

Banking game changers—two and counting

[This is Dan Fisher's 50th "Beyond the Bank" blog for ababj.com, spanning two and a half years. All his blogs are still posted. One of our favorites is "If you could read my mind," the first of several in which Dan—aka "The Wombat"—reported on the implications of brainwave-reading technology used in Mattel's Mindflex game. That post was a good example of the theme of his blog: looking for tech-related developments outside the usual bank technology world. Appropriately for his 50th, he looks both backwards and forwards at breakthroughs he's been personally involved with. The forward look will be of interest to any banker seeking to improve branch efficiency—in other words, just about every banker whose job covers branch banking. — Bill Streeter, editor-in-chief]

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It is not very often that an individual in their career has the opportunity to be involved with a game changing technology or event. I am one of the fortunate ones, having been involved in two, plus a third in the making. My career has not been dull by any stretch, but I have experienced some significant events that have changed my professional direction. As you read this blog, I am certain that you, too, will identify a game changer that has impacted you. Of course, some of you will immediately gasp that I have not included the internet. Well, my criteria for the game changers pertain to my personal or professional involvement prior to or during the development of the technology or regulation. So, unlike Al Gore, I did not invent the internet, nor did I participate in the design of TCP/IP or HTML. Ok... back to my blog!

The first game changer that I was involved with occurred in 1979 while I working as a loan officer at a savings and loan. I was given the task of reviewing some proposed legislation which ultimately became the Depository Institutions Deregulation and Monetary Control Act of 1980. I was given a copy of the draft legislation and asked to write up a report (if only I kept a copy) for Sam Okinaga, our chairman. I recommended that we fully support this proposed legislation and stated my reasons why. Our chairman agreed and wrote a letter to our Congressman, Cec Heftel (D-Hawaii). Interestingly, this was the first time I had become involved in researching payments and banking. After all, I was a loan daddy at the time and I was not interested in this operations stuff... BORING! Shortly after the passage of the MCA of 1980, I moved out of loans and became a branch manager.

Little did we know the profound impact that this legislation would have on the financial industry. It changed the competitive landscape by deregulating certificate of deposit interest rates, allowed Savings and Loans to offer NOW accounts and opened up the Federal Reserve System to non-member banks. All of a sudden, state-chartered banks and thrifts could compete with federally-chartered commercial banks in a variety of areas. New options opened and the industry redefined itself. I was on the ground floor of this development. That one assignment changed my career. Opening the Federal Reserve to all financial institutions and eliminating controls on accounts and products seem like the right thing to do and it was.

My second encounter with a game changer came years later with Check 21. The events of 9/11 changed our country and our lives. It also changed the banking system. No one ever anticipated that air transportation would have been grounded nationwide for an extended period of time. The only aircraft flying after 9/11 were military aircraft.

Air couriers that transported checks for financial institutions were grounded just like the airlines. Financial institutions had to revert to clearing checks nationwide the old fashioned way... they transported them by truck and car. Clearing checks coast to coast become a real issue. We did, however, get through it.

In the aftermath, the Federal Reserve realized that our paper-based payment system was vulnerable, and for the first time in the history of the central bank, they proposed legislation to address the issue. The legislation was initially titled the Check Truncation Act, but soon was changed to the Check Processing in the 21st Century Act (aka Check 21). The Fed reached out to the industry and all of us stepped up. I was chairman of the ABA committee that worked with the Fed. It was quite a project and every major payments player in the industry became involved. Check 21 was passed and was signed into law by President George W. Bush.

The objective of the act was to authorize the creation a substitute check in lieu of the paper original. Consequently, a financial institution could scan a check, transmit the image to another destination, produce a paper copy (a substitute check) and present it for payment. This outcome eliminated the need to transport checks over large distances and the use of air transportation as part of the check collection system. There is more to Check 21, but the substance of the act was the substitute check.

As a result of Check 21, innovation, took the financial industry by storm. Remote deposit capture, an unintended consequence of the act, has been a real game changer. Who would have thought that a single-pocket desktop check scanner would make obsolete high-speed check sorters? They have. Many large check processing operations are being phased out as fast as the equipment can be depreciated.

The third game changing encounter for me involves one of my current clients. (Full disclosure, I asked their permission before I wrote this blog. They have created a currency counter that not only counts currency, but also scans checks. They asked me to write a training program for them.) My client has developed technology that scans entire customer deposits at the teller window as the customer is standing there. Yes, it processes the entire deposit at the same time: the deposit slip, any currency, and all checks; together, at the same time. It sends an image file to the P.O.D. (proof of deposit) system for processing; everything is balanced. All at the same time! While everyone else is trying to drive customers to the internet or electronic payment options, this company realized that even though check volume is declining, it will still be an element of deposits.

What used to be two separate processes: the handling of cash and checks separately, is now one step. Teller efficiency should skyrocket, proof errors can be significantly reduced, and customer deposit addition errors identified at the teller line rather than at the operations center after hours when they do not have the adding-machine tape or the checks. Similar to the Monetary Control Act of 1980 and Check 21, I believe this technological innovation will have a game-changing impact on customer service, the teller's job, processing operations, and Beyond the Bank. Time will tell

Game changers can create exciting outcomes. I have been fortunate to be involved with three and I am sure that there will be more on the horizon before I write my final blog. Game changing simply translates into first recognizing an opportunity and then, doing something about it.

The Wombat!

About the Author

Dan Fisher is president and CEO of The Copper River Group, a consulting firm headquartered in Fargo, N. D., that focuses on technology and payment systems research and consulting for community financial institutions. For nearly 30 years, Fisher has worked in the financial industry using technology to improve the bottom line. He was CIO of Community First Bankshares (now part of BancWest), has served as a director of the Federal Reserve Board of Minneapolis, the chairman of the American Bankers Association Payment Systems Committee, and was a member of the Independent Community Bankers of America Payments Committee. Fisher has written numerous articles on banking technology and the payments system. He has authored or co-authored six books and recently published a book titled, "Capturing Your Customer! The New Technology of Remote Deposit." You can contact Fisher at

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P.S. To understand Dan's nickname, check out "About the Wombat" on his website, www.copperrivergroup.com