

2006 Community Bank Payments Survey Results

Some results are displayed by bank asset size (Large, Medium, Small). Survey period November 17- December 23, 2005. Survey data is based on responses from 400 community banks, which represents a 10% response rate.

Respondents Profile

Community Bank Groups by Asset Size

Large - \$501 million or more	7%
Medium - \$101 - \$500 million	44%
Small - \$100 million or less	49%

Payments Revenue

Change Annual Gross Payments Revenue In Last Year

Increasing significantly/slightly	67%
Remaining the same	25%
Decreasing significantly/slightly	4%

Payments Management Strategy

How Community Banks Manage Payments

No specific strategy	28%
Payments professional team under executive management oversight	21%
Executive bank management	16%
Payments professional team under mid-level managerial oversight	16%
Product managers under executive oversight	10%
Product managers under mid-level managerial oversight	10%

Checks and Related Services

Check Products Offered

	Current	In 2 Yrs
Consumer image statements	73%	16%
Business image statements	73%	16%
Check images via online banking	50%	32%
Business checks on CD ROM	32%	28%
Check image exchange	14%	58%
Remote image check capture	4%	41%
Check imaging at ATMs	0%	7%

Paper Check vs. Electronic Transactions

Paper > Electronic	68%
Electronic = Paper Checks	19%
Electronic > Paper Checks	8%

Change in Paper Check Volume Within 2 Years

Increasing significantly/slightly	10%
Remaining the same	12%
Decreasing significantly/slightly	78%

Check Processing Operations

	In-house	Outsourced
Proof	77%	21%
Monthly account statements	65%	35%
Account posting	62%	38%
Image capture	53%	34%
Image receipt	37%	30%
Substitute check creation	19%	39%

Check Operations Changes Within 2 Years

	Total	Large	Medium	Small
Transmit check images	62%	67%	74%	50%
Reengineer back room	43%	54%	53%	33%
Replace proof/reader sorter	29%	21%	30%	29%
New correspondent bank	16%	33%	17%	13%
New data processor	6%	4%	7%	6%
In-house to outsourcing	3%	0%	1%	5%
Outsourcing to in-house	3%	4%	3%	2%

Check Clearing and Settlement

	Incoming	Outgoing
Federal Reserve Bank	55%	49%
Banker's Bank	38%	35%
Other correspondent bank	14%	21%
Clearing house	9%	6%
Direct presentment	9%	7%

Check Related Challenges

	Current	In 2 Yrs	No Challenge
Check image exchange	31%	43%	10%
Courier times/fees	30%	29%	27%
Reengineering back room	25%	27%	26%
Manage declining volume	11%	33%	41%

Automated Clearing House (ACH) Services

ACH Origination Products Offered	Current	In 2 Yrs
Payroll	75%	9%
Recurring debits	72%	14%
Internet-initiated entry (WEB)	32%	19%
Telephone-initiated entry (TEL)	23%	14%
Point-of- purchase check conversion (POP)	10%	21%
Lockbox check conversion (ARC)	7%	18%

ACH Related Challenges	Current	In 2 Yrs	No Challenge
Managing ACH risk	69%	22%	6%
Profitability	51%	31%	8%
Manage exception items	44%	31%	20%
Handle check conversion	40%	28%	24%
Grow origination volume	36%	37%	18%

Debit Cards and Related Services

Debit Card Products Offered	Current	In 2 Yrs
Consumer combination	83%	3%
Consumer signature	47%	2%
Consumer PIN	57%	2%
Business Combination	49%	17%
Business signature	47%	2%
Business PIN	27%	13%
Contactless	3%	8%
Surcharge Free ATM access (customers)	69%	10%
Surcharge Free ATM access (non customers)	13%	5%

Signature vs. PIN Transaction Trends In Last 2 Years	
Increasing significantly/slightly	27%
No change	23%
Decreasing significantly/slightly	18%

Signature Debit Card Challenges	Current	In 2 Yrs	No Challenge
Mitigating fraud losses	70%	17%	4%
Marketing new products	46%	20%	17%
Decreasing interchange income	45%	23%	12%
Decreasing fee income	40%	25%	12%
Increasing reward program costs	13%	22%	13%

Prepaid Card Products Offered	Current	In 2 Yrs
Visa or MasterCard Gift	27%	28%
Travel	21%	19%
Health Savings	8%	24%
Private Label	6%	13%
Payroll	2%	18%
Benefits	2%	9%
Incentive	0%	8%

Prepaid Debit Card Challenges	Current	In 2 Yrs	NA ⁽¹⁾
Complying with regulations	26%	21%	41%
Promoting customer acceptance	22%	23%	43%
Increasing fee income	21%	23%	44%
Complex processing	17%	24%	43%
Increasing corporate issuers	9%	22%	53%

Credit Cards

Credit Card Products Offered	Current	In 2 Yrs
Consumer	63%	6%
Business	57%	8%
Purchasing	3%	8%
Fleet	1%	2%
Contactless	<1%	4%

Credit Card Brands Offered	Current	In 2 Yrs
Visa	61%	4%
MasterCard	36%	3%
American Express	1%	1%
Discover	1%	<1%

Credit Card Revenue Changes – Consumer Cards	
Increasing significantly/slightly	26%
Neutral	35%
Decreasing significantly/slightly	8%

Credit Card Revenue Changes – Business Cards	
Increasing significantly/slightly	21%
Neutral	33%
Decreasing significantly/slightly	5%

Bill Payment and Presentment

Bill Payment and Presentment Products Offered	Current	In 2 Yrs
Online consumer bill payment	67%	16%
Online corporate bill payment	44%	20%
Electronic consumer bill presentment	17%	20%
Telephone consumer bill payment	14%	10%
Electronic corporate bill presentment	13%	20%
Money transfer services for immigrants	2%	7%

Comments or Questions

Contacts:

Viveca Ware, Director, Payments Policy
Viveca.ware@icba.org

Cary Whaley, Associate Director, Payments Policy
Cary.whaley@icba.org

⁽¹⁾ NA = Not Applicable