
THE NEW REMOTE DEPOSIT CAPTURE TREND

by [Steve Brown](#)

Over the last 2 days, we discussed several aspects of profitability for remote deposit capture. Today, and to close off the topic for the near-term, we want to discuss a current trend - consumer remote deposit capture.

Now, we are not big fans of banks attempting to be both a consumer and a commercial bank (at least for its first 5Ys of operations), but if you are, the retail application of remote deposit is a must have.

Consider a recent USAA Federal Credit Union announcement that they now have 230k members remotely using its Deposit@home service processing 13% of all its items. There are no fees for this service, households use their own flatbed scanners (45% claim to have them) and yes, fraud rates are higher. We will let you do the math when it comes to the amount of deposits this service takes in, but we can tell you that it is approaching 9 digits before the decimal place.

Think about this for a second - while our banking industry has been sitting around complaining about rates on deposits, this credit union rolled the dice and took a chance on changing the face of the industry. We have spoken to a dozen of their customers and they love the service. They complain about the security and the limitations, but they understand it and wouldn't switch to a bank for less fees or higher rates.

So what are going to do about it? Here is an idea - To start, take your existing scanners, make some minor modifications to both the set up and your procedures and offer to tie it into retail checking via your existing scanner network. Instead of just selling a business package, call it an "Employer bundle" and allow the employees of your business customers to utilize the scanner during lunch time and break hours. In other words, make your scanners work double duty in order to capture more customers and deposits. Fixed costs remain the same and the additional deposits cover the additional charges.

While this might not be profitable right off the bat, what it does is to attract new, service-oriented customers. It also drives one of the most unprofitable transactions at the branch level to a cheaper channel. This frees up your branch to be more sales focused and less transactional.

None of the large banks have this program in place although we know several are looking at it. Going after the small business retail customer using a flatbed scanner has its issues (support and fraud), but these are being overcome in various ways. Our point to this series on RDC was to highlight some profitability strategies and get banks thinking about their next set of RDC objectives. Like "W" hotels, while the path is dimly lit, RDC is still one of the hippest places to be.

BANK NEWS

Thrift Loss

The OTS reported that the savings bank industry lost \$5.2B in the 4Q. This was the largest loss since 2Q 1988.

Capital One Biz Focus

The Bank rolls out its double mile rewards credit cards targeted at small business owners.

Fed Projections

The Fed lowered its 2008 forecast saying that GDP will grow between 1.3% and 2%, down from its previous 1.8% and 2.5% forecasted range. The Fed also said it expects the unemployment rate to be around 5.3% percent, up from the previously projected 4.8%.

Exam Focus

At the annual ABA conference, a poll of 656 bankers showed that 39% of them said CRE was the main focus of their recent regulatory exam, up from 27% from last year. BSA finished 2nd with 35% saying that this was the main focus (down from 52% from last year).

Credit Card Problems

A recent report found that credit card loans that are 60+ days past due rose in December to 7.6% from 6.4% a year ago. That said, there is some optimism, Amex, a leader in "A" quality paper, saw its first major improvement since 6/07. The 1.8% drop in delinquencies is a result of lower rates and more aggressive monitoring.

Stock Issuance

While you don't want to be issuing equity into this market, if you have to, it is best to go early and avoid the rush. While fundamentals may improve, capital availability will not. Your first choice should be a holding company loan from us. Other than that, preferred issuance, rights offerings (stock to your existing shareholders) and convertible issues are fairing the best valuations given market activity over the past month and a half.

OCC on CRA

The OCC is calling for a revision in the CRA Act that would expand credit to financial institutions that also provide middle-class housing support (as opposed to just low-to-moderate income households) in working on foreclosures. In addition, the Comptroller said that this nation should have a healthy debate over whether the CRA Act should apply to non-bank institutions such as mortgage companies and credit unions.

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