senior vice president and director of consolidated bank operations at the \$9.7 billion organization, explains, "Our customer acceptance of total image processing is very high. We deliver better returns with fewer errors and better image quality due to the removal of the manual process associated with these items." Returns manager, Sheri Habermehl, continues: "The image process for returns allowed us to trim staff in that area — through attrition or relocation — from 11 to four."

"FedReceipt Returns was a natural step toward an all-electronic process. The combination of reduced staffing costs, less manual work and a lower cost per item provided a tremendous cost savings," states Karen Clark, Arvest's vice president of corporate accounting.

At Five Points Bank, a \$450 million financial institution with five branches located throughout central Nebraska, FedReceipt Returns was a welcome addition to its all-electronic payments process. Systems administrator and IT manager, Vikki Daily, explains, "Operational cost savings, time savings in processing and reduced risk through more expedient return item notices to customers combined to make the decision to move to FedReceipt Returns."

"We receive almost half of our returns from the Fed in an image return file," reports Tony Ganey, process design consultant for Bank of America. "We receive the image return file early in the morning and distribute the items immediately nationwide. This tremendous advantage allows us to process and memo post those items earlier than we had before FedReceipt Returns," Ganey said.

Quick conversion for remaining paper returns

Unfortunately, not every return is yet an electronic return. "The remaining returns we receive in paper form are scanned to make them electronic and merged with our image returns so they're processed electronically from that point on in our shop," continues Five Points' Vikki Daily.

Arvest receives its remaining paper returns later in the day than those received via FedReceipt Returns. "An hour after the paper returns come in the door, we've de-stripped and sorted them and converted them to our own electronic file so we can finish processing them electronically," explains Habermehl. "Having all the returns in

electronic format assists us in our disaster recovery planning as we can process them at any of our ops centers, not just the one where the paper arrives," she said.

According to Bank of America's Ganey, "While we still maintain operating sites where we receive paper, Bank of America has many initiatives underway to accelerate all-electronic returns processing."

Removing final paper items from the process

At the Federal Reserve, work continues to bring a FedReceipt Plus for Returns Service to market, to complete the all-electronic process. For additional information on how FedReceipt Returns can enhance your organization's electronic processing platform, reduce return item risk and reduce operating costs, contact your account executive, or visit FRBservices.org.

Reminder!

Return items presented in image return letters are increasing, but the continuing use of carrier documents for paper returns impacts the progress toward an all-electronic check collection system. Institutions are reminded to use strips, rather than carrier documents, to facilitate the conversion of paper returns to electronic.