



ProfitStars

A JACK HENRY COMPANY

INSTITUTION
MainStreet Bank

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Herndon, VA
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WEBSITE
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ASSETS
\$80 million

LOCATIONS
1

EMPLOYEES
24

PRESIDENT/CEO
Jeff Dick

**PROFITSTARS/JACK HENRY
SOFTWARE SOLUTIONS &
SERVICES**
Remote Deposit Capture
SilverLake System®

Check 21 and Remote Capture enable aggressive growth strategy

Located in a single office in the suburbs of Washington, D.C., a de novo bank has set out to battle for market share with a host of entrenched, well-capitalized competitors. It has chosen an affluent, expensive and heavily banked market in which to play. But it is succeeding – growing from zero to \$80 million in assets in just 18 months, and consistently adding two or more new business customers every week.

From MainStreet to Every Street

The bank is MainStreet Bank in Herndon, VA, – a highly competitive market populated with many of the strongest national and super-regional banks, plus dozens of community banks. Commercial real estate here is some of the costliest you'll find, and opening a new branch can easily entail an investment of \$1 million and require three years for permitting and permissions.

When president and CEO Jeff Dick and his investors decided to establish their de novo here, they knew they would need a smart strategy just to survive, much less thrive. They decided to stake the business on opportunities created by the Check Clearing for the 21st Century Act (commonly called "Check 21"). The Check 21 law declared that beginning in October 2004, an image replacement document (IRD), also known as a substitute check, would be considered a legal replacement for a paper check.

MainStreet Bank knew it could carve out a unique niche in the new world created by Check 21. "We said, 'Let's focus on being a business-to-business bank. We'll deal not so much on a cash basis but with paper checks and e-transactions,'" Dick says of their game plan. MainStreet Bank chose core systems from Jack Henry & Associates and remote deposit capture technology from its ProfitStars division on which to build its Check 21 capabilities.

Capturing Customers with Remote Capture

The ProfitStars Web-based solution makes getting started easy for the bank's commercial customers. MainStreet equips each participating business with remote capture technology – a small check scanner for processing and depositing checks electronically. There is no complex installation or lengthy training process. In fact, other than the check scanner, all that is required is an Internet connection and a Web browser.

The business simply scans each item and keys in the payment information, and then sends it to ProfitStars via a secure Internet connection. Once the checks are presented, the ProfitStars decision engine decides to process the check as either an ACH or Check 21 transaction. Check 21 allows MainStreet to process any type of check, including corporate checks, consumer checks, cashiers checks or third-party checks, just to name a few. And even though transactions are processed electronically, substitute checks continue to be covered by check law, which is more business-friendly than federal and state EFT laws, providing consumers more time to dispute transactions.

Commercial customers love the service, Dick reports. It saves trips to the bank and allows deposits to be made instantly. MainStreet Bank has priced the service, which it dubs “MainStreet Connect,” so that it’s essentially free as long as average daily balances are somewhere above \$25,000 – not a problem for most commercial accounts.

Erasing Geographic Boundaries to Expansion

In this new e-world, bricks and mortar suddenly become insignificant – and convenience, speed and technological prowess rule the playing field. Traditionally, banks have been limited in their service area by their ability to build, buy or establish branches. MainStreet Bank has proven how quickly remote deposit capture erases such geographic limitations.

“We have signed a customer whose operation is bicoastal. They like this because now they can have one bank with one operating account. We’ve signed a title company – a business with large, time-critical cash flows – and this is ideal for them; they just love it,” Dick notes.

“Geography simply isn’t a factor anymore. We’re planning on regionalizing in this area, but we can sign a customer anywhere. I’ll be very, very happy if we never open another branch,” says Dick. To extend the bank’s reach, Dick is considering joining ATM networks that would give his customers nationwide access to 20,000 to 30,000 ATMs.

Managing the Risk of Fraud

MainStreet Bank is aware that early adopter banks can also become early targets for fraud. Naturally, the ProfitStars system features a variety of tools that help banks and businesses lower the chances of loss due to fraud and returned NSF checks. For instance, e-Checks are prescrubbed to verify routing numbers and account information and returned e-checks are routed to an automated NSF re-presentation service for redeposit.

Powering Profitability As Well As Growth

MainStreet Bank’s Check 21 strategy is helping drive profitability because the bank essentially outsources much of its teller operations to its customers.

“When I set up that customer, we’re taking my back office and putting it into their office. Now they scan the item and set up all the data. When it comes to MainStreet, it’s a completely automated e-transaction,” Dick notes. When he visited a similar-size bank recently to pick up an item for a customer, he noted five full-time employees in the processing center. “I can’t say that I have a single person in my operation doing what it took them five people to do. The value of that is immeasurable,” he says. Using the ProfitStars technology solutions, Dick hopes to deliver results with an efficiency ratio in the 40 to 60 percent range.

“If you’re going to compete in this market – Washington, D.C. – you’ve got to be better than anyone else. I have a competitor here who is open seven days a week from 7 a.m. to 7 p.m. How are you going to compete with that?” Dick asks rhetorically.

Of course, he’s already got the answer – create a super-banking platform leveraging innovative technology, regulatory openings and customers’ desire for speed, convenience and efficiency. Create a bank that’s open not just 7 to 7, but 24x7x365, from one end of the country to another. In other words, create a bank for the 21st century.

About ProfitStars

ProfitStars, a division of Jack Henry & Associates, Inc. (Nasdaq: JKHY), is a leading provider of best-of-breed products and services that are designed to improve the operating performance of financial institutions of all asset sizes and charters, and diverse corporate entities. These products and services include proven solutions for revenue and growth, risk mitigation and control, and cost control; and complement existing core information processing platforms.

Additional information is available at www.ManageForPerformance.com or by calling 877.827.7101



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