

MARKET INSIGHT REPORT

Community Banks Benefit from a Solution Complementary to RDC

Help move paper depositors to electronic

As many maintain, Remote Deposit Capture (RDC) was originally deployed as a customer retention product following Check 21 legislation being signed into law. In 2004-2005 banks offered RDC although the infrastructure and image-clearing network necessary to clear checks electronically was, at best, in its infancy. What is not up for argument is that the bridge solution for this gap – printing nearly all items as Image Replacement Documents (IRDs) to continue and complete the clearing process – was painful. The practice was overall wasteful in process, time and especially cost, but was competitively necessary as all of the larger banks began offering this revolutionary deposit enhancement to retain, and if possible, grow market share.

A new technology solution is available that can assist community banks in transitioning their paper depositors to electronic. It is also a win for the customers who have yet to realize typical advantages of electronic deposit.

Ironically, the situation has flipped as financial institutions (FIs) now have the enhanced infrastructure and image-clearing networks necessary to clear all but a few specific item types electronically. But although remote deposit capture has been around for nearly eight years, many customers remain hesitant to convert, leaving untapped capacity and significant potential for growth.

To complicate matters further, FIs cannot continue to accommodate their large paper-based depositors as they have in the past. The paper-based clearing mechanisms the industry developed over decades continue to be dismantled. Much like the Federal Reserve Bank, scores of banks are closing their large centralized item-processing centers as they deploy more distributed capture models. All of this creates a sort of disconnect between the commercial paper-based depositor and the bank that would prefer to maintain the relationship without having to push commercial deposits into their retail branch network.

So why hasn't RDC been more widely adopted, given the infrastructure is now in place? Why do clients continue to bring paper deposits to the bank when electronic deposits are quicker and more cost effective?

One of the challenges to adoption includes the limitations of check-scanning equipment in terms of sacrificing speed for quality or vice versa. The check scanners offered in the past have been slow and cumbersome – unable to handle large check volumes. While the software applications have evolved, the scanning technology has not stayed on pace. In many situations, checks simply are not available until later in the day, and even though RDC deposit deadlines are often extended past traditional paper deadlines, there still is not enough time to make same-day cutoffs.

However, a new complementary technology solution is available that can assist community banks in transitioning their paper depositors to electronic. This solution is a win for the customers who have yet to realize typical advantages of electronic deposit, such as extended deadlines, lower price points and potential transportation savings, without jeopardizing their process. The solution also helps the bank – allowing them to comfortably continue the migration from their legacy paper-based systems to the more efficient processes.

Scanning and imaging 400 documents per minute makes electronic deposit processing viable for any business.

Commercial image cash letter (ICL) deposits – a complement to RDC

In an effort to address these gaps, more and more community banks are expanding their acceptance of commercial ICL deposits. It is a way for them to compete with larger banks by offering the same deposit options. Unfortunately, until now the only way for their commercial clients to effectively produce ICL deposits was with larger, more expensive item-processing equipment or with slower low-volume check scanners paired with separate software packages not ideally suited for use by retailers, merchants or other commercial clients.

The benefits of ICL deposits: Improving operational efficiency and customer satisfaction

By embracing ICL deposits as a complement to RDC, FIs have another solution to increase customer retention while expanding deposit growth potential. RDC-resistant clients will be interested in this alternative, as it offers a more streamlined process and does not sacrifice quality for speed. Furthermore, one particular solution has the ability to process both checks and currency, creating an ideal solution for retailers and other businesses that accept both forms of payment. Community banks benefit in two ways: (1) a new, high-speed end-to-end electronic treasury solution for their clients, and (2) the community bank is able to offer a service to customers that many larger banks do not, creating a

competitive advantage. It's a huge win-win. In order to maintain and grow the base of commercial deposit clients, community banks need to offer an alternative to RDC that satisfies more of their clients' needs. Recent technology breakthroughs make these services more affordable and practical and feature solutions that scan and image deposit items at 400 documents per minute, making the move to electronic deposit processing viable for even the most check-intensive businesses. This same solution creates and sends the ICL deposit to their bank, simplifying the effort for both parties. It can also process currency at 1,600 bills per minute, providing a true multi-purpose solution for retailers.

A premier partner offers banks speed-to-value

Community banks exploring ICL deposit technology options should look to a proven leader with whom to partner for delivering a complementary solution to current RDC offerings. Look for a simple and intuitive ICL solution that is easy to install and can start generating a positive impact on all fronts. An experienced partner will assist in the implementation process by installing the hardware and software for proper testing without taxing internal resources. By offering this alternative, community banks now have a turn-key solution for clients that have been resistant to electronic processing. Commercial ICL deposits are the next wave of innovation that can help community banks operate and compete even more effectively in a market where clients may feel such services are offered only by larger banks.

A game-changing solution

The JetScan iFX® with Deposit Balancing Manager (DBM) from Cummins Allison is a streamlined, cost-effective and user-friendly client-facing solution designed specifically to address this space. Not only is it capable of imaging large volumes of checks, but also counting down individual till drawers to balance to a point of sale (POS) system. Key to the DBM deposit preparation process is scanning the items once and letting the JetScan iFX with DBM – with its industry leading CAR/LAR engine – do the heavy lifting. The user makes any necessary corrections, creates an ICL, transmits the file and goes home.

The JetScan iFX with Deposit Balancing Manager has made it easier than ever to process checks quickly and send deposits electronically via ICL. Contact us today to find out more information about how this revolutionary solution complements RDC.

For more information visit cumminsallison.com/checks



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CA holds more than 350 U.S. patents and invests double the industry average in R&D. Our world-class sales and service network includes hundreds of local representatives in more than 50 offices in North America, 4 wholly-owned subsidiaries in Europe and is represented in more than 70 countries around the world.