

Scanning the FUTURE

Early remote deposit capture adopters usher banking into the digital era

By Bridget McCrea

When the doors to Rockbridge Commercial Bank opened in Atlanta last year, its founders were already thinking about keeping the bank ahead of the competitive curve with its “bank anywhere” service offering for commercial customers. So in February, the bank, in league with its core processor, rolled out a new remote deposit capture system that allowed for the capture of paper check images at the merchant or corporate client’s office for electronic submission to the bank for processing and settlement.

Rockbridge Commercial Bank’s remote deposit service allows businesses to make online deposits—which are credited the same day—up until 5 p.m., giving the bank a broader geographic presence without having to build a branch on every corner. “We have customers who make their deposits from as far as 60 miles away,” says Patti Batyske, senior vice president of operations for the bank, which has one location, 18 employees and \$80 million in deposits.

Batyske says the institution selected Harland Financial Services' system for its ease of integration. "We knew that if we bought another vendor's product, there could be glitches when it came to overlaying it with our existing core system," she explains. Harland Financial, the bank's core processor, provides the scanner and licensed software that allows the bank's business customers to go online and view their deposit entries and check other transactions. The system creates a "virtual deposit ticket" for customers, who enter their account numbers, scan items, and sit back while the transaction is balanced.

Batyske says getting bank employees trained on the process took several weeks, but was made easier by the vendor's training program. As new companies are added to the system, she says she can tap the expertise of three different trainers who get the clients up to speed on using it. Rockbridge Commercial Bank is already reaping the rewards of its remote deposit investment, particularly in terms of reduced need for manpower and physical branches.

"It has allowed us to cut down on staff and have 15 people doing the work of 20 seamlessly," says Batyske. "Additionally, it eradicates our need for more branches. While we do plan to add production offices, we want to utilize technology, and not branches, to increase our market share in the area."

Rockbridge Commercial Bank's positive experience with remote deposit capture "is a common

refrain throughout the community banking space," says Viveca Ware, ICBA's director of payments and technology policy.

According to ICBA's 2007 Community Bank Payments survey, 21 percent of the 1,107 respondents offer merchant remote deposit capture, while another 45 percent plan to offer it within two years. "That's a pretty high adoption rate," says Ware, who observes that banks use the system less to generate

Solution Center

ICBA Bancard offers a Web-based remote deposit capture program with Goldleaf Financial Solutions Inc. that community banks can start quickly without a significant up-front investment. The program requires no software installation or ongoing maintenance. Visit www.icbabancard.org or call (800) 242-4770.

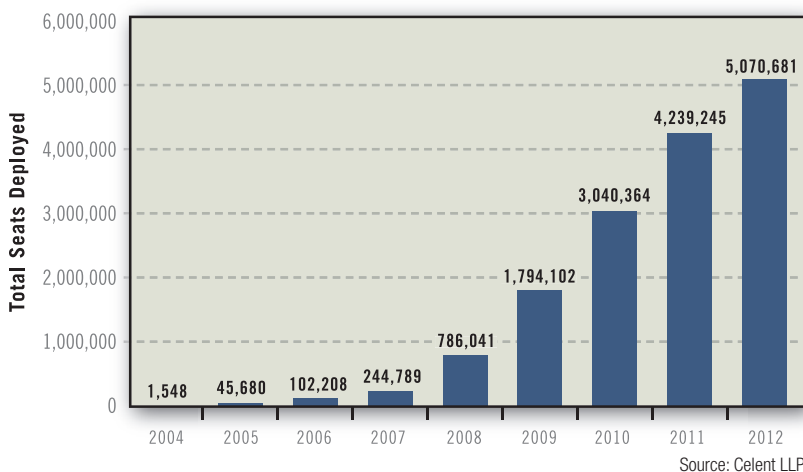
new deposits and more to serve existing business customers with a more convenient banking option.

And it's working, according to Ware, who often speaks with ICBA members who are rolling out remote deposit capture systems. There are risks, she says, most notably the fact that banks need to be wary anytime they have to rely on a merchant to scan checks and send them in for deposit and processing. "Banks are embracing the technology," says Ware, "and then slowly rolling it out to their customers."

Rolling out RDC

Those that are jumping into the fray have two options: use a core processor like Harland Financial Solutions, Fiserv Inc., Jack Henry and Associates or Fidelity Information Services; or use a system developed by an independent vendor like Computer Services, Inc., or Goldleaf Financial Solutions Inc. And while using a core processor is an obvious choice for some, Bob Meara, senior analyst at the research company Celent LLC in Boston, says the differences between the various options are beginning to blur.

Remote Deposit Adoption Forecast

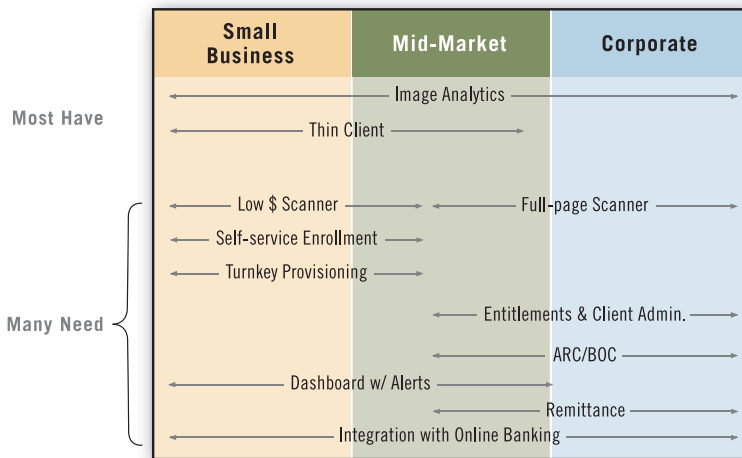


Remote Deposit Capture Solution Needs

“There are dozens of solutions providers and many choices for the community bank that wants to get up and running quickly,” says Meara, who points to the application service provider or Web-based approach as a good option for institutions that don’t want to purchase and install software. “Things are much easier now than even a year ago, when setting up a remote deposit capture solution was a significant project and a pretty big capital expense.”

By implementing a remote deposit capture system from Goldleaf Financial last year, \$496 million-asset Bank of Whitman in Colfax, Wash., has been able to reduce foot traffic in its 20 branches—a decrease that has allowed the 170-employee community bank to better serve those customers who do need the face-to-face interaction that tellers provide. Business customers get a quick turnaround on deposits; those that “put a check in at 10 a.m. see it posted to their accounts by 11 a.m.,” says Zach Mallahan, electronic services manager.

Given the chance to do it all over again, Mallahan says he would suggest that a specific department head up the implementation, such as one already dedicated to online banking or electronic services. “That way, you can just fit this



Source: Celent LLP

isn’t always easy. “The customers don’t always understand its value,” he says, noting that the bank uses a mix of marketing and word-of-mouth advertising to spread the news. “Whereas businesses demand credit card machines, many of them aren’t even aware of remote deposit capture and don’t know that it can add efficiency and value.”

By the Numbers

According to a recent Celent study, in the two years since Check 21 went into effect, nearly one-third of all U.S. banks have adopted remote deposit capture, branch capture solutions or both. More than 2,900 financial institutions have imple-

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in as another product,” says Mallahan, who was charged with the task and wound up involving about 90 managers and employees in the implementation only to find out that half of them were unnecessary. “Once we figured out that I would take the reigns and supplemented that with someone to handle the day-to-day system support, we were fine.”

Now Bank of Whitman is working fervently to get the word out about its year-old remote deposit capture offerings—something that Mallahan says

mented (or are implementing) remote deposit capture through March 2007, corresponding to some 112,000 scanners.

Celent expects more than 4,000 institutions will have solutions deploying nearly a quarter of a million devices by year end 2007. Meara sees declining check volume, the emergence of image exchange, high unit costs for paper processing, increased transportation costs and competitive pressures as the key drivers of the high rate of remote deposit capture adoption.

“Whereas a year ago there were some pretty stark differences among solution providers and the solutions themselves, they’re now becoming more similar in terms of the basic levels of functionality,” says Meara, who advises community banks to examine how many other institutions their size have invested in a particular vendor’s solution. Take Carreker Corp.’s offering, for example. Geared to serve large institutions, the products “could be more difficult and require more time and support for a smaller institution to implement,” says Meara.

Goldleaf Financial, on the other hand, offers a system that’s tailored to meet the particular needs of community banks. Other key points to consider include the way in which the remote deposit capture system will integrate with the bank’s core system, item processing and online banking solutions. Meta-vante, for example, offers a bundled online banking and imaging platform, making integration of the two more feasible than using a third-party provider.

Charles Potts, senior vice president of business development at Goldleaf Financial, says community banks have a leg up on their larger competitors when it comes to remote deposit capture. That’s because there’s less red tape to cut through to get the solutions purchased and implemented, he says. The returns may also come more quickly than they would for a larger institution.

Shanon McLachlan, vice president of bank core systems and item processing at Harland Financial Solutions in Lake Mary, Fla., says she expects to see remote deposit capture continue to evolve toward serving more diverse uses than just allowing for deposits. “What if a customer wants to make loan payments?” she says. “It’s something that people are going to want, and it will lead to more innovation in the marketplace.” **ib**

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