

# Making Remote Check Deposit Real

**The technology to deposit checks remotely is here. Small banks gain convenience—and a way to compete with their larger counterparts**

by Diana Holden, August 20, 2008

For Alise Sims, controller at All Crane Rental of Georgia the daily dash to the bank to deposit checks from customers represented a big interruption in her workday: Fighting traffic to the bank branch, itemizing the deposit slips, and waiting in line for a teller cost her an hour of lost productivity. One bank even required its business customers to wait for a special teller—even when other tellers were available. “That was very frustrating,” says Sims.

But when All Crane’s current bank, Atlanta-based Georgian Bank, began offering a “remote deposit” service in 2005, Sims was spared those daily drives. Now she just inserts the checks mailed from companies renting All Crane’s heavy construction equipment into a device the size of a brick. The device scans each check and records the deposits within seconds, leaving Sims with more time for her other duties. “I feel like I have more control now,” she says.

## **Negates a Big-Bank Advantage**

Georgian Bank is one of a growing number of institutions offering customers the ability to deposit checks from the comfort of their home or office. According to Harland Financial Solutions, a supplier of bank technology, one-third of banks now offer the service or are evaluating it, and Harland expects many of the remaining banks to convert in coming years. Remote deposit is “on par with ATM adoption back in the ‘70s,” says Bill Zayas, a senior vice-president at the Lake Mary (Fla.)-based company.

And while most of the nation’s largest banks, including Bank of America (BAC) and Wachovia (WB), now offer the service, it’s a game-changer for smaller institutions like Georgian, since it helps negate the advantage big banks have had with their vast branch networks. “Now our closest bank can be on your desk,” says Danny Jett, executive vice-president of operations, technology, and administration for \$2 billion Georgian Bank.

While Jett envisions a point when the service is offered more widely to consumers, some analysts question whether banks will truly invest at a time when the number of checks written decreases each year and new technologies like cell-phone banking are taking off. “(Banks) may want to consider, ‘Do we want to encourage them to deposit checks at all?’” asks Stessa Cohen, a banking industry analyst at Gartner Consulting in Stamford, Conn.

What’s more, Cohen notes while it’s easy for banks to support remote-deposit services for relatively small numbers of businesses, it’s another thing to manage the activities of millions of consumers—where fraud would be more of an issue. “The bank has an even higher burden around fraud detection,” she says. Jett adds, “It would be incorrect to say that there is no potential for fraud. . . . Our responsibility, and I think we meet that, is to be sure that we stay abreast of the security protocols and the security activities that will make the transactions as secure as absolutely possible.”

## **Special Imaging**

To make a remote deposit, business customers log into their account online and then use a bank-provided scanner to read the check. The bank’s program captures the dollar value of the check—using hand-writing analysis software to compare the number to the amount that’s spelled

out. At the end of the transaction, it asks the user to verify the amount, and then completes the transaction. While many banks will only give customers credit that night for deposits made before 2 p.m., Georgian Banks extends the cutoff to 6 p.m. for customers making remote deposits.

The service may sound simple, but it wasn't possible until 2003, when Congress enacted a law allowing banks to use check images as legal substitutes for the real thing when processing deposits and payments. That means when Alise Sims inserts each check into the special reader, the software captures the image and transfers it to Georgian Bank—immediately rendering the physical check worthless.

Banks are also using this "imaging" technology to reinvent ATMs as well. Germany-based Wincor Nixdorf developed an ATM that allows users to deposit checks without an envelope, and the machine reads the check amounts and does the arithmetic. Customers verify the total deposit, receive a receipt with images of each check—as well as immediate credit in their account. "The fact is, society is changing, and now financial institutions want to make that change," says Alan Walsh, vice-president of banking at Wincor Nixdorf USA.

As banks scramble to keep up with these changes, they are disregarding the naysayers. Danne Buchanan, CEO of remote deposit provider NetDeposit, based in Salt Lake City, says that banks cannot afford to be left behind in this trend. "I think it would be a foolish mistake to bypass this opportunity," he says. "Checks at the corporate level are going to be around for years and years and years."