

A tale of two bankers: Reaping the rewards of Check 21

In McAlester, Oklahoma (population approximately 18,000), not one but two community banks are utilizing electronic processing with the Federal Reserve Banks' Check 21-enabled products.

Headquartered in McAlester, but with locations in three other Oklahoma communities, The Bank N.A. has been using check imaging technology to streamline its operations and better serve customers for six years. Meanwhile, the First National Bank and Trust Company of McAlester (with a branch in Hartshorne) decided five years ago to adopt an aggressive information technology (IT) program for essentially the same reasons.

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Kevin Priddle, Senior Vice President
The Bank N.A., McAlester, Oklahoma

To learn more about how these two McAlester-based banks put electronic processing to work for them, we checked in with Kevin Priddle, senior vice president of The Bank N.A., and Lance Woodliff, senior vice president and chief operations officer of the First National Bank and Trust Company of McAlester.

Both banks deposit image cash letters (ICLs) with the Federal Reserve Bank in lieu of paper to take advantage of faster clearing, more manageable deadlines and operational efficiencies. “It’s simple,

clean and fast,” Priddle said of his bank’s image-enabled process. “We have branches in four locations in Oklahoma, and those are very diverse branches,” Priddle explained. Using image-capture solutions from Jack Henry—a third-party vendor based in Monett, Missouri—The Bank N.A. “paid for all outlying branch equipment...in just five months of operations,” Priddle reported.

Over at First National Bank and Trust Company, Woodliff has a similar story of success. “Our availability went from approximately 80 percent to over 98,” said Woodliff. “One day, we had 100 percent and everyone was really excited,” Woodliff added. “Improved availability is the main reason I sold it to the rest of the bank’s management team.”

There were other benefits as well. “One thing that is not touted very much is the reduction in the number of adjustments. Our adjustments decreased dramatically,” said Priddle. “We found that the adjustments usually came from rehandling paper over and over, and Check 21 allowed us to significantly reduce paper handling.”

With electronic transmission, banks are no longer at the mercy of bad weather or other events that make physical transportation difficult or even impossible. For example, two years ago, there was a major ice storm in Oklahoma, Woodliff recalled. “How do you get couriers out in that weather? With electronic banking, it’s a no-brainer,” he said.

In addition to FedForward®, The Bank N.A. is in the process of implementing FedReceipt® Plus. “By implementing FedReceipt Plus, we’re completing the second side of a three-sided triangle,” Priddle said. “FedReceipt Plus allows us to receive items in a way that is more automated; there will be cost benefits,” he added. Using the x9.37 file format, The Bank N.A. looks forward to taking advantage of all that is automated and embedded right in the

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format. “With COF [common output format], if there’s a return, we have to create an IRD [image replacement document] and manually determine the bank of first deposit.” But with the new x9.37 format, “there’s less room for error and greater efficiency,” Priddle said. The Check 21 product suite of FedForward, FedReceipt and FedReturn®, “allows us to get on the platform that was designed for the 21st century,” he summed up.

First National also plans to implement FedReceipt and FedReturn to more fully take advantage of the processing efficiencies made possible by the Check 21 Act. With third-party vendor AudioTel, based in Addison, Texas, First National is looking forward to letting the x9.37 format further automate ICL processing.

Back in late 2005, check processing at the Oklahoma City Office of the Federal Reserve Bank of Kansas City was shifted to the Federal Reserve Bank of Dallas due to diminished paper processing volumes nationwide. For many customers, this would have

been a deciding factor for implementing Check 21-enabled services. However, both banks told us that they had, in fact, already implemented FedForward to present ICLs to the Federal Reserve Banks electronically before the December 2005 switchover.

“Another benefit you don’t hear as much about is disaster recovery.”

Lance Woodliff, Senior Vice President and Chief Operations Officer
First National Bank and Trust Company of McAlester

“It didn’t take a Nostradamus to predict consolidation was going to occur,” said Priddle. Through action and foresight, when paper processing moved to Dallas, both banks were equally prepared and began to reap the benefits of Check 21.

Institutions	The Bank N.A.	First National Bank and Trust Company of McAlester
Bank locations	McAlester, Stillwater, Holdenville and Maud, OK	McAlester and Hartshorne, OK
Federal Reserve Check 21-enabled products	FedForward since May 2005 FedReceipt since late 2006	FedForward since late 2005 FedReceipt planned for 2007
Increase in availability, with FedForward implementation	From 84% to over 98%	From around 80% to over 98%