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## Forget deposit envelopes

### **Banks say newest wrinkle in ATMs will save money and cut down fraud.**

**By Clint Swett - Bee Staff Writer**

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When Julie Fray strolled up to make a deposit at a Wells Fargo ATM in midtown Sacramento last week, she didn't bother stuffing the checks into an envelope, nor did she have to punch the deposit amount into a keyboard.

Instead, the owner of Urban Fitness on J Street fed her checks into a slot and a few seconds later snatched a receipt that included the deposit total plus mini-reproductions of each check.

Had she so desired, she could have shoved a fistful of currency into the same slot, and the receipt would have included a breakdown of whatever denomination bills she deposited.

Such is the newest wrinkle in ATMs -- envelope-free deposits.

These units, experts say, cost 30 percent more than the typical \$20,000 to \$30,000 cost of a standard ATM. But they save banks money on each transaction, help reduce fraud, give consumers a more comprehensive record of their deposits, and eliminate the irritation of walking up to an ATM and finding no envelopes.

Wells Fargo has already deployed 134 such ATMs in the Sacramento area, and Bank of America plans its rollout of them here in 2008.

"I really like it," said Fray, who's been using the service for about a month. "I like the fact there are pictures of the checks on the receipts. It helps us keep track of clients that have paid."

For banks, benefits are even greater, said Jerry Silva, a senior researcher at TowerGroup Inc., a Boston-area research firm.

He said an ATM deposit in an envelope typically costs a bank \$1.60 to process, about 10 cents more than if the customer uses a teller. Envelope-free systems whittle that tab to 50 cents per transaction. And with an estimated 2.1 billion ATM deposits in 2006, that adds up to serious savings.

Much of the cost comes from handling all the envelopes, Silva said. Because each envelope could potentially contain cash, all of them are picked up by armored car at the end of each business day and taken to a secure central facility, where they are opened and the amounts

counted and recorded. All envelope deposits are monitored by at least two employees, from the time they're pulled by tellers at the ATM to when they're counted at the facility.

In an envelope-free system, the cash is immediately counted by the machine and credited to the customer as soon as the deposit is made. Scans of the checks can be electronically transmitted from the ATM to the bank's processing center and then to the issuing banks, eliminating another sorting chore.

That could cut the number of armored car trips per branch to just one a week, said Jonathan Velline, Wells Fargo's head of ATM banking. It also reduces the amount of time employees need to monitor the cash.

"It's a much better use of their time to have them in front of customers than behind a machine," he said.

The quick processing of checks and cash also means Wells and BofA will credit the deposits as late as 8 p.m., rather than the standard 6 p.m. cutoff.

There are other benefits, Velline said. A customer -- inadvertently or not -- might punch in a \$500 deposit for a check, then access \$100 in cash from that deposit but leave the envelope empty. "It's very limited and rare," he said. "But it goes away with the ATM being able to see the check."

The advanced units could encourage people who have been wary of depositing their checks and cash into the maw of a machine to use ATMs, said Leon Majors, president of consulting firm Phoenix ESP Payments Research Group in Salisbury, Md. "About 33 percent of the people in our focus groups say they would be willing to use ATMs for deposits if they could see a check image on their receipt."

Such figures are compelling enough that 40 percent of banks and credit unions with assets of more than \$4 billion plan to upgrade to the new ATMs, according to Phoenix ESP.

The new ATMs use technology that can easily count currency while rejecting slips of paper or bogus bills.

But it's the character recognition for checks that makes the new ATMs especially effective.

Wincor Nixdorf, a German company with U.S. operations based in Austin, Texas, makes the ATMs used by Wells Fargo. Alan Walsh, the company's vice president for banking, said as many as 30 checks can be inserted into his machines at once, but they must go in face up.

A scanner reads the banking code, as well as the check amount, and then displays the image of the check on a screen. If it misreads the amount, the customer can punch in the correct amount on the ATM's keypad or request that the check be returned.

But that rarely happens, said Well Fargo's Velline, who put the accuracy rate of the check reading in the high 90 percent range.

Diebold Inc., which is supplying some envelope-free ATMs to Bank of America, has a system requiring users to feed the checks in one at a time rather than in batches. But Mike Shirk, director of Diebold's deposit automation business development, said the company is working on a batch model as well.

Shirk said his company has installed about 2,500 of the no-envelope ATMs worldwide and claims an accuracy rate in the high 90 percent range for reading checks.

Though it won't start rolling out its envelope-free units in the Sacramento area until next year, Bank of America has high hopes for the technology, said Kirk Lindsey, BofA's ATM executive. The company expects such consumer acceptance that it plans to convert all 12,000 of its deposit-accepting ATMs to envelope-free ones in the next several years.

"It doesn't matter how much we save if the customer won't use it," he said.

And that could be a hurdle for banks to negotiate. Customers could be put off by the idea of inserting cash or checks into a machine without an envelope. "It's a bit counter-intuitive from the standpoint of handing over a stack of checks and handful of cash," said Greg McBride, a senior financial analyst at Bankrate.com in Florida. "But it's a convenience that some customers will ultimately embrace."

Indeed, in her initial encounter with the envelope-free machine, Fray was a bit disconcerted. "When I first tried it, I didn't realize it would count my checks ... and I was a little hesitant because I was used to having an envelope," she said. But now, she said, if she had to go back to the old way, "I would be sad."

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