

From Your Desktop to the Fed

Remote deposit product equalizes large and small business banking

By Maureen Sanders

We all remember about 25 years ago when ATMs were introduced to bank customers across the country. With this wonderful automated invention, bank branches were no longer going to be needed because customers could get money or make deposits at any time of the day from just about anywhere. Then along came the debit feature of the ATM card about 10 years later, and checks were no longer going to be used.

Well, banks are still building branches and consumers are still writing checks. But little did we know these electronic advances in banking would be the start of something bigger to come in the 21st century: remote deposit.

With the passing of the Check 21 Act in 2004, the banking industry was given the challenging task of figuring out how to electronically send check images through the Federal Reserve System (the "Fed") for collection, thus creating a paperless highway for check presentation. Today, by utilizing the Internet and a check scanner, a business can take advantage of remote deposit, the new product that creates this paperless highway.

Remote deposit allows you to convert paper checks into electronic images that have the same legal standing as physical checks, all from your desktop PC with Internet access. Because the checks are electronic documents, scanned checks can be deposited online, enabling funds to move more quickly from the check originator's account to that of the depositor. In addition, remote deposit gives small businesses the same cash management tools as

large businesses. Whether you are a small mom-and-pop business or a Fortune 500 company, you can enjoy many benefits.

The Benefits of Remote Deposit

Saves time and money. Business customers have the ability to make deposits throughout the day without leaving the office to go to the bank or hiring a courier service.

Consolidates your banking. Perhaps you have multiple locations across town or across the country; you can maintain a primary banking relationship resulting in centralized account management and maintenance.

Improves cash flow. Checks can be deposited immediately rather than waiting for the next trip to the bank, often increasing the availability of funds.

Streamlines record keeping. The original check can be filed as a paper receipt and a back-up electronic image can be stored at the bank for future research as needed. Export capabilities also assist with record keeping.

Improves management control. You or your supervisors can review deposit images, even requiring approval before submitting deposits scanned by administrative staff. User entitlements within the remote deposit product provide this enhanced security feature.

Serves as a disaster recovery tool. With the detailed reporting feature, remote deposit can even help you reconstruct your account receivable files, if need be. In addition, since you can connect to your remote deposit product through the Internet, you could be at your

disaster recovery site and still access the information you need.

Even though remote deposit is fairly new, estimates show that within 18 to 24 months most banks will offer the product. Therefore, it is important to evaluate the different features offered, and know the right questions to ask about the product.

Questions to Ask

What type of equipment does the system use? More than half a dozen companies are selling check scanners, which can range in price from \$400 to \$2,000. The greater check volume your business has, the more important it is to invest in a scanner that can scan as many as 100 checks per minute. Most remote deposit systems require that your desktop PC has Internet capability.

When is a deposit available? Ask your bank when your electronic deposit will be credited to your account and if there is a daily cut-off time.

Do you provide export capabilities? Make sure that the product you are using has the ability to create a PDF file for exporting information to assist with your record keeping.

How long are images retained? Some remote deposit products allow for longer retention of items than others, ranging anywhere from 30 to 90 days. It is important to know how long the detailed information will be retained for you to access.

How does the system balance deposits? Knowing how your system will balance deposits is crucial. The product should count the number of items and dollar amounts and balance back to your



deposit amount. It should search for duplicate check submissions as well.

Does the system allow for MICR modification? Magnetic Ink Character Recognition, or “MICR,” refers to the codes found on the bottom of checks and deposit slips that allow a machine to scan information about the documents. It’s important to know that not all remote deposit products offer MICR modification, which is an important feature. If a check is not able to be scanned for whatever reason, MICR modification allows you to manually input the amount and routing number so the check can be processed with the other checks in the deposit. Otherwise, you would have to take the rejected check to the bank to make a regular deposit.

Does the system check and compare CAR/LAR amounts? Character amount recognition (CAR) and legal amount recognition (LAR) retrieval are not available through all remote deposit products. The product should check the CAR (the numeric dollar amount written on the check) and the LAR (the legal amount, or the “spelled-out” dollar amount written on the check) making sure that the amounts are equal. If these two amounts do not equal, the product should write the check to

an exception report where the user can correct it before the deposit is transmitted.

As with any business decision, evaluating the pros and cons of a new product such as remote deposit is important. In less than five years (projections estimate 2010), business-to-business electronic payments are expected to rise to 58 percent of the total payment

volume. The business integration cycle into e-commerce is getting shorter by the day.

Checks will still be a part of life in the years to come but these changes in the check processing system are one part of the larger movement from paper to electronic transactions. Now is the time to get on that electronic highway whether you are a small or large business. Don’t let your competition pass you by. **N**

Maureen Sanders is vice president and branch manager of Encore Bank’s Highland Village private client office. Encore Bank is a full-service bank with ten private client offices in Houston and five in southwest Florida. Headquartered in Houston and with \$1.3 billion in assets, Encore Bank builds relationships with professional firms, privately-owned businesses and their owners, corporate executives, affluent individuals and investors. Maureen can be reached at msanders@encorebank.com.