DEPOSIT AUTOMATION: BENEFITS WITHOUT THE HASSLE

Check Clearing for the 21st Century Act paves way for deposit automation

When the Check Clearing for the 21st Century Act (Check 21) became effective in 2004, it opened the door to innovative deposit processing. The legislation allows image replacement documents created from check images to carry the same standing as original paper checks, so deposits no longer need to physically be made at financial institutions (FIs), and all deposits can be handled more efficiently. Checks can be scanned and processed electronically, allowing checks to clear faster and reduce deposit-based fraud.

Since Check 21 took effect, deposit automation continues to advance on various levels. In the beginning, many deposit automation initiatives focused on back room processes or deposits performed in branches. Now, deposit automation-enabled ATMs can accept cash as well as single or multiple check deposits without the need for an envelope. Deposits can be sent electronically and received and processed from virtually anywhere. In fact, some technologies are already capturing check images at home or through mobile devices, such as cellular phones. According to a recent Retail Banking Research (RBR) study, deposit automation is one of the fastest growing new banking technologies because it offers the multiple conveniences and advanced functionality consumers want. RBR reported that the number of deposit-automated ATMs across 26 countries has more than quadrupled since 2003 to more than 96,000 at the end of 2007. The study predicts market demand will continue to grow to as many as 670,000 deposit-automated units deployed by 2018.

Deposit automation offers many benefits for FIs

A positive return on investment (ROI) is just one example of how FIs benefit with deposit automation. A 2009 TowerGroup study showed a check deposit made at a remote or on-premise ATM using an envelope could cost the FI as much as $1.82 per transaction to
Components of complete deposit automation solution:

- Appropriate check imaging hardware and software for all capture points.
- Check imaging and cash accepting hardware and software at the ATM
- Software that provides on-screen assistance during the ATM transaction
- Item-processing software that collects the data and the image of the deposited check and transmits the information to a central site where the check clearing process can begin.
- Education for both FI staff and consumers.

Migration of transactions from teller to self-service

Deposit automation allows the migration of transactions from teller to self-service. With fewer people in the branch, tellers have greater freedom to strengthen customer relationships. Counting cash and processing transactions are no longer the focal point of the teller job. Instead, tellers can fulfill other functions, such as spend more time with customers and promote higher-value products and services.

Reduction in fraud

Additionally, deposit automation reduces, and in some instances, eliminates various types of fraud. Empty envelope fraud at the ATM is eliminated since envelopes are no longer used. Fraud perpetrated by writing checks on closed accounts and check kiting can be identified and stopped or resolved more quickly.

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**Consumers are using and adopting deposit automation**

Studies have shown deposit automation increases transactions and deposit activity even by consumers who do not traditionally make ATM deposits. Some financial institutions have increased transaction activity up to 50% in the first 6 months of adopting deposit automation. Consumer confidence grows with the option to receive a detailed, itemized receipt showing a cash breakdown or an image or images of the check(s) deposited during the transaction. Consumers find the deposit automation terminals to be fast and easy to use, providing a positive customer experience.

Deposit Automation provides a competitive advantage for FIs by offering convenience for consumers. The functionality reduces their time spent standing in lines and provides greater flexibility with banking services available 24/7. Many FIs make funds available more quickly when cash is deposited at an ATM because the ATM confirms the value of the cash at the time of deposit, eliminating the need to put a hold on the funds.

**Making the leap to deposit automation**

When considering the benefits of deposit automation, it is important for FIs to look at a comprehensive approach. Some FIs have chosen to introduce deposit automation only for the channels that handle either the fewest or the most deposits. However, FIs would be better-suited with a more integrated approach including not only remote deposit capture, but also check imaging at their entire fleet of ATMs and at their branches. This holistic approach will ensure a positive result for the customer, who will ultimately receive a more consistent experience.

So what does it take to make the leap to deposit >>
automation? First and foremost, FIs should take into consideration that deposit automation technology involves all check acceptance points. Instead of choosing one channel to implement, FIs should put an integrated solution in place. An integrated solution can include everything from remote deposit capture to check imaging at the ATM and teller. This approach will offer consumers consistency and elevate the confidence in their banking experiences.

Components of a complete deposit automation solution include:

- Appropriate check imaging hardware and software for all capture points.
- Check imaging and cash accepting hardware and software at the ATM, which will accept cash as well as checks, all inserted without an envelope. Through superior imaging, and character recognition, the check should be printed on the receipt along with the transaction details.
- Software that provides on-screen assistance during the ATM transaction. Robust, descriptive transaction screens are critical.
- Item-processing software that collects the data and the image of the deposited check and transmits the information to a central site where the check clearing process can begin.
- Education for both FI staff and consumers. A critical step for consumer adoption is first preparing and training FI employees. These are the individuals who will interface directly with the consumer regarding this new functionality. Branch staff should first be trained on how to use the cash and check deposit modules through a “hands on” program at the branch. Once they are comfortable with deposit automation, they can effectively help consumers. The FI’s goal for consumer education is to convey and reinforce the message that Deposit Automation delivers the same branded and interactive experience as a teller interaction – with a higher level of convenience and flexibility. Educating your consumer about the benefits of Deposit Automation helps to create awareness, interest and trial use.

Integrating all of these components can be a challenge. Choosing a single provider with an intimate knowledge of deposit automation, from the physical components to implementation best-practices enables a bank to take full advantage of these technologies in the most cost-effective and efficient way possible. When all the pieces are brought together in a seamless operation, FIs have the advantage of reduced operating costs and increased customer satisfaction.