

When does a lockbox make sense?

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How does a lockbox work?

Most lockboxes have a dedicated post office box, specifically for a client's receivables. Mailed receivables go directly to the PO Box and are couriered to the bank every day; thus eliminating the client's involvement in the deposit process. The bank opens the mail, creates a deposit and depending on what the client needs, delivers electronic images and a detail of the deposit by customer, amount and grand total. Non-negotiable items, such as correspondence or change of address which were included in the envelope may also be forwarded via scan or mail to the bank customer. More customized types of lockboxes are handled by mail being sent directly to the bank and then processed.

What are the benefits associated with managing payments through a lockbox?

There are several benefits for a customer by using lockbox processing. Eliminating the need for staff to manage the deposit process (often resulting in better utilization of your staff) and providing separation of duties are the two most significant benefits. Others include deposits being made more expediently with faster collection of the receivables, resulting in improved client cash flow.

What are the differences between wholesale and retail lockboxes?

Wholesale is a term referring to low volume, more customized lockbox processing which requires a greater level of human intervention. Retail processing is almost all automated, requiring very little human involvement and works best for very high volume. Generally retail lockbox processing involves a check (payment) and a coupon which has pre-coded data that a machine can read. For instance, your telephone payment or department store payment are processed via retail lockbox.

There is also a third type of processing referred to as wholetail processing. This is a combination of wholesale and retail and is used for moderate volume. Wholetail processing may not require as much customized handling but often has a non-encoded coupon.

How much does it cost to have a lockbox?

Lockbox costs vary depending on the volume, frequency of deposits and customized requirements. Generally, the benefits far outweigh the costs! There is generally a one-time set-up cost, a monthly base fee and a per item fee. Other fees may apply, depending on your specific needs. Just ask our Treasury Management banking expert about this valuable service.

How can businesses review and manage their deposits after they have been made?

One of the greatest benefits that lockbox processing provides is an electronic file of all deposited images and a summary of every deposit. The file is sent every time a deposit is processed and becomes your permanent copy. You can save it to a disk or create whatever electronic format you wish.

When/why should a business consider using a lockbox?

If you place a high importance in keeping your receivable information confidential, have limited staff to handle the "banking" aspect of your business, have trouble getting to the bank to make your deposits or need to improve your cash flow, lockbox processing may be just the answer!