

Bank ATMs offering envelope-free deposits

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Major U.S. banks are rolling out a new breed of automated teller machines that scan checks and cash, thereby eliminating the need for envelopes, reducing the cost to banks, and providing customers with receipts verifying the deposited amount.

Vendors making such machines include Diebold, NCR, and Wincor Nixdorf, with the latter offering an ATM that can process a stack of as many as 50 checks at one time. Such a feature is targeted at small business depositors.

The movement toward the new ATMs started after Congress passed the Check 21 act in October 2003. The law makes it legal for banks to process checks based on an electronic image. As a result, a check scanned through an ATM can be processed immediately. From a technology standpoint, a bank could quickly process a third-party check and give customers immediate access to the funds. That, however, is expected to be rare, since banks are unlikely to buy the needed technology right away.

Nevertheless, all the biggest banks in the United States are somewhere in the process of deploying scanner-equipped ATMs, with Bank of America, Chase, and Wells Fargo actually having some machines on the street, Jerry Silva, research director for the TowerGroup, told InformationWeek Wednesday. "All the top-tier banks are beyond looking at the technology, and are rolling it out," Silva said. "The wave of implementations of these machines is going to get bigger this year and next."

Banks have embraced the new technology because of the reduction in costs of handling ATM deposits. All ATM-deposited envelopes

are opened by hand at banks. Because cash is involved, some banks use two employees in the process. At remote locations, armored-car companies pick up deposits daily.

As a result, the processing cost per deposit is \$1.60, which is 20 cents more than if the customer had deposited the check or cash with a teller. Banks reap most of their cost savings on ATMs through withdrawals, which comprise 60% of all ATM transactions, according to the TowerGroup. Deposits make up 15%.

By eliminating the envelopes, banks can start processing deposited checks immediately, so the originals can stay in the machines as long as a week, Silva said. Therefore, pickups from ATMs not at the bank facility can occur less often than once a day. Because the ATMs turn the deposits into electronic transactions, the processing cost is reduced to about 50 cents per deposit.

For the consumer, the benefits include a receipt that actually verifies the amount of the deposit, and includes an image of each check. Receipts given for envelope deposits only reflect that a deposit has been made for the amount typed in by the depositor. There's no actual verification of the transaction, which means there could be a discrepancy.

Indeed, while banks don't release numbers, it's common for them to receive envelopes with no check or cash, and to receive checks with amounts different from what the depositor typed into the system, Silva said. Such transactions delay processing, and require added expense to the bank and inconvenience for the customer.

Along with the benefits, there are some drawbacks to the new ATMs. The biggest hurdle is teaching customers to use them. Each machine requires that checks and cash be inserted in a particular way to be properly read by the scanner. In addition, customers have to get used to not using envelopes. Wells Fargo, among the first to use the machines, reported that some customers got confused because they couldn't find an envelope, Silva said.

So, expect to see the new breed of ATMs soon, and don't look for the envelope.