

Case Study

Sallie Mae

Implements ARC with Crowd-Pleasing Results

ARC CONVERSION

The Business

SLM Corporation, commonly known as Sallie Mae, processes over 2.2 million payments, mostly personal checks, each month at its processing center in Wilkes-Barre, PA. The remittance department operates seven days a week, with the typical day starting before 3:30 AM and ending around 5:00 PM. A staff of nearly 100 shares the workload in a typical week.

Sallie Mae recognized ARC as the future direction of the payment industry several years ago when NACHA rule changes opened up new opportunities. They wanted to take advantage of the ARC process to convert consumer checks into ACH debits for settlement. However, their commitment to stellar service included the mandate "have no negative effects on the customer," which meant everything had to be meticulously planned. For more than two years, Sallie Mae worked on their implementation plan. First they talked with other organizations implementing ARC to identify what they believed were the keys to successful deployment. Next, they set goals, built a detailed plan and assembled a blue-ribbon team to carry out the work.

Clear Goals

Sallie Mae set clear, specific goals: implement ARC as a means of improving funds availability by getting all "clean payments" (i.e., a single check for a single payment) deposited the same day as received. Stop physically transporting large volumes of checks. Eliminate as much administrative work as possible associated with check returns, while accelerating return notification and reducing return items. Lower deposit fees and cut hardware/encoding costs.

Detailed Planning

The goals meant revamping the operational process to maximize the advantages of ARC. Janine M. Becker, senior director of loan operations and remittance processing and ARC project leader, and her team developed a plan for reviewing Sallie Mae's workflow, processes, banking relationship, software and hardware. They prepared an RFP

for banking services and looked at software and hardware vendors with a fresh eye.

Sallie Mae selected Wachovia as its banking partner because it offered the scope of banking service needed, provided frequent updates to ARC routing information and handled administrative returns. After careful evaluation, Sallie Mae expanded their relationship with two existing vendors: Opex Corporation and J&B Software. They selected Opex because its cost-effective equipment provided the right balance of speed, imaging capabilities and software compatibility. They chose J&B because its software was already "proven industrial strength" with several mega-installations in "live" production with ARC. Further, J&B Software was willing to undertake the customized work Sallie Mae required and able to dedicate the resources needed to pioneer the first ARC installation that would team TMS Image™, Opex and Wachovia products.

Focused Execution

In June of 2003, Becker met with representatives from Wachovia, Opex and J&B to outline the goals, timeframe and processes.

As part of the revamped workflow, Sallie Mae put its Opex sorter to work weighing incoming mail pieces and separating "clean payments" (i.e. single-coupon/single-check) from other payments. An Opex IEM 7.5 Multi-Purpose Extractor was used to handle the clean payments.

J&B customized its software to interface with Wachovia's proprietary database of ARC related-information and with the Opex 7.5 extractor, which had never been used before in an ARC installation. Sophisticated MICR parsing and an intelligent database enable Sallie Mae to accurately separate convertible from non-convertible payments. The workflow completely eliminated the need for Pass 2 processing and virtually all operator intervention.

J&B enhanced the system to read Sallie Mae's huge opt-in file, a feat they were pleased to accomplish without noticeably impacting turn-around time. In addition, J&B worked with Becker to ensure ARC checks could not be accidentally reprocessed. Becker knew that during the transition period,

when staff were unfamiliar with the new software, equipment and procedures, mistakes were more likely to happen. The extra prep work paid off. Shortly after live production began, a batch of processed checks was inadvertently mixed with unprocessed work. The TMS system rejected the previously processed checks and the mistake was corrected immediately.

After three months of rigorous testing, with only a brief hiatus to accommodate end-of-year work, the new system went live. The initial pilot was quickly expanded to include more and more checks. Within six months, about 80% of the 2.2 million eligible payments were being handled by the new system.

Consummate Results

By every measure, the ARC project was a success for Sallie Mae. All clean loan payments are deposited on the same day they are received. Two Unisys DP 500 high-speed transports were removed from the process, with one of them being relocated to a disaster recovery hot site. Several full-time positions were reduced through attrition, and additional capacity was made available to meet future business needs.

Becker was especially pleased with the training and communication campaign. Of nearly two million unique borrowers, only 650 opted-out of the ARC process, for a 99.9675% acceptance rate. Seventy people called with questions and only 17 complained in the first 4 months.

Becker also credits the expertise of the team as a key component in the success of the project. Staff was dedicated by each of the vendors and key Sallie Mae departments and those staff members became knowledgeable in all Sallie Mae's procedures, not just the ones related to their own products or areas.

With ARC behind her, Becker now keeps a close eye on Check 21. She believes the current infrastructure will hold Sallie Mae in good stead for the foreseeable future and that is what Sallie Mae demands: staying on the leading edge of proven system innovations and preparing for the future.