INWOOD NATIONAL BANK Member FDIC

Overview

The Payee Match process uses Optical Character Recognition (OCR) to identify the payee on the check image. OCR technology is not an exact science, due to many factors. This includes, but is not limited to:

- Image quality from the bank of first deposit
- Resolution of check image
- Inconsistent check stock format
- Noise (ink spots, watermarks, and so on)
- Condition of the scanned check (for example, wrinkles)
- Font (weight/size of text)

Once a check image is scanned, the payee from the check is compared to the payee submitted in the issued check file. This comparison results in a *confidence score.* Due to the aforementioned factors, it is not uncommon for low confidence scores, even though the human eye cannot detect a deficiency. As such, while two check images may appear the same, the resulting scores may differ based on several factors.

The payee match process is an additional layer of security to help prevent payee fraud and will err on the side of caution by creating payee name mismatch exceptions to review.



Note: Please comply with the requirements listed in this document to minimize unnecessary exception items. All standard check printing guidelines also apply.

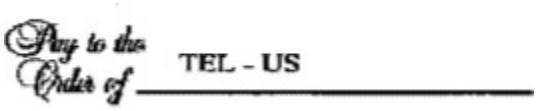
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Implementation guidelines

The following sections provide guidelines when implementing the payee match feature in Positive Pay.

Font/characters

- Payee name must be typed.
- All capital letters is recommended for the payee name.
- Recommended font size is 12 points. Fonts less than 10 points or greater than 16 points are not recommended.
- Bold font is not recommended.
- Recommended fonts are listed below in order of preference (fixed space fonts achieve the highest match rates).
    - Verdana
    - OCR A
    - OCR B
    - Arial
- The words “PAY TO THE ORDER OF” or acceptable variations (described in the section below) must be printed in a machine-readable style and not script and should be to the left of the payee names. The following image shows an example of an unacceptable font style:



Check stock

- Check background must be light in color and plain (no pictures or lines) to ensure the payee name field can be easily viewed.
- Watermark/pantograph features are not acceptable in the Pay To the Order Of or Payee name area of the checks. When checks are image captured, these features may "bleed" through the document causing background interference in reading the payee name.

Printing and placement

- Letters must have enough space between them so that they are not touching each other.
- Additional lines of data below the payee name should be spaced such that the characters do not touch the payee name.
- The number of spaces between words should not be more than 2 spaces. For example:
  - Acceptable: JOHN DOE
  - Not acceptable: JOHN DOE
- Do not add characters and names close to the valid payee name information. Any special codes or characters included on the same line as the payee name should be at least two inches away. If they are not at least 2 inches away, include this information on your Positive Pay issue file as part of the payee name.
- It is recommended to only include the payee name on the check one time.
- Special codes, characters, or bar codes should not be in the proximity of the TO THE ORDER OF or PAYEE NAME/ADDRESS fields.
- The payee name may not be located in the top one inch of the check.
- The following variations of "PAY TO THE ORDER OF" are acceptable on checks:
  - PAY TO THE ORDER
  - PAY TO
  - PAY

- TO THE ORDER OF

- Leave a minimal amount of space (2 to 8 characters) between the PAY TO THE ORDER OF field and the payee name. The payee name must not touch the “PAY TO THE ORDER OF” text on the check.
- The payee name must be located not more than 15 characters (one inch) from the last word of the "PAY TO THE ORDER OF" variation.

Issue file requirements

- Words or symbols used in conjunction with payee name, such as MR., MRS., MISS, or, &, or AND, must be included on the issue file.
- The payee names listed on checks must exactly match the name listed on the Data Transmission issue file. Do not list a check as JOHN DOE and put the same name on the issue file as DOE, JOHN.
- If more than one payee name is printed on more than one line, it is recommended that line breaks be indicated on the issue file with the vertical bar character “|”.
- Character positions on the transmission after the payee name may be left blank (preferred). If filler is needed, the asterisk (*) symbol must be used. Any other symbol would be construed as part of the payee name.
- Only the first 120 characters of the issued payee name uploaded into will be compared against the paid check image.

“Attention To” or “Care Of” recommendations

- The following variations of “ATTENTION TO” or “CARE OF” are acceptable. The colon is optional:
  - ATTENTION TO:
  - ATTENTION:
  - ATT:
  - ATTN:

- IN CARE OF:
- CARE OF:
- C/O:

- Clearly identify names in the address field with the words “ATTENTION TO” or “CARE OF" to distinguish the distribution point from the payee name. Placing a distribution point in the address field will minimize exceptions.
- “C/O” or “ATTENTION” or any variation will not be included in the payee name match process and should not be included on the issue file.
- If “C/O” or “ATTENTION” is not used, include the name and distribution point in the issue file.