

Consumer remote capture begins to ramp up (September 2009)

It's still early, but home office usage shows promise

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San Antonio-based USAA was an early adopter with a great story to tell: about 300,000 active users daily of its 7.2 million customer base. First Command Bank, which registered 1,600 users across its online customer base of 65,000 users, likewise made it stick. There have been other stories of decent uptake—if not runaway beginnings, but those that watch the banking industry for a living are waiting to pass judgment regarding it. In this case, the “it” in question is consumer remote deposit capture.

Remote deposit capture in the commercial sector has had the stampeding quality of a gold rush for many community banks looking for innovative treasury and cash management solutions. Two years since it first made headlines in the trade press, and in the months since regulators clarified their stance with Federal Financial Institutions Examination Council's issuance of Risk Management of Remote Deposit Capture, consumer RDC hasn't made nearly the same stir. Consumer adoption of the technology won't be a similar experience, according to payments experts.

But for community banks that lack an extensive branch network, but serve a scattered customer base; or for those who already go after the accounts of small business owners and want to extend their convenience to the personal accounts of those customers, marketing the ability for consumers to use home office scanners or mobile phones to get images into the bank for processing just may hit additional pay dirt.

“If you're going to use commercial RDC as the standard then what's happening, to date, in terms of consumer adoption of similar technology isn't all that exciting,” says Bob Meara senior analyst, banking group with Celent in Boston. “Certainly, the uptake won't be as dramatic.” Yet Meara hasn't ruled out the growth potential of consumer RDC, which he says may work especially well for community banks feeling pressured to grow deposits, and lure additional customers, without a corresponding growth in branch-building costs.

A nice value-add?

“Of course, like all services labeled consumer, this won't bring in revenue for banks,” Meara warns. “Banks won't be able to charge for the service. But it will have a stickiness factor for first-to-market banks that could make offering the service worthwhile,” says the analyst. “Much the way early transactional banking websites bonded consumers to their banks, RDC for consumers has the potential to do this.”

Fraud risks are still a concern, admits Meara, although many of the sources who spoke to ABABJ said that early usage hadn't led to a comparative spike in bad checks.

USAA, the Texas-based insurer and savings bank serving people in the military services (past and current) and their families, launched its Deposit@Home program in 2006. In May it released an iPhone application for RDC as part of its mobile banking effort. (With mobiles, consumers photograph the checks and submit images which are routed to the bank's deposit-taking system.) The application had 90,000 downloads within days, as reported in various bank-related blogs. In a New York Times interview, Wayne Peacock, a USAA executive vice-president, characterized the program as an early success. "Mobile is going to be a bigger part of how people do commerce and how they interact with their financial institutions," he was quoted as saying.

Sherry Sitton executive vice-president of Fort Worth-based First Command Bank, another financial institution with a focus on families of service members, wrote in a white paper that the capability, introduced in October 2008, while not widely adopted has been especially beneficial to the bank's military customers.

Of course, commentators have remarked that in many ways institutions like USAA are a special case, if a large one, because they function like an internet bank.

Do customers of banks with branches—particularly those institutions with ample networks—want the option of scanning the check from a home office? It's very likely they will, once they get familiar with the method, says one technology executive.

"It's a convenience for customers," says Bill Phillips, managing director of the ProfitStars solution offered by Jack Henry & Associates. Phillips played a key part in the company's rollout of its Small Business and Consumer Capture Solutions, and stresses the importance of marketing the service. "When consumers realize that they get the funds in faster, while also saving the time and expense of making a special trip to the branch, it's a good story. Gas prices are still an issue. And efficiency is always a selling point. People are always busy and this is certainly a time saver."

Volume: perhaps not an issue

The question for some might be, does any given person receive enough checks to make RDC a "hot seller"? Well, as it turns out, volume isn't necessarily all that much of an issue, notes David Peterson, executive vice-president of payments with Atlanta-based Goldleaf Solutions (soon to be a Jack Henry company). He tends to see early consumer users as those who already use the technology on the job—perhaps scanning checks for an employer such as a lawyer or doctor—who desire to have a similar convenience in their own lives. He also sees interest in the high net worth sector and says that many such people board their private jets with a scanner in tow, a telling reality to him. "Everyone values efficiency and ease in a business process."

Rob Brucato, senior vice-president of treasury management for Oak Brook, Ill.-based Leaders Bank agrees that the well-heeled have taken the to technology. In the case of Leaders Bank, which adopted consumer RDC technology earlier this year, there's been interest expressed in adopting a personal solution by high-net-worth customers. The interest seems especially pronounced among the successful small business customers already using the commercial RDC solution that the bank had first adopted about four years ago. Currently, the bank has 80 small businesses using commercial RDC.

"We think our clients will really like submitting checks from home offices. We've had only a positive response," Brucato says. Regarding any potential fraud concern, the treasury manager says that Leaders hasn't had any bad experiences on the commercial side and he believes that regular work by compliance will turn consumer RDC up as a clean operation. It's been a win win, with streamlined cash flows for the bank and its customers. "To be successful with this, you have to know your client base and understand what services will work for them," he says.

"All it takes, really, is being able to deal with those gift checks that arrive for the kids. A lot of busy families hold onto them for weeks at a time until they can make it to a branch," agrees Gary Brand, director, Source Capture Solutions, with Fiserv. "If you can save that phone call from your Mom about that gift check to your son—well it's worth it."

Taking a broader view, there is still an ample volume of paper checks in the system—30 billion in 2006, according to Federal Reserve statistics. Moreover, startup home-based businesses also receive checks. And, at least one source agreed with the writer that recent shifts in the economy may yield a growing band of freelance workers of all stripes that will probably be paid by paper checks.

Breakaway next year

All things considered, Fiserv's Brand says he is extremely excited by the prospects in the consumer space. "My gut tells me it will be a breakaway technology in 2010, regardless of what demographic segment we're talking about." Long work hours and busy lives make the use of remote deposit capture a winner in his view. "There are entrepreneurs, the plumber that comes home with eight checks; the worker in the satellite office—it just makes sense." Fiserv has taken the approach of using a single platform that can render electronic check deposits from all points, ATM, home office, and otherwise.

Advocates such as Brand note that prices of scanners have come down and that the technology is surprisingly easy to use. "TWIN compliant scanners have really improved over the last year," Celent's Meara agrees, referring to devices using a standard communications protocol/interface. "They are foolproof. It's easy to capture decent images."

The current models of scanners do things like auto crop and confirm the positioning of the item on the scanner. Some devices can even compensate for some amount of skew," says Goldleaf's Peterson.

Not everyone is in a thrall over the prospect of scanning checks from the home. "Many banks are leery about fraud-related risks," Brand agrees. At least one analyst said on a not-for-attribution basis that she believed scanners need to capture better images, and reminded ABABJ that only 3% of small businesses were using RDC. "I think it would be a process of consumer education and it would be hard for many users to understand it," she said. BJ

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