

REMOTE DEPOSIT CAPTURE

by [Steve Brown](#)

The passage of the federal Check 21 act in October 2004 made electronic deposit possible. By now, most of our readers are probably already underway or have rolled out remote deposit capture (RDC) to their customer base. That is no surprise, since it ranks at the top of IT spending priorities among community banks (rated as the #1 tech spending priority in the 2007 ABA Banking Journal Community Bank Competitiveness Survey). According to a different ABA survey, 30% of respondents even went so far as to say RDC was an essential survival strategy. There is no doubt that RDC is important, which is why so many banks are rolling out these fancy gizmos that allow customers to deposit paper checks electronically into their bank account (using a scanner attached to their computer), without ever having to walk into a branch. For banks trying to capture and retain business customers, reduce costs and remain near the forefront of technology, adding this extra capability can certainly help things along. Consider that surveys also find nearly 65% of banks already offering RDC say it has helped them capture new business customers. To understand the full impact of RDC, we need a bit more data, however. Consider that scanners cost as little as \$250 now; the top 25 banks all offer it; companies estimate RDC saves them an average of 5 hours per week; and banks estimate they save \$250 per month in teller labor, transportation and mailing costs for every 50 clients that sign up. As long as businesses still make the bulk of their payments by check (324mm electronic check images were presented in January of this year, 500% more than during the same month last year), RDC will continue to expand. In short, the data clearly shows RDC is quickly being interwoven into the fabric of our financial system. What about fraud risk, however. Given that so many checks are being imaged and exchanged among banks, many bankers wonder just how safe these RDC systems can be. Consider the results of the most recent annual banking fraud survey. It found that while nearly 72% of organizations experienced some sort of check fraud, only 15% reported check image fraud. Meanwhile, although 33% of banks in the survey were using RDC, there were no reported incidents of fraud associated with this service. In fact to date, there have been no known cases of fraud related to RDC. This is particularly important when you consider that 25% of organizations that experienced check fraud in 2006 suffered a financial loss as a result of the fraud. While fraud remains a concern, the data (at least so far) doesn't support the depth of worry expressed by many bankers we have spoken to. For customers, RDC is quickly being embraced and independent banks should get on board, or risk missing the boat. Consider this most recent earnings release from Wells Fargo, which stated "Our customers continue to transition from paper to electronic financial services; their electronic collections surpassed paper collections for the first time in February. Active users of our Commercial Electronic Office(R) portal were up nearly 30% from the same period last year. Checks processed electronically through our internet-based industry-leading remote Desktop Deposit service during the quarter totaled \$38 billion." Wells is but one of many competitors aggressively expanding customer access for RDC. In this period of active branching, consider that for independent banks, RDC also offers a way to expand the geographic footprint without the expense of building \$1mm branches. With experts predicting 25% of businesses in the country will use RDC in the next 3Y, it might make more sense to hand out \$250 scanners, instead of opening branches.

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Wilmington Trust Corp (\$11.5B, DE) will acquire regional wealth management firm, Bingham Legg Advisers. Bingham specializes in tax-sensitive investment strategies for high-net-worth individuals and has \$1.5B in assets under management. M&A:

BANK NEWS

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Payment Alliance International will acquire the operating assets of NetBank Payment Systems Inc. The acquisition allows Payment Alliance to provide processing services for more than 8,500 additional ATMs.

Competition

Bank of America announced it has expanded its no-fee mortgage program (called No Fee Mortgage Plus) nationwide. The program eliminates application fees, lender fees, closing costs and PMI.

Slowing Expansion

In an effort to reign in runaway growth, China's central bank raised the amount of foreign currencies that lenders must hold as reserves from 4% to 5%.

Online Security

In an aggressive move to combat online fraud, Barclays Bank will provide chip-and-pin card readers to 500k customers in the UK. While it remains to be seen if any U.S. banks follow suit in this country, Barclays online customers will use a handheld device to generate a one-time passcode that will have to be entered when conducting online banking functions. The device generates a passcode once the user's bank card has been swiped through it and they have entered their PIN code.

Layoffs

CitiMortgage Inc. said it will lay off 557 workers in FL, as the company responds to the ongoing slowdown in housing.

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