



LEADING OFF

ATMs: Pushing the Envelope, Straight into the Dustbin

Wells Fargo and Bank of America are among the banks slowly deploying technology that allows for envelope-free cash deposits, a move that could shorten lines at branches.

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By John Adams

The prevailing wisdom is that bank customers use ATMs to take money out of their accounts, but not so much to put money back in. But some banks are trying to reverse that by using image-capture to allow customers to make deposits at ATMs without envelopes.

"When you're using an ATM, you don't know the condition of the envelope you're using to make a deposit. You just put it in the ATM and hope the money will arrive in your account a few days later," says Alan Walsh, vp of banking for Wincorp Nixdorf, which has deployed a handful of "paperless deposit" ATMs at Wells Fargo.

Wells Fargo has deployed about 700 image-enabled ATMs that are capable of accepting envelope-less deposits. Bank of America has deployed about 1,500 Diebold-developed paperless deposit ATMs.

Walsh says his firm has signed a contract and/or is planning pilot rollouts with about eight of the largest 20 banks. He hopes that as banks expand their deployment of imaging across departments and lines of business, external channels such as the ATM will get a look.

"Since Check 21 became law, banks have been spending time getting their back-end processors in place, and now they're looking to take advantage of Check 21 on the front end, and how the technology can provide a unique experience for customers," Walsh says.

The ATMs work by allowing users to place checks or cash directly into ATMs, which either count the cash or deposit the check to the user's account. The only paper involved is a receipt which the user can use to check the accuracy of the deposit.

It's a far cry from the common practice in which the ATM collects deposits over a period of time (usually a day), which are then collected by the bank and tallied at a later time. There's a growing concern of fraud inherent in that system-the "empty envelope" trick-not to mention the expense.

By most accounts, a deposit made without envelopes cost about a dollar less than a manual envelope ATM deposit. Tower says it costs about \$1.60 to process an envelop deposit, while the processing cost for an envelope-less ATM deposit is about 50 cents. Wincorp Nixdorf's Walsh puts those two costs at about \$1.40 and 40 cents, respectively.

Other savings come from the elimination of the sorting of check and cash deposits at a bank's processing center, since the counting is done electronically at the ATM and the information is transmitted automatically to the processing center.

While image-enabled ATMs cost about \$10,000 more than traditional ATMs, the thinking is that cost would be offset by the loss of envelope expense and increased use once consumers catch on to the

convenience.

Madhavi Mantha, a senior analyst at Celent, says there are a number of reasons that consumers would want to use ATMs for deposits once the inconvenience and accuracy issues of envelopes go away.

Mantha predicts user adoption will be slower at first because most people aren't accustomed to making deposits at the ATM. But much like Internet banking, adoption should increase once people catch on to the ease of use.

"One incentive that's associated with imaging at the ATM is that you don't have to wait until the end of the day for the envelope to be opened up and counted," Mantha says. "The cutoff for deposits can be later in the day, since the data behind the deposit is being captured in a non-manual fashion."

Mantha says image-enabled ATMs are still relatively new, with about 3,000 total market deployments out of about 200,000 bank-owned ATMs that are deployed in the U.S. They've been in the works for some time, however. Pilots at major banks have been going since at least 2002 and the technology itself got press as long ago as 1995.

Most of the deployments in the last year or so have come from BofA and Wells. There also have been a handful of smaller financial institutions and community banks that have deployed the advanced machines.

"The hurdles to cross for a smaller institution aren't as large as for a large bank," she says. "These smaller institutions don't have as large an ATM network, and when they reach the replacement cycle of their smaller ATM footprints, they are simply replacing them."

And for the banks, there's the opportunity to make ATM deposits more user friendly, and as a result more transactions will be moved away from the teller line. "And there's less handling of checks at the cash machine. If you are imaging the checks, you are able to save on transportation costs and check runs." (c) 2007 Bank Technology News and SourceMedia, Inc. All Rights Reserved. <http://www.banktechnews.com>
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