



## **Moving checks at top speed: How electronic image exchange benefits two community banks in the Northern Great Plains of Montana**

All community banks in the Northern Great Plains face geographic and weather-related challenges. Despite some remote locations, they must race against competitors for timely funds availability. In this challenging environment, the region's most agile community banks strive to react quickly to changes in technology. They are smart to seek out a competitive edge.

In the words of Connie Holmes, vice president of Independence Bank in Havre, Montana, banks must "get out in front with the new technology." Independence Bank did just that with its recent implementation of the Federal Reserve Banks' Check 21-enabled services. "I went to a consultant's management training class and couldn't wait to get back to the bank to get things rolling and get the paper out of the system," Holmes said.

John Franklin would agree. Franklin, president and chief executive officer of 1st Bank in Sydney, Montana—the last eastern stop on the airplane run to Helena for check processing—faced challenges posed by his bank's relatively isolated location. As soon as the technology was available, Franklin was anxious "to get totally off that airplane." He decided to avoid a staged implementation and move quickly to full adoption.

### **Banking challenges in a big state**

Independence Bank in Havre has four branches in fairly remote communities, and the distance between them—along with Havre's four-hour distance from Helena—meant that the bank was moving a lot of paper long distances around the state. Before the move to Check 21-enabled services, "The latest cutoff time among our branches was 2 p.m. to allow the courier to get back to Havre," Holmes of Independence Bank said. "And even with that cutoff time, we always had holdover because of the tight time constraints. When a storm would come up, it was even worse."

Independence Bank received just 77 percent immediate availability on the collection of current day items. For that reason alone, the bank was a prime candidate for a technological solution to its transportation problem—and Holmes was ready to become an early adopter.

Independence prepared for this move by first truncating checks and providing image statements to customers in July 2005. This proved to be a good first step in the months-long process involved in moving to Check 21-enabled services. Independence would proceed in this staged approach and add FedForward<sup>®</sup>, FedReceipt<sup>®</sup> Plus and FedReturn<sup>®</sup> in due course.

Getting out of the gate early has its advantages, but can also lead to unanticipated challenges. Independence Bank encountered a slight delay between the implementations of FedForward, FedReceipt Plus and FedReturn Services. Yet, Independence took it in stride. “We just had to wait for the software availability to catch up with our eagerness,” Holmes reasoned. She said the bank received helpful support from its software partner, Information Technology Inc. of Lincoln, Nebraska.

In the end, the results were well worth the effort, according to Holmes. Funds availability jumped to 95 percent immediately after FedForward was implemented, courier routes were drastically reduced among branches, and the bank saved \$600 per month by eliminating the courier run to Helena following implementation of FedReceipt Plus and FedReturn. Not all benefits were experienced internally, though, as customers enjoyed a later cutoff time for deposits—4 p.m. at all locations. “This was a very positive move with customers,” Holmes exclaimed, “and I think it’s making us more competitive with our corporate clientele.”

### **Competing with the big guys**

Like all community banks, 1st Bank faces competition from its peers. In fact, two other area banks, a credit union and a number of investment offices regularly vie for its customers. Keeping its loyal customers happy is a top priority, according to Franklin. “If there was any way to improve the availability of large dollar items deposited with us, we wanted to provide that to our customers,” he said.

And so, on July 25, 2006, 1st Bank began using image cash letters through FedForward to essentially eliminate courier flights to Helena. But for Franklin that wasn’t good enough. He wanted to eliminate both legs of the roundtrip flight to and from Helena and clear everything electronically. One week later, the bank implemented FedReceipt Plus and FedReturn to become all electronic.

“For us, it didn’t make sense to move to Check 21-enabled services in stages,” Franklin said. “Not only did we avoid increased transit charges due to our distance from Helena, we cut them out altogether when we went live on FedReceipt Plus.”

What about customers? How did 1st Bank prepare them for this change? In a very simple and straightforward manner, according to 1st Bank’s information technology (IT) specialist, Dallas Rasmussen. “The month before we made the operational changes, we sent customers an image statement when we sent their checks back,” Rasmussen explained. “Beginning the next month, we just sent the statement. Simple as that,” he summed up.

The benefits of moving to Check 21-enabled services have extended beyond the \$500 monthly savings in transportation costs. Staff now has more time to focus on more value-added efforts; the bank doesn’t have to replace worn out proofing machines; and customers have been pleased with the quicker funds availability. “These services help keep our bank competitive with others in town,” Franklin said.

### **Going forward**

Holmes and Franklin are not only pleased with the immediate returns of Check 21-enabled services, they are also pleased that their institutions are now poised for the future. “Check 21 is here for keeps,” 1st Bank’s Franklin said. “And I’d rather be on the front end than the back end. This is more pertinent as the Helena Branch shifts its check processing to Denver.”

Over at Independence Bank in Havre, Holmes agreed that the processing move from Helena to Denver is a big incentive to move forward with the technology. "I'm pleased to think that the move should have no effect on us and our customers whatsoever," she said. "With the paper out of the process, we're set. It's great to be ahead of the technology curve."

### **A quick tally of Check 21-enabled benefits**

Two bankers tell us their favorite benefits of using Check 21-enabled services:

#### **Independence Bank of Havre, Montana**

- Availability jumped from 77 to 95 percent
- The bank saved \$600 per month by eliminating the courier run to Helena following implementation of FedReceipt Plus and FedReturn
- Customers enjoyed a later cutoff time for deposits, which shifted from no later than 2 p.m. to 4 p.m. at all locations

#### **1st Bank of Sydney, Montana**

- Roundtrip courier flights to Helena were essentially eliminated, saving \$500 per month
- The staff now enjoys more time to focus on additional value-added efforts for its customers
- The bank's old proofing machines will not be replaced
- Customers are pleased with faster funds availability

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