



FedForwardSM Image Cash Letter Case Study

Canandaigua National Bank and Trust

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"We plan to deploy image-capture services for commercial customers. Without FedForward Image Cash Letter Deposit, we wouldn't even be thinking about doing that this year."

— *Sandy Roberts, Senior Vice President,
Canandaigua National Bank and Trust*

Customer Profile

Based in Canandaigua, New York, Canandaigua National Bank and Trust (CNB) is the Finger Lakes region's only full-service locally owned community bank. Incorporated in 1887, CNB has grown to \$950 million in assets with approximately 350 employees working in its 20 locations. CNB uses the Federal Reserve Banks' check-clearing and FedImageSM Services, and was an early customer of the FedForward Image Cash Letter Deposit service.

Business Challenge

"We had a crunch time at the end of the night because we don't do carryover processing within our bank," explains Sandy Roberts, senior vice president of information technology at CNB. "We process right up to the branch closing time, which is seven o'clock at night for some branches." For CNB, that meant racing against the clock to process an average of 75,000 on-us and transit items a day before the daily flight to Utica departed at 10 p.m. to make the Federal Reserve Bank deposit deadline. "That was a stress on our operations, to get everything done each night." Inevitably, CNB would occasionally miss their dispatch deadline or the flight departure and be forced to hold the items over until the next day, therefore, reducing their funds available for investment, and increasing their exposure to fraudulent deposits.

A corollary to this operational stress was that CNB needed to hire what it calls "super part-time employees" to work from 5 p.m. to 8 p.m. to handle the evening crunch. With only a 15-hour work week, "super-part-timers" had very high turnover rates, putting a strain on management to continually hire replacements and train the new staff. To retain its most efficient and dependable employees, CNB wanted to shift workers into more traditional and mutually-beneficial work arrangements.

While managing this challenging operational environment, Canandaigua was also seeking opportunities to grow as an institution and wanted the ability to expand its reach without the traditional branch and operational infrastructure. It hoped to leverage its investments in imaging technology to offer customers better service and convenience.

Solution

Canandaigua National Bank and Trust was an early customer of FedForward Image Cash Letter Deposit, which enables the bank to electronically deposit an average of 18,000 transit items a day instead of putting the paper checks on a plane to Utica. CNB is also in the process of rolling out image-capture solutions at all of its branches. About one-third of its branches have adopted branch capture which helps the bank increase its operational efficiency and reduce courier costs. CNB plans to have 100 percent of its branches using branch capture by September 2005.

Canandaigua upgraded its imaging technology by working with Wausau Financial Systems, a third-party provider of processing solutions based in Mosinee, Wisconsin. CNB now uses Wausau Financial

Case Study At a Glance

Customer Profile

Canandaigua National Bank and Trust is headquartered in Canandaigua, New York with approximately \$950 million in assets and 20 branches.

Business Challenge

With extended branch hours in a few locations at 7 p.m., Canandaigua had a tight processing window each evening striving to meet a 10 p.m. flight departure and avoid holdover.

This operational stress resulted in significant staffing challenges and limited growth opportunities for the bank.

Solution

Canandaigua upgraded its imaging technology Wausau Financial Systems' Optima³ product suite, is installing image-capture solutions at all branches, and implemented FedForward Image Cash Letter deposits.

Benefits

- Helps eliminate the evening check processing crunch.
- Can redeploy part-time employees to better employment opportunities.
- Estimated 60% reduction in courier expenses.
- Improved funds availability from 75% to 99.8%.
- Helps open new opportunities for growth and new services for customers.

Systems' Optima³ product suite for image capture, exchange and review. In fact, CNB was Wausau Financial Systems' first customer for its Check 21-compliant Optima³ system. "It has been great to partner with Canandaigua National Bank & Trust and see them fully leverage the benefits of the Check 21 Act. With the Optima³ product suite, the implementation of Branch Capture and the advantages of FedForward Image Cash Letter Deposits, Canandaigua's check clearing is now more economical and streamlined, allowing the bank to better service their customers," comments Melissa Yovanov, product manager with Wausau Financial Systems.

Smooth Implementation

"We've been imaging checks with Wausau since 1994, so there weren't any huge technical hurdles to overcome," Roberts explains. "Image quality hasn't been a problem either." Out of the 18,000 items deposited in their image cash letter each day, Roberts estimates that about 15 items don't meet the image quality standard. Before CNB went into production with FedForward Image Cash Letter Deposit on December 21, 2004, the Federal Reserve Banks worked with CNB and Wausau Financial Systems to ensure a smooth implementation. "The implementation staff did an awesome job," says Roberts.

Benefits

Accelerating clearing times

Canandaigua can now meet earlier deposit deadlines by transmitting image cash letter deposits to the Federal Reserve Bank, keeping their deposit costs low and receiving the highest funds availability. In fact, CNB went from receiving an average of 75 percent immediate availability on its deposits prior to using FedForward to 99.8 percent availability in early 2005. "That's an outstanding improvement," says Roberts. As CNB's new processing equipment stabilizes and as the bank demonstrates consistently high availability of deposited funds, Roberts notes that Canandaigua will consider shortening its hold period for non-local check deposits, passing on the savings to its customers.

Saving money and streamlining operations

When Wausau Financial System's image-capture solutions are up and running at all CNB branches, Roberts estimates a 60 percent reduction in courier expenses. As physical transportation of checks from the branches to the processing center disappears, CNB's challenging evening crunch time disappears as well. This will enable the bank to discontinue its use of the "super part-time" positions, and offer better employment opportunities.

The image cash letter deposits are also reducing the need to operate the processing center's two NCR 7780s. As the demand on these machines continues to decline, Roberts plans to decommission the equipment, which will result in added savings for CNB in maintenance and supply costs.

Reaching new customers with new services

CNB plans to offer commercial customers the ability to image checks at their own sites and make deposits digitally. According to Roberts, this "...would not only help commercial customers, but would also help us build a presence in parts of our region where we don't have branches. So there's a two-fold benefit." Today, CNB offers a courier service for distant commercial customers, but would like to eliminate the courier services by installing image-capture capability at these customer locations. CNB plans to deploy Wausau Financial System's DigitalDeposit™ solution for remote capture. "Without FedForward Image Cash Letter Deposit, we wouldn't even be thinking about doing that this year," Roberts adds.

Furthermore, with DigitalDeposit, CNB expects to save on its research costs. Instead of calling CNB's research department to locate a check in dispute, a commercial customer with Digital Deposit will have their own image archive on a workstation attached to the image scanner and could simply search on their own records without picking up the phone. "For the cost of the scanner, we know it's going to save us money on the research end," says Roberts.

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*Melissa Yovanov, Product Manager,
Wausau Financial Systems*