

## Three Benefits of Using a Single Vendor for Both Processing and Vault-Cash Services

Deployers can improve profitability and reduce risks with a strategic relationship.

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Handling vault cash can be an expensive, time-consuming proposition for many independent sales organizations (ISOs) and independent ATM deployers (IADs). Depending on the size and geographic spread of the network, managing vault cash directly, whether loading it on their own, or with a merchant's or other source of funds, can be a limiting factor to profitability and growth.

For the deployers that choose to use vault-cash services, the most effective vendor may be one that they already have a relationship with: the payment processor.

A number of administrative and cost-saving advantages can result from using a single vendor for vault-cash services and payment processing. However, not all deployers use a vault-cash provider.

First, a deployer should decide whether using a vault-cash provider makes sense. If a deployer is filling ATMs with its own cash, it could be limiting growth by tying up funds rather than using those funds to invest in expansion. Funding ATMs via a vault-cash provider also can allow a deployer to expand beyond its capability to physically service its network.

The decision to use a vault-cash provider may come down to the volumes at an individual terminal. A low-volume location may not be a good candidate for vault-cash services because of the costs associated with armored-car services. Once the decision is made to use vault-cash services, a deployer should consider a service provider that also can manage payment-processing services as well.

This white paper, sponsored by Elan Financial Services, Minneapolis-based payment processor and vault-cash provider, explores the benefits of using a single vendor for both processing and vault-cash services.

### Recycling cash

Cash recycling can save a deployer a significant amount of money.

It works like this: a deployer stocks an ATM with \$20,000. The next week the armored-car service comes to replenish the machine, which still has \$5,000 in cash remaining. The armored-car service restocks the ATM with \$20,000 and removes the residual \$5,000.

The cash is not redeposited in the bank, but instead is stored in the vault-cash provider's vault or the armored-carrier's vault to be re-deployed into other ATMs. This saves bank redeposit fees and also reduces the amount of cash a deployer actually pays interest on.

“Recycling creates more efficiencies in the flow of cash and it also eliminates some of the costs the ISO/IAD may bear when they're in such a program,” said Steve Gernes, ISO segment manager-sales and relationship management for Elan Financial Services.

When choosing a vendor, deployers all too often concentrate on the interest rate payments for vault cash. Providers may advertise a rate of prime plus or minus a certain percentage. However, the fine print in the agreement may specify an interest-rate floor that's higher than the current prime-based rate.

Also, the fees in the vault-cash process can be significant. In a vault cash bill of \$100 per month, the interest charges may represent \$70 to \$80. The bank fees may represent the remaining 20 to 30 percent of the cost, which represents a margin for cost cutting. Recycling can virtually eliminate those bank fees.

“It's critical an ISO/IAD not just focus on the rate, but focus on the fees which could be a large part of the total spend,” Gernes said.

Prior to signing up with Elan, First Regents Banc Services and Equipment, a Brentwood, Tenn.-based deployer with more than 500 ATMs, used a cash provider that did not recycle cash. That provider



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*Deployers can save a significant amount of money with cash recycling.*

passed on the correspondent bank fees for redepositing cash, said Mike Powell, president of First Regents.

“With our other vault-cash provider, we had a significant amount of banking fees,” Powell said. “With Elan we have zero fees. If there are any fees involved they don't pass them on to us.”

As a unit of U.S. Bank, Elan is large enough to have virtual vaults at major armored-car carriers, allowing deployers to store and recycle cash at the armored carrier rather than at the source of funds such as the Federal Reserve or other banks.

“The whole process is transparent to the ISO/IAD,” Gernes said.

### **Claims management**

From fraud, to administrative error, to mechanical failure, there are many reasons an ATM may not balance. In the event of a

Regulation E claim from a consumer or in the reconciliation of the ATM, having one company oversee processing and cash can streamline the settlement process.

Finding the problem in the entire payments chain can be difficult at best. When multiple companies are involved, the level of difficulty increases.

For instance resolving reconciliation issues usually requires examining ATM journals, either in paper or electronic form, which are typically provided by the armored carrier. Those records then have to be compared with the processor's information.

In the event of fraud or theft, time is of the essence in trying to determine the cause of a shortage.

“That can get very time consuming and you really have to have the expertise to know where to look to limit the amount of time you spend on it,” Gernes said.

Administrative issues with processors can end up costing the deployer money. First Regents experienced monthly shortages and overages with another processor. Sometimes First Regents would short pay an invoice knowing it would balance out the following month.

“We knew it was a timing issue but our invoices reflected the discrepancy,” Powell said. “In the end we had to settle for a significant amount but we didn't think their numbers were correct.”

With a single provider for vault cash and processing, those headaches simply disappear.



*With a single provider for vault cash and processing, finding reconciliation issues in the entire payments chain can be easier.*

“If there are discrepancies, it's more expedient to have all the tools together,” Gernes said. “As the processor we can pinpoint and access information much quicker because we're doing both things.”

### **Bundling processing and vault cash**

Having a single provider for vault cash and processing services also can lead to savings for both services, compared to sourcing from individual vendors.

“When you have a provider doing both services there's a potential for ISO/IADs to use that leverage to perhaps get a better rate on one or both,” Gernes said.

First Regents experienced the benefits of consolidating processing and vault cash after switching to Elan.

“They saved us well over six figures the first year and continue to do that because

we were able to bundle services together,” Powell said.

Powell said First Regents could separate the services again, but will most likely continue with a single vendor for both.

“We could process with another processor and still use Elan for vault cash but at this point we’ve chosen not to,” Powell said. “From the administrative side it’s so much easier to have one vendor instead of multiple vendors.”

**About the sponsor:** *Elan Financial Services has provided a full range of payments, products and services to independent ATM deployers and financial institutions for 40 years. For more information about processing and vault-cash services, visit [www.elanfinancialservices.com/atm-debit](http://www.elanfinancialservices.com/atm-debit).*

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***— Mike Powell, president, First Regents***

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