Remote Deposit Capture: A Decade in the Making

A RETROSPECTIVE LOOK INTO THE EVOLUTION OF THE RDC INDUSTRY AND A GLIMPSE INTO THE FUTURE.
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A Decade On, RDC is Mainstream

By John Leekley, Founder & CEO, RemoteDepositCapture.com

It’s been 10 years since the Check 21 Act took effect; and what a decade it has been. By eliminating the final legal impediments to widespread adoption of check image exchange, the Check 21 Act has triggered a near avalanche of changes in banking. Gone are the expensive (and extensive) transportation networks that banks used to shuttle checks between each other, replaced by equally extensive image exchange networks. Gone are bank lobbies teeming with customers cashing and depositing checks, replaced by remote deposit capture products and services.

The Federal Reserve estimates that 17% of checks paid in 2012 entered depositary banks as electronic images sent using mobile phone cameras or other remote capture devices. The vast majority of checks deposited as images (93%) came from business customers, which points to significant opportunities from driving consumer adoption of RDC. The consultancy Celent is calling for continued sales of RDC scanners to commercial customers over the next 3 years, “but the real growth will be with mobile RDC,” it said in a recent report, State of Remote Deposit Capture: All About Mobile.

2013 Was an Amazing Year

RDC is the coolest thing to happen in banking in.....well, a very long time. And by all measures, 2013 was an amazing year for RDC. It was a year marked by rapid customer adoption of mobile RDC, including innovative new applications like mobile prepaid card top-ups and mobile photo bill pay. It was also a year of evolving vendor solutions – with additional functionality for supporting enhanced data and risk management capabilities, as well as multiple document, data and payment types. RDC as a payments platform is no longer just a notion, but fast becoming reality.

With just about every financial institution having adopted (or preparing to implement) RDC strategies, the business of RDC has demonstrated a maturity of focus that includes enhanced market specialization and systems integrations. Further evidencing this maturity more FIs have started charging for RDC offerings, especially for value-added offerings like expedited funds availability.

There’s a downside to all this, of course, and that’s risk. Duplicate presentments are the most obvious risk in RDC, and FIs as well as solutions providers have been devoting significant resources to contain the problem.

Optimism Abounds

With the momentum of the past 10 years behind it, RDC is poised to make significant inroads going forward, and will eventually become “the operating system for payments.”

Mobile RDC will continue to prod adoption, and not just with consumers. More businesses will adopt mobile, also, as various channels (mobile, desktop, etc.) get consolidated and monitored with enhanced data-capture and input capabilities. Global adoption will continue, with initiatives now underway in Canada, Brazil, India, Mexico and the United Kingdom, and under consideration in several other
Remote Deposit Capture: A Decade in the Making

countries. And in tandem with all this, the business case for RDC will continue to benefit from better understanding its value to individual enterprises, FIs and corporate customers alike.

At RemoteDepositCapture.com we take pride in being the leading independent resource and platform for RDC information and services. What follows is a look back at the Top 10 articles published by RemoteDepositCapture.com as well as insightful articles of what the future holds. Our role as the leading independent RDC resource and platform would not have been possible, however, without the active participation of industry experts, solutions providers and users in the field, online and at the annual RDC Summit. In recognition of this, we solicited input for this report from current and long-time supporters of RemoteDepositCapture.com: RDM Corporation, Fiserv, Digital Check Corporation, WAUSAU Financial Systems, Panini, Cachet Financial Solutions and Burroughs, Inc. Read on to learn first-hand what these experts have to say about Remote Deposit Capture: A Decade in the Making.

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Pinpointing the Next Wave of Growth for Remote Deposit Capture

By Harry Rose, VP of Sales, RDM Corporation

Soon after the passage of the Check 21 legislation in 2004, remote deposit capture (RDC) began a growth curve that resulted in the technology becoming one of the most quickly adopted banking products of all time. Within five years of the introduction of RDC, Celent estimates that 7,000 U.S. financial institutions had acquired the technology, and there now over one million check scanners deployed in the market.

RDC is positioned to experience its next wave of growth, fueled by the adoption of mobile RDC. Through 2013, barely 10% of U.S. financial institutions offered mRDC to consumers, according to Celent. With the increasing preference to use mobile banking, a customer’s willingness to switch financial institutions in order to receive this service is making mRDC a competitive necessity.

The increased attention and focus on RDC risk and compliance will play a big role in the growth of mRDC. Risk and compliance have dominated the RDC agenda at many financial institutions ever since the Federal Financial Institutions Examination Council (FFIEC) published its guidance in 2009. Banks have been overly cautious and hesitant to enter the mobile RDC arena due to inconsistent interpretation of FFIEC guidance by regulators and auditors. Other institutions have complied with the FFIEC guidance by manually reviewing remotely deposited transactions, or maintaining spreadsheets to review transactions. While workarounds such as visually inspecting RDC transactions may have met the requirements of the FFIEC guidance, they were impractical for mobile RDC applications. Consequently, many financial institutions delayed or suspended their mRDC initiatives, in spite of customer demand.

New geo-location capabilities in some risk monitoring solutions are poised to further mitigate RDC risks, while accelerating mRDC growth. Geo-location functionality uses mobile GPS technology to obtain the location of a user based on GPS coordinates. Depositors then can be authenticated by comparing their GPS coordinates to the location of their IP address.

The confidence level in determining a depositor’s location can be adjusted, ranging from “coarse,” which provides the general proximity of a user’s location based on cell tower triangulation, to “fine preferred,” which tries to obtain an exact location based on GPS coordinates, to “fine required,” which denies access if a depositor’s GPS coordinates cannot be obtained from the mobile device.

With geo-location technology, financial institutions can automatically track, monitor, and manage mobile user access, and block a particular user’s access to the mobile RDC application, if necessary. Geo-location access can also track, monitor and manage connections from multiple types of servers.

Transactions originating from particular IP addresses or countries also can be blocked based on a pre-defined list established by the offering bank.
Geo-location access adds another level of security satisfying FIs’ requirements for complying with FFIEC operational risk guidance. It creates confidence to market mobile RDC to their customers with less worry. It’s for this reason that RDC is poised to experience its next wave of extraordinary growth.

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It’s Time to Get Serious About Selling RDC

Monday, February 18, 2013 (Patti Murphy)

Mobile Banking Creates New Opportunities for RDC
Just about everyone with a stake in financial services agrees: 2013 will be a big year for the mobile channel, and RDC functionality will drive much of the growth. Financial institutions that fail to ride the wave of mobile popularity could find themselves competitively disadvantaged. The time to get serious about RDC marketing strategies is now!

Mobile banking adoption is in full-swing. Key drivers include mass adoption for smart phones and tablets, the commercial appeal for apps like mobile check deposits, and the ever-present need for financial institutions to improve operating efficiencies.

“The exponential growth of mobile banking is fueling the thirst for more futuristic, easy-to-use applications such as remote deposit,” said Brian Pearce, Senior Vice President, Wells Fargo. Wells watched its mobile banking customer base grow by more than 30% last year; and it received 600,000 remotely deposited checks in just five months.

“Mobile banking presents profit-strapped banks with an opportunity to shift routine transactions from high-cost physical channels to much lower-cost digital channels,” said Gerard du Toit, Partner at the international consulting firm Bain & Company. “It also presents opportunities for banks to create more ‘wow’ experiences that use new digital technologies to delight customers and deepen customer loyalty.”

Bain, in a publication released in December, Customer Loyalty in Retail Banking (2012 global edition), reported that Americans are among the biggest users of mobile banking last year, and that 41% of mobile banking customers agree that using a smart device (phone, tablet) for depositing checks would be highly valued. Across all banking channels Bain found that U.S. mobile users report greater loyalty than do non-users of mobile services.

The consultancy AlixPartners surveyed owners last year and found 48% who said mRDC would be a contributing factor to a decision to switch banks.

So how do banks and credit unions tap into this well-spring of loyalty?

“Financial institutions need to continue to invest in promotion and marketing,” said Gary Brand, Director, Source Capture Solutions, Fiserv.

And no scatter shot techniques, either. Successful FIs will be those that offer solutions that respond to real market needs. Take the business market, for example. There are at least 24 million small- to mid-sized businesses in the U.S., from home-based self-proprietorships to production facilities and everything in between.

Click Here to read the article in its entirety.
RDC Status Report

Thursday, February 21, 2013 (RemoteDepositCapture.com)

Looking Back on 2012 & What it Means for 2013

With the promise of a new year upon us, we at RemoteDepositCapture.com tried to take a snapshot of the state of the market for remote deposit capture. For this we consulted experts as well as our own coverage of the field in 2012. What follows is a distillation of what we found and what it all means for 2013.

Eight years into life under Check 21 Remote Deposit Capture has emerged as an object lesson in why old payment methods never die; they just get keep getting better. And as was the case for many financial services, mobile provided a big boost to RDC in 2012.

“2012 was all about mobile RDC,” said Michael Pratt, COO at Panini, adding that by now most FIs have mobile RDC offerings in place or ready to roll out.

“It was a pivot point,” added Gary Brand, Director, Source Capture Solutions, at Fiserv. “We see a market that is strong and vibrant for some time.”

Denis Bergeron, Director of Marketing at NCR, agreed. “We see this continuing, especially with smaller players,” he said.

In fact, now that card-giant Visa has joined the fray widespread consumer adoption is practically guaranteed, especially among the millions of Americans who use reloadable prepaid debit cards. Visa is working with Chexar, an Atlanta firm that marries mobile RDC with reloadable prepaid debit cards, cashing checks and loading cards through network it calls Spyke. Visa plans to offer consumer check-cashing with funds posted to Visa prepaid card balances, beginning in early 2013 through a partnership with Chexar.

Just about everybody credits mass marketing campaigns by a few of the nation’s largest banks with having elevated RDC practically to rock star status in 2012. “People started to really understand the value of RDC,” said Jeff Mack, President and CEO at Cachet Financial Solutions.

And that trend will continue through 2013, with new and improved self-service applications for consumers, like check cashing ATMs and mobile check cashing to prepaid debit cards for the underbanked. After all, the estimated one-third of Americans who use prepaid cards and other alternatives to bank accounts are not necessarily poor. “This is one-third of the population that financial institutions can’t afford to ignore,” Mack insisted.

American Express and Walmart are banking on this. The two have teamed to introduce Bluebird, a nearly fee-free reloadable prepaid card product that offers multiple load options, including mobile check deposit. Walmart already has positioned itself as banker to America’s underbanked with its in-store MoneyCenters.
Time to Get Serious
With the requisite technology in place – and the “cool factor” surrounding mobile RDC – 2013 is shaping up as a year for pushing RDC solutions, not just to consumers, but small- to mid-sized businesses as well. “We’ve only scratched the surface of the corporate market,” said Brand.

Aite Group’s 2012 RDC Survey reveals that at nearly six in 10 FIs (57%) RDC penetration of the business customer base is 5% or less; just 4% of those FI’s surveyed reported penetration rates in excess of 50%. Also, executives at one-third of surveyed FIs said the small business market for RDC remains an untapped market for their institutions.

But just because a client uses RDC in their head office it doesn’t mean the opportunity has been fulfilled. The American Red Cross, for example, added hundreds of RDC locations in offices across the U.S. in 2012, with significant success, and plans more for 2013. Comparable opportunities remain with businesses of all sizes, from large, national insurance companies and franchises, to small businesses and merchants of all sizes.

Both Brand and Mack see huge opportunities for FIs to step up RDC implementations with merchants. If the past is prologue, however, the merchant segment isn’t an easy market for banks to reach. So look for some innovative FIs and solutions providers to tap into the VAR channel to get more RDC solutions into the merchant marketplace. “Dell, Microsoft, American Express, these are companies that have very effective small business sales channels,” said Pratt.

As RDC adoption expands, however, so will concerns about risk. “You can’t prevent risks. You have to be able to mitigate,” said Mack.

Solutions providers have made significant investments in improved risk mitigation tools, and will continue this focus through 2013. “We have to make sure we can provide data [to FI clients] in forms that can help them manage risks, and that provide the flexibility for them to put in place individual standards,” explained Mack.

Adds Bergeron: “The more we can make banks feel confident [about RDC and risk mitigation] the more they’ll want to offer RDC to clients.”

Expect see a lot of activity around RDC integration especially among solutions providers. “That’s where you can derive the greatest business value,” explained Pratt, referencing the American Red Cross. The Red Cross was honored this fall at the RDC Summit for financial and operational improvements achieved through its integration of RDC with finance operations. (See this previous story.)

Among FIs surveyed by Aite, only 22% were actively working on integrated receivables solutions for their business customers.

On the retail side of FIs integration of RDC with mobile banking could prove a game changer.

FIs also are expected to undergo additional streamlining in response to broader RDC adoption. “We’re going to see a lot of changes in the back office,” Bergeron said.
Added Mack: “This is a very sticky product. Once people use it they never stop using it.”

Solutions providers, meanwhile, are preparing to go international. Latin America is a big draw. In fact some RDC solutions providers already maintain a presence in Latin and South America. “We’ve made significant progress globally,” said Pratt.

Many also will focus on research and development in order to bring RDC to the next level. “There are always things we can do to make it easier to deploy and update” RDC solutions, said Bergeron.

**Our Predictions for 2013**

**Small Business RDC will flourish in 2013.** Until recently, Small Business RDC seemed to have been overlooked by many. The “early years” of RDC focused primarily upon FI and large corporate opportunities, while much of the recent activity has been around Mobile RDC which seems ideally suited for the mass consumer adoption. We now have the “perfect storm” coming together to usher in significant growth rates in the small business segment: efficient deployment, mass awareness of product and value, competitive pricing and tailored functionality.

**RDC will increasingly form the foundation of, or be a critical part of payments platforms.** Largely just a concept until the past couple of years, the ability to leverage RDC as a payments platform capable of processing multiple payment types and data is finally coming to fruition. A handful of leading financial institutions and many solution providers are embracing this concept and offering these integrated solutions. As often is the case, we see this approach gaining traction with large corporations, but it is only a matter of time before these capabilities are available to the mid-market business, and eventually to small businesses as well.

**Check verification and guarantee will begin to penetrate all aspects of RDC.** Leveraging various aspects of data analysis and integration, real-time check verification and guarantee at the point of capture is a reality, as a few providers offer this service today, primarily related to check cashing. This value-added feature, combined with the small and mid-sized business market may very well prove to be an ideal solution for tapping into a nearly un-touched market. There may even be opportunities for ISOs to make larger spreads than they do on credit card transactions. This certainly will be something to watch for over the next few years.

**RDC Risk Management will be back in the spotlight in 2013.** With mass market adoption of mobile RDC and limited awareness of and controls for the risks surrounding the original paper checks, the industry will see significant growth in duplicate presentments and bad check write offs. Still, RDC will prove to be one of the safest payments channels, especially when compared with credit card fraud chargebacks and ACH account takeovers.

...And here are a couple other easy calls:

- Mobile Remote Deposit Capture will become a standard offering and largely supplant Consumer Desktop Capture.
• The overall concept of Remote Deposit Capture will go global... nearly any country where there are paper checks will implement, develop or plan for their own version of “Check 21” legislation. A few countries on this list include Canada, Mexico, Brazil, India and China.

The Bottom Line: 2013 will likely prove to be the best year ever for RDC in terms of volumes, dollars, users, locations, the total number of providers and overall popularity.

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Mobile Rules!

By Gary Brand, Director, Business Strategies, Fiserv

Expect mobile to rule remote deposit capture in every aspect – product, technology and adoption – and for good reason.

Today and in the future, mobile trumps all other capture methods. As a result, consolidation among scanner vendors will occur, and in the next few years, wireless scanners will gain market share and replace most other scanner types. As consumers become more comfortable and more reliant on their mobile phones and tablets for banking services, financial institutions will accelerate the trend of offering mobile RDC services.

Both commercial and retail customers currently use multiple devices (computer, smartphones and tablets) to complete financial and payment tasks. RDC products need to accommodate this versatility while also safeguarding against duplicate checks and mitigating other risks. Using an enterprise platform can help on this count and lay the groundwork for the next generation capture methods.

Real-time funds availability continues to gain traction, as today’s consumers expect to make a deposit and see funds in real time, not at the end of day or the next day. Prepaid source capture with prepaid cards is another RDC product gaining momentum because it creates another opportunity for FIs to increase market share and compete with non-traditional banking companies like PayPal®, Dwolla and Bluebird®.

While check volume declines will continue at 5-7% annually, the rate will stabilize – and those financial institutions using capture will increasingly focus on mobile. Financial institutions need to keep their branches interesting by developing innovative concepts, and they can work capture into customer interactions in unique ways. In one concept, a branch employee runs teller capture on a tablet while standing alongside the customer, creating a more personalized interaction and high-quality experience. This in turn frees financial institutions to transform branches from old-style brick-and-mortar teller lines to more customized settings.

Experience and convenience continue to be the center of everything financial institutions and solution providers need to focus on for immediate and future project direction. While future innovations will provide efficiencies and profitability for financial institutions, banking customers will clamor to adopt mobile products that are easy to use and secure.
Taking a Bite Out of Check Fraud

Friday, March 29, 2013 (RemoteDepositCapture.com / Patti Murphy)

New Tools Help Ferret Out Duplicates

Check fraud is an ever-present threat to banks and their customers. But the threat has been diminishing. Yes, it’s true. And rapid adoption of remote deposit capture is helping banks win the war on check fraud.

“Check losses have been trending down really since 2006,” said Jane Yao, Vice President of the benchmarking and survey group at the American Bankers Association (ABA).

In 2008 the ABA calculated a total of $1.02 billion in losses from fraud instances against DDAs; by 2010 the total had fallen to $893 million. Most of the losses involved over the counter deposits (62%) and ATMs (24%); the remaining 14% were deposited by other means, such as mail and RDC.

Fraud involving electronic payments against DDAs like debit card fraud, on the other hand, are now far more common than check fraud, Yao said.

Reviewing the ABA’s fraud data, it’s clear that financial institutions are getting better at spotting bad checks before they become losses. Had every fraudulent check attempt in 2010 gone undetected, for example, losses to financial institutions would have exceeded $11 billion; in 2006 the ABA reported that check fraud attempts against banks totaled $12.2 billion.

Luke Huys, Senior Vice President, Wells Fargo Bank, credits advances in check technologies with helping bankers get better at catching fraudulent transactions. “Image exchange accelerated the speed of settlement, reducing float and opportunities for fraud,” he said.

ECCHO President David Walker agrees. He points to the fact that check losses are dropping at a far more rapid pace than check clearing volumes. “So we know that the reduction in check fraud is not strictly related to falling check volumes,” Walker said.

Walker’s comments were made during a panel discussion on check fraud earlier this month at the BAI Payments Connect conference. Huys, Yao and Julius Eccell, Executive Vice President, Frost Bank, were on the panel as well; all three agreed check fraud isn’t as big a threat to banks today as it once was.

“We’re getting so much better at catching fraudulent checks,” Eccell told the group. “It’s the information. We just have so much better information than we ever did before,” added Huys.

Warnings Early On

So if float has been pretty much wrung out of the check clearing system, limiting the potential for opportunistic fraud like check kiting, where is the risk today? Duplicate checks; for example, making remote deposits of the same check to multiple bank accounts.

While attending the BAI Payments Connect show, RemoteDepositCapture.com sat down with Lou Anne Alexander, Senior Vice President at Early Warning Services (EWS), which has rolled out a service developed specifically to combat duplicate deposit fraud. EWS, previously known as Primary Payment
Systems (PPS), is a shared national data base that takes daily feeds of information from banks regarding customer checking account and other information, and makes that available immediately to banks, check-cashers and other clients.

EWS’s owners – Bank of America, BB&T, Capital One, JPMorgan Chase and Wells Fargo – account for about two-thirds of all DDAs in the country. By adding transaction information contributed by at least 800 other financial institutions that use EWS, plus daily feeds of banks’ all-items files, EWS enables access to information on at least 95% of DDA transactions that clear between banks each day.

“We see all the checks and all the ACH items that clear, as well as those that are returned,” Alexander said.

The duplicate ID service developed by EWS takes aim at the risk of duplicates associated with mobile check deposits. It does this by cross-checking mobile deposits against transactions made through other channels (such as branches, ATMs and lockboxes) at participating financial institutions.

“We’re looking across all banks to detect duplicates” and other frauds, Alexander said.

An estimated 64% of the top banks in the country now offer customers the ability to deposit checks using smart phone and similar mobile devices. Concerned about the potential for fraud this new functionality creates, many banks have adopted restrictions, like daily limits on remote deposits. Early Warning’s Deposit Chek Service was developed specifically to address these concerns, Alexander said. It also provides advance notifications of potentially high-risk deposits.

Six of the country’s top banks are now testing the Deposit Chek Service, according to an announcement by EWS. “This will be followed by a broader launch in which the enhancements will be made available to all financial institutions,” the announcement stated.

EWS is not alone in its work on duplicate check detection. CONIX, the payment processing software company, offers a suite called Detective, and in February announced Risk Detective, to enable FIs to score individual client risk, in real time, based on both historical and same-day activity across payment channels.

CONIX President and CEO Mike Charles described Risk Detective as offering FIs “an opportunity both to ‘Know Your Customer’ and, for some products, to ‘Select Your Customer,’ through sophisticated analysis.”

From what we saw and heard at BAI Payments Connect products like these will go a long way toward helping banks thwart fraudsters.
New Developments, Enhanced Value

By John Gainer, EVP, Digital Check Corporation

It’s hard to believe we’re approaching the 10th anniversary of RDC already. And amazing to look back at how it evolved from nothing into a feature that’s offered by most financial institutions in the U.S. In coming years, besides finally confronting the “elephant in the room” of declining nationwide check usage, there will be a variety of new developments that will further define RDC’s place in the industry.

Here are some of our best guesses at what to expect in the second decade of RDC:

1. **Mobile will open the door to countless new applications**
   According to a recent Celent study, only 10% of U.S. banks currently offer mobile RDC, though many more are planning to introduce it. Mobile does not necessarily compete with traditional desktop RDC due to its lower limits and slower-paced user experience, but it does complete the penetration of RDC to the consumer and microbusiness market – the final tier of the adoption pyramid. As it becomes more commonplace to consumers, variations of RDC could become a feature in just about any app, program or site that deals with money – and by extension, become available to virtually anyone with a camera and a touchscreen.

2. **The decline in U.S. check usage will continue, but decelerate**
   It’s tempting to believe that “checks are going away,” since U.S. check volume has declined by half since 2003, to just 18 billion paid checks annually. However, while consumers like using credit cards and electronic payments, checks remain one of the few payment forms that carry no percentage transaction fee. As online commerce becomes increasingly more mature and defined over the next few years, we may see where the final equilibrium lies.

3. **International adoption will increase, and will take many forms**
   Based on the response to overseas educational seminars that Digital Check has held in recent years, it’s clear that there is huge interest in RDC and RDC-like technologies outside the U.S., as other countries modernize their own banking systems. The tough part is keeping track of which countries are in which stages of that process, as well as understanding that what worked in the U.S. is not going to work the same way everywhere else in the world. In many cases, when foreign countries build automated banking systems from scratch, they may apply the same principles we used with RDC, but start with brand-new technology. And we’ve ended up learning valuable lessons from them as well!

4. **Image quality and reliability are critical**
   In a study we began in 2013, it became clear that the majority of most banks’ clearing costs (from RDC and otherwise) come from a few types of infrequent but expensive errors. That’s why we’ve made a major investment in developing software and features that will help move both RDC and teller/branch capture closer to that elusive 100% success rate.
Receivables Hubs Offer Huge New Revenue Opportunities

Friday, May 24, 2013 (RemoteDepositCapture.com / Patti Murphy)

Many Banks Missing Out on Deeper, More Profitable Treasury Relationships

The market for integrated receivables is bursting with opportunities that few financial institutions have actually tapped into.

Just how much opportunity is there? Some of the largest U.S. banks could grow gross treasury management fees by as much as 3%, according to the consultancy Treasury Strategies Inc. (TSI). That’s “millions of dollars for large regional banks and tens of millions of dollars at national banks per year,” before accounting for cross-selling and increased wallet share opportunities, the firm wrote in a recent white paper.

“TSI research and various surveys have indicated that banks providing IR solutions have already experienced cost savings and stronger deeper relationships among their clients,” the consultancy wrote.

Treasury Strategies has been performing benchmark studies on banks of all sizes for nearly 30 years, and maintains a vast database on treasury management pricing and billing. The Case for Integrated Receivables, a white paper sponsored by WAUSAU Financial Systems, draws on a detailed review of 5 top-tier treasury management banks. Two of the banks had over $250 billion in total assets, two had between $100 billion and $250 billion in total assets, and one was in the $50 billion to $100 billion asset class.

Receivables processing is a time-consuming, complex function and a major pain point for corporate treasury shops. An integrated receivables (IR) platform (the phrase is often used interchangeably with integrated payments hub) simplifies the process by aggregating payments and remittance information from multiple channels (e.g.: ACH, cards, lockbox, RDC, wire transfers) into a single repository. End-users benefit from a single view of all incoming transactions as well as consolidated reporting, greater automation of labor- and time-intensive processes (such as exceptions), and sophisticated analytics.

“It’s really about helping banks to make the customer experience better,” Sam Golbach, WAUSAU SVP, IR, Financial Institutions Market, explained during a telephone interview. “The better access you have to critical information the better the decisions that can be made.”

“In the overall FI industry, relatively few banks have invested the resources or the time to build a robust solution, but banks agree that integrating receivables processing is the direction in which market demand is headed,” TSI wrote. And it added that “A bank’s lack of IR capability could communicate a lack of sophistication to the marketplace, which may be detrimental to its reputation.”

Click Here to read the article in its entirety.
Future Remains Bright for Remote Deposit Capture

By Jason Olson, RDC Product Manager, WAUSAU Financial Systems

Since its emergence following the passage of the Check 21 legislation, remote deposit capture has changed the way financial institutions and their customers think about depositing checks. RDC has been one of the most quickly adopted banking products. Still, the future remains bright for RDC.

At WAUSAU we see the future of RDC driven by five key trends: mobile technologies, more marketing that targets specific verticals, risk monitoring, cloud-based delivery, and better pricing leverage.

Mobile remote deposit capture has experienced a slower adoption rate than merchant RDC, but shifting consumer preferences are making the technology an “expected capability.” Since 2010, there has been a nearly 7-fold increase (from 7 % to 48 %) in the percentage of smartphone and tablet owners who identified mobile banking as either ‘important’ or ‘extremely important’ in deciding to switch primary banks. This according to Alix Partners. Banks that have deployed mRDC are achieving strong customer adoption, higher revenues and improved efficiency with no increases in risk.

Targeted marketing of RDC will help FIs confront income losses from regulatory changes. There are many markets and verticals eager for ways to automate deposits. For instance, Aite Group estimates that 54% of small businesses will adopt RDC by 2015. The property management and healthcare markets offer ripe prospects for growth. Some property management firms receive 90% of their payments as checks. In healthcare, patients use checks to pay 67.3 % of their payments after they leave the physician’s office, studies show.

Risk monitoring is critical. The Federal Financial Institutions Examination Council guidelines addressing RDC have resulted in many banks adopting risk monitoring solutions that automate the reporting, review and decisioning of RDC transactions as part of a defensive position. More FIs are being proactive with risk monitoring, which provides peace of mind, enabling them to target opportunities such as mRDC while protecting against fraud and losses.

Cloud-based solutions now dominate the installed market for RDC; thick-client solutions are nearly gone. This trend will continue among new and existing users as banks look to reduce implementation costs, hasten conversion timelines, and minimize the expenses and resources required for maintenance and upgrades. Even larger banks, once in-house, are migrating to cloud solutions to ease the burdens of keeping solutions up-to-date.

Better pricing leverage from vendor churn. A 2012 study by Celent found 6% of FIs planning to change RDC solution providers within the next 3 years, with another 13 % considering such moves. A much larger number of FIs are simply adding solutions to their mix, some using legacy providers and others with new vendors. This churn will result in more pricing power for FIs.
As impressive as the growth of RDC has been over the past 10 years, opportunities for new revenues remain for FIs. Success will hinge on banks investing in the right technologies, the right solution providers and providing employees with the right training and support.

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FIs Gain Traction with Unbanked & Underbanked Using Mobile RDC & Prepaid Cards

Friday, June 14, 2013 (RemoteDepositCapture.com / Patti Murphy)

Fraud from Duplicates Raises Some Concerns
Americans who tend not to use banks are not unbankable. Just ask JPMorgan Chase.

Last Summer Chase introduced a reloadable prepaid debit card, Liquid, describing it as a low-cost alternative to traditional checking accounts with a mobile app for remote check deposits. Of those consumers who now carry Chase Liquid cards, 30% previously had no banking relationships, in other words they were “unbanked,” according to Jonathan Wilk, Head of Product Marketing at Chase. Wilk said an additional 18% previously were “underbanked;” they may have used bank products but they also frequented nonbanks, such as check cashers and money transmitters.

“We’re leveraging our unique set of strengths,” said Wilk in discussing Liquid at the Underbanked Financial Services Forum last week, in Miami. Strengths like transaction accounts, RDC, and ATM and branch networks with broad geographic reach. “We’re expanding the pie in terms of the number of people who would open a relationship with the bank.”

The FDIC reports that one in four U.S. households were either unbanked or underbanked in 2010. The Center for Financial Services Innovation (CFSI), which presents the annual Underbanked Forum in partnership with the American Banker newspaper, puts the “underserved” population (unbanked + underbanked) at 68 million American adults who together spend over $78 billion a year on financial services (check cashing, bill payments, prepaid cards, etc.)

Meanwhile, additional research – including studies by the Federal Reserve, Aite Group and Think Finance – suggests that the decision not to use banks is not always a factor of income. For example, younger adults – the so-called “millenials” – are far more likely to be underbanked (Aite) and to use prepaid cards (ThinkFinance). And underbanked consumers are more likely to have smart phones and to use those devices to pay bills than the general population (Fed).

Scores of companies, and a handful of banks, market reloadable prepaid debit cards as checking account alternatives for the underserved. But most fall short of being true replacements because they lack cheap and easy methods for adding funds to the cards. A prepaid cardholder who wants to load a prepaid card with funds from a check, for example, typically has to pay a fee to cash the check, and another fee to load that cash onto their prepaid card. Pairing mobile RDC with prepaid simplifies the process.

“To drive broad adoption of prepaid cards there needs to be real deposit functionality, and bill payment functionality across all biller categories,” said Lisa McFarland, Head of Consumer Prepaid Products at Visa Inc.

Click Here to read the article in its entirety.
RDC Future Scan: The Best Has Yet to Come

By Francesco Grasso, Director of Marketing, Panini

For the past 10 years, Panini has been integrally involved with digital check truncation throughout the world. We have been at the forefront of emerging legislation, technology, and processes to facilitate safe and efficient clearing of paper checks.

Today we have close to a million scanners installed, and RDC services account for a large portion. Still, the best days may be ahead. The installed base of scanners can grow exponentially with realization of the small- and mid-sized business (SMB) market potential, deployment of device management systems, integration of RDC applications with other paper-reliant processes, and new truncation markets – such as Italy and Brazil – where both FIs and businesses already clearly understand the benefits and savings provided by RDC.

In the next few years Panini sees a growing need for management of RDC devices, as FIs are required by compliance regulations to practice solid “Know Your Customer” principles including clear identification of financial transaction origins. We’ve witnessed growing attention and interest towards monitoring software capabilities to geo-locate payment devices and shut them down when fraudulent activity is suspected, that support asset management requirements (inventory and tracking), and can preserve the efficiency and productivity of deployed devices over time.

When looking at SMBs in the U.S., whose RDC adoption level has remained relatively low, we feel that the unrealized potential of this huge target segment may signal issues with how RDC services are marketed and sold. We expect new entrants to recognize this opportunity and engage in a refreshed attempt at full market penetration. SMBs are significant users of checks, highly sensitive to time-savings and cash flow, and in many industry surveys they have expressed strong interest in RDC. Even with decreasing check volumes, SMBs are likely to increasingly demand affordable yet professional options for regular use, instead of those more suitable for occasional consumer deposits, such as smartphone-based mobile capture.

Some of these small businesses will be retailers. In the near future tablets will increasingly serve merchants as virtual POS terminals offering cost savings, efficiency and increased opportunities for customer interaction. Checks are still an important method of payment in several retail segments, and technologies that allow the check to be part of this world, either via Check 21 or ACH conversion, must offer improved transaction efficiency and user experience both on the merchant’s and on the client’s side. With a similar setup, checks will be welcome for real-time remote deposit in temporary/variable locations (such as non-profits collecting donations for disasters and fundraising) and with mobile workers (such as agents and brokers collecting investments or insurance at the site of their customers).

Finally, we expect to see emphasis on the increased value of RDC in conjunction with other business processes, such as an extension to the capture of other types of payment related documents (other than
checks) at the accounts receivable desk or, in customer facing situations, the scanning of ID cards or any full-page documents related to the check-based payments. (The healthcare vertical is a good example).

In parallel and for the back office there will be more consistent and straightforward integration with accounting and finance applications, as businesses easily recognize the inefficiency associated with capturing a check twice (once for deposit, again for A/R), and will demand even greater automation and integration than they have today.

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Mobile: A Pipeline Brimming with Product Opportunities

Mobile remote deposit capture (RDC) may have been the first score for mobile financial services adoption in the U.S. But it is far from the last.

“There’s really no shortage of opportunities,” said Scott Carter, Chief Marketing Officer at Mitek. Carter was hired in July to spearhead new product and marketing initiatives at Mitek. The latest of these – Mobile Photo Account Opening – was showcased at the financial technology expo Finovate Fall, held last week in New York. There it was honored in voting by an estimated 1100 attendees for “best demo” and product with “most potential impact” from a pack of 70 presentations.

“This honor validates Mitek’s view that Mobile Photo Account Opening is a transformational technology for customer acquisition,” said James DeBello, Mitek’s President and CEO. “With mobile Photo Account Opening, financial institutions can now respond to consumer expectation of a seamless experience anytime they use their mobile devices.”

Despite growth in consumer adoption of mobile banking, using a mobile device to open an account can be cumbersome and error prone. “We see no less than 25% abandonment rates when consumers try to open accounts through the mobile channel,” Carter noted.

Mobile Photo Account Opening makes opening an online bank account as easy as snapping photos of the front and back of a driver’s license and a check using a smart phone. The app uses Mitek’s patented imaging technology to capture and validate the captured information which is automatically populated into the new account application. The process integrates seamlessly with a financial institution’s existing account origination, identity proofing and fraud prevention solutions, Mitek said in an announcement.

Carter said Mobile Photo Account Opening can be a valuable in-branch tool as well. In fact, the in-branch application was what wowed the crowd at Finovate. “It makes for a better in-branch account opening experience,” he said. Plus, it’s an opportunity to engage potential mobile banking customers with guided demonstrations.

Mitek has high hopes for Mobile Photo Account Opening, and the reaction of bankers attending Finovate was validating. “The most common response we got to the product [from bankers attending Finovate] was ‘What took you so long?’” Carter said. He added that the company is in “early adopter conversations” with several financial institutions.

Carter described Mobile Photo Account Opening as having significant appeal with two demographics that remain underpenetrated by financial institutions: millennials and the underbanked. Numerous studies have revealed that both of these demographics use smart phones for Internet access more than the general population does, and that both have a strong prefer self-service banking.

Click Here to read the article in its entirety.
Remote deposit capture has expanded significantly beyond its original purpose which was to scan one or more checks in a business or consumer setting for depositing to a bank or credit union. In 2014, RDC will continue to expand in definition with more new and exciting functionalities fitting under one umbrella.

The key word in RDC is remote. Once we as an industry moved outside of the traditional brick and mortar transaction model with RDC it enabled a whole array of new synergistic products, like mobile wallets supporting diverse offerings. RDC technology will continue to be integrated into more expansive platforms such as mobile banking and mobile wallets in 2014.

The technology has also opened up new opportunities beyond banking and credit unions, especially within the prepaid debit card market. The combination of prepaid debit cards and RDC provides significant opportunities. Javelin Research reported that $150 billion was loaded to prepaid cards in 2012, and predicts $195 billion in loads by 2017. Mobile prepaid card usage is becoming increasingly popular with Millennials and the underbanked. Many are using them as budgeting tools.

Companies such as Ingo Money that guarantee checks and provide instant access to funds for a fee have allowed RDC to expand beyond just a deposit function to a check cashing function. Consumers have quicker access to their funds (in some cases immediate) without going to an FI or check cashier to cash their checks. This demand for fast access to funds will grow substantially in 2014, creating a broader market for consumers who wouldn’t normally use RDC.

Adoption of RDC will increase significantly in 2014 as the product becomes more of a commodity versus something to be marketed and sold. Widespread consumer understanding and acceptance will drive adoption as the product goes mainstream and consumers come to see RDC as a convenience worth spending a few bucks for to eliminate a trip to a bank or check cashier to deposit funds or load a prepaid card.

The popularity of consumer mobile RDC, in turn, will drive mobile business RDC platforms in 2014. Since the benefits of RDC are the same for small business as they are for consumers, banks and credit unions will attract more new small business customers thanks to their consumer marketing. Small businesses clearly have a better understanding and more appreciation of the mobile RDC opportunity based on the abundance of consumer advertising they’ve seen.

Although RDC continues to grow in acceptance, to fully reach its potential in 2014 and beyond, the industry needs to present a clearer definition of RDC. Since Check 21 led to the development of RDC, and the subsequent evolution of RDC technology, the definition has become muddy, and confusion has grown around what the product is or is not. Presenting a clearer definition of the technology will allow more people to say yes to RDC in 2014 and beyond.
Don’t Break the Bank Selling Remote Deposit Capture

Wednesday, October 16, 2013 (RemoteDepositCapture.com / Patti Murphy)

eMail, Social Media, Engaging Product Demos are the Stuff of Successful Campaigns
Successfully marketing RDC doesn’t have to break the bank. What it does require is knowledge. Financial institutions need to know their customers well enough to identify the most appropriate RDC solutions and likely prospects. They need front-line staff who know the a bank’s RDC products well and can explain and demonstrate those products on the spot as customers line up to make in-person deposits. They have to understand how to use social media, like Facebook and Twitter. And, of course, they can always ask their solutions providers to lend a hand.

“We do a lot of joint marketing with our customers,” said Panini CEO Michael Pratt. “A lot of banks lack the resources and marketing insights; that’s what we bring to the table.”

Ditto for Fiserv, said Victoria Lant, Product Marketing Director. “Banks with limited marketing resources should start with their vendors. We have plenty of experience helping institutions roll out RDC,” Lant said. “There are plenty of inexpensive ways to market services these days,” she added. You Tube videos, social networks and search engine optimization are just a few.

Lant and Pratt participated in a panel during the RDC Summit 2013, along with Brian Collins, SVP and eBanking & Payment Services Director at Enterprise Bank. Headquartered in Lowell, MA, Enterprise Bank has charted huge successes marketing RDC, and it did so without ever running television or radio ads. Instead, when it launched mobile RDC in March, for example, this $1.75 billion asset institution, with the help of its solution provider (Fiserv), took to emailing existing online and mobile banking customers, directing them to an online demo and sign-up page for the product. The bank also moved staff from behind branch counters and into its lobbies, equipping them with tablet PCs they use to demonstrate mRDC, and to perform other customer service requests. And it stocked branches with RDC brochures and other handouts. The results: within the first 60 days 15% of mobile banking customers were using mRDC; by September 18% were using the product.

“The branch is the best place to demonstrate RDC. It catches a customer’s attention when it counts,” said Pratt. And once an individual or business sees RDC in action it’s a quick sale. “When a customer tries remote deposit, from a business perspective they’re really reluctant to go back to the old way,” Pratt added.

That’s why staff training is so crucial. “When your staff understands how the technology works, they can speak with customers more intelligently. The more intelligently they can speak about it, and the more comfortable your customers will be with the product,” Collins explained. And the more customers understand and use mobile deposit the more time branch staff gets to spend on other productive tasks, like cross-selling.

Click Here to read the article in its entirety.
Deployment Strategies, Hardware Dependability, Critical to Next-Gen RDC

By John P. Wezner, Program Director – Check Solutions, Managing Director – Latin America, Caribbean, Burroughs, Inc.

Remote Deposit Capture will continue to evolve and expand over the next decade, but deployment strategies will become more refined.

Our experience at Burroughs indicates that many early adopters are now enhancing and/or replacing the first generation software product offerings they deployed to clients, moving them to more fully featured second generation products. This is being aided by the fact that early adopters have collected substantial data on the deposit trends and ongoing reliability of the hardware they have deployed to clients. In addition, the long-term low interest rate environment has put continued pressure on the business case justification for many potential users. At Burroughs we see this driving short and medium term decisions for many financial institutions.

Hardware dependability will become increasingly important in future RDC product development and deployment decisions. Benefits to FIs include reduced help desk costs and improved end-client satisfaction with complete solution offerings. Total hardware costs will continue to grow in importance, especially as FI’s target lower volume users where the business case justification becomes more difficult.

At the same time, virtual endorsements will become more prevalent, utilizing less expensive scanners and reducing client consumable costs.

Despite the position of many proponents of RDC that endorsements are key to reducing chances of duplicate presentments, we have found that many clients are not endorsing items. Some defend this move by pointing to mobile capture, where no endorsement is possible.

Meanwhile, RDC adoption by small and micro businesses that accept checks will continue to grow at an increasing rate, as FI marketing efforts evolve to focus on this sector. Implementations for these clients will be split between low cost scanners and mobile devices.
Analytics are Critical to the Future of RDC

Thursday, October 17, 2013 (RemoteDepositCapture.com / Lauryn Franzoni)

Sometimes it takes a newcomer to shake things up in banking. Not a new competitor, but rather a new team member or two who can bring fresh perspectives on critical issues, like risk management and fraud control. Rose Corvo, Senior Vice President, Early Warning Systems (EWS), and Scott Carter, CMO at Mitek Systems, are two newcomers to check operations generally, and RDC in particular. Carter just joined Mitek from Experian where he led the global analytics and fraud solutions businesses. Corvo joined EWS from Barclays Bank, in the UK, where she had responsibilities for credit, market and operational risks. They shared their insights on RDC during a panel discussion at the RDC Summit 2013.

Citing lessons from the credit card industry, Carter said banks need to focus more on analytics and understanding when and why trade-offs are made; otherwise they risk unhappy customers.

“I’m new to the RDC space, and my first impression is that at the front end of the process most practices are still very judgmental and subjective,” Carter said. “We’re still back to a framework of descriptive analytics where we want to be able to attribute by type, and by channel. It’s really super-important to track false positives and negatives and understand the negative economic impact (opportunity cost) if a good customer stops using the channel because of false negatives, or what happens when an approved transaction turns out to be a loss?”

These analytics can be used to predict behaviors. They also can include overlays of sociological and even neural network data to model likely events and optimize trade-offs and decision-making, Carter explained.

It’s not only about how much data is available and how well it is applied; the timing of those decisions is equally important, added Corvo. She explained how in the credit card world scoring portfolios monthly is common. “For RDC, data needs to be real-time,” Corvo said. “Saying the word batch is akin to saying pager. It is so out of date for this particular channel.”

Universe of Data is Large & Growing

The digital data universe is getting larger. It is growing at a faster pace than ever before, and the variety of types of data that can be accessed is changing equally fast. IBM reports 90% of the world’s data was created within the past year. IDC projects a 50-fold increase in data in the next 5 years; the research firm also says only 1% of world’s data is analyzed and just 20% is protected.

But data lacks real value unless it’s used properly. “There is still a big role for expert judgment,” Carter said. “With precise understanding of the reporting and measurement tools, some banks might decide to risk additional fraud losses because of incremental revenue gains they potential derive.”

Click Here to read the article in its entirety.
Next Generation RDC Capture to Support Streamlining Channels

Tuesday, November 05, 2013 (RemoteDepositCapture.com / Chris Costanzo)

RDC has grown in fits and starts over the past nine years. Initially the technology was deployed in branches, first at the back counter, then at the teller line. Next up was corporate customers. Then finally, RDC made its way to the consumer market, first using low-volume scanners, then ATMs and more recently mobile phones.

The end result for many financial institutions has been a hodge-podge of RDC channels overseen by different internal departments that are expensive and unwieldy to manage. Current platforms are so fragmented that one customer may be using two different RDC channels from the same institution. This makes risk management more difficult and technological efficiencies harder to find, explained Puneet Malhotra, Vice President at VSoft Corporation, during a Technology Showcase at the RDC Summit 2013. Presented by VSoft, the Showcase offered a glimpse of how the company views next generation RDC solutions.

“We think the next generation should support multiple RDC channels,” Malhotra said. He described a unified platform that FIs could use to manage customer relationships and risk holistically across the institution, rather than through siloed channels. RDC products also will need to be extremely intuitive.

“If the app is not easy to use, even your training won’t be effective,” Malhotra said.

Next gen RDC will work seamlessly within larger solutions, like those developed for merchants. Merchants have been slow to adopt RDC, and FIs have been equally slow at integrating RDC with existing merchant banking solutions. Similarly, RDC must be an integral part of an FI’s mobile banking offering, not a separate application, explained Malhotra.

Some FIs and solutions providers are working with software houses that specialize in specific vertical markets. Property management companies are a good example, said Malhotra, because they deal with a lot of paper and procedural steps. Being able to match incoming checks with deposit tickets is critically important to these companies. So any RDC solution for this vertical must be able to streamline and simplify their payments processing routines. An article published last month, Integrating with Broader Solutions Opens New Verticals for Remote Deposit Capture, describes how RDC has been integrated into the property management process.

Self-service will be another important aspect of RDC 2.0, Malhotra said. Business customers should be able to manage the credentials of their employees, execute password resets and define dual controls. Self-service research should be rich in functionality, offering users the ability to look up items by user ID, location or date. And any modifications made by employees should also be recorded, to help in the research process. “There’s no piece of information that is not small enough to capture,” Malhotra said.

Click Here to read the article in its entirety.
A First Read on Fed’s 2013 Payments Study: Cards Dominate, but Checks & ACH are a Safe Bet.

Friday, December 20, 2013 (RemoteDepositCapture.com / Patti Murphy)

Americans are writing fewer checks, sure. But the checks they write are for larger amounts than they were just a few years ago.

Payments is a business line wrought with fraud. And judging by the Federal Reserve’s latest payments data, most fraud losses are from electronic payments. While checks and ACH now account for only 33% of transaction volume, they still account for 94% of transaction value (over $74 Trillion) and are less vulnerable to frauds than cards.

The 2013 Federal Reserve Payments Study, released this week, reveals that financial institutions saw an estimated 31.1 million unauthorized transactions (third-party frauds) valued at $6.1 billion in 2012. The number one culprit, both in terms of number of transactions and dollars lost: credit and signature debit cards. (The two are pretty much indistinguishable from a processing perspective.)

Some of the fraud findings in the study were quite surprising. On a per-transaction basis and on a per-dollar spent basis, cards are, by far, the riskiest payment type. Of every 10,000 transactions, third-party fraud affects 3.6 card transactions, 0.72 ACH transactions and just 0.45 check transactions. The most surprising metric might be the relative value of fraud. Per every $10,000 in transactions per payment type, third-party fraud represents $8.27 in card transactions compared to just 24 cents via ACH and 39 cents via check.

The Fed collects and analyzes data on non-cash payments every three years. The 2013 study marks the first time the Fed has published fraud estimates. The American Bankers Association publishes data on deposit account fraud on a similar 3-year schedule. The ABA’s data indicates DDA fraud has been falling since 2006, and totaled just $893 million in 2010. (Click here to read more about the ABA’s data.)

Excluding wire transfers, Americans made an estimated 122.8 billion noncash payments with a total value of $79.0 trillion in 2012, the Fed reports. Most of that growth was from card payments. In 2009, when the Fed’s last payment study was conducted, card payments were 60% of all non-cash payments. By last year card payments were 67% of all non-cash payments. With an average transaction value of just $55, however, card payments made up just 5% of the total value of noncash payments in 2012. ACH represented 61% of total value, and checks paid were 33% of the total, the Fed said.

Coming in at 18.3 billion, checks paid (21 Billion were actually written – 2.7 billion were converted to ACH transactions) in 2012 showed a 3-year decline of 9.2%. The average value of checks paid grew from $1,201 in 2009 to $1,420 in 2012. The Fed’s data also shows how RDC is having an impact on the check payment system: in 2012 out one in six checks was deposited by accountholders as an electronic image rather than a paper deposit. The Fed also said also that paper is now pretty much non-existent in the check clearing process.
The document the Fed published this week represents preliminary analysis of data collected through three related efforts: a survey of FIs; surveys of card issuers, processors and networks; and a random sample of checks processed by a group of large banks. Click here to download a copy.

A detailed report of the Fed’s findings is due out in the spring. RemoteDepositCapture.com will continue to “dig in” and analyze the study, so expect more articles in the coming weeks. In the interim, one thing is clear: Remote Deposit Capture solutions must evolve to embrace not only check and ACH transactions, but the growing stampede of card payments as well.