

Accelerating Collections: What's next in Electronic Deposit Solutions

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Agenda

- ▶ Remote deposit capture industry overview
- ▶ Regulatory/risk management update
- ▶ Benefits realized
- ▶ Market trends
- ▶ Indiana University RDC overview
- ▶ RDC Rationale
- ▶ Helpful Decision Tools

Remote Deposit Capture Industry Overview

- ▶ 500,000+ locations on RDC or branch capture
- ▶ 60% of clients use solutions from only 4 banks
- ▶ Approx. 50% of checks industry wide are clearing via Image, as of 8/09
- ▶ Federal reserve has gone from 26 to 1 paper check processing site
- ▶ Shift to internet-based applications

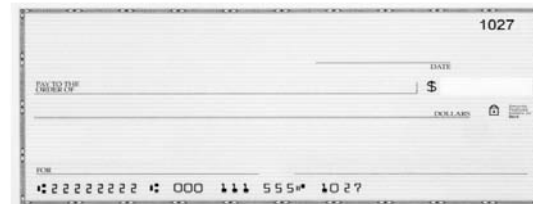
Regulatory/Risk Management Update– FFIEC Guidance

- ▶ FFIEC released guidance on remote deposit capture for banks – January, 2009
- ▶ Check image processing requires additional controls not required in traditional paper depositing
 - Additional consequential damages
 - Controls around original check safekeeping
 - Duplicate check controls
 - Rejects, Corrections, and CAR/LAR Adjustments timing
- ▶ Information security
 - Vendor due diligence and suitability
 - Multilayer authentication



Benefits realized

- ▶ Est. \$1.3 billion in user cost savings
 - Cash flow acceleration
 - Increased productivity
 - Save of 416 million miles in travel
 - Deposit process efficiencies
 - Cost avoidance – Paper deposit costs increasing
 - Faster notification of return items
 - Supply saves – e.g. deposit tickets, encoding equipment



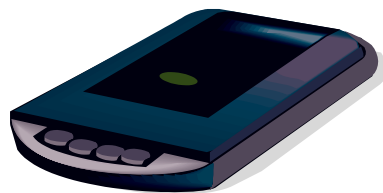
Market trends – Mobile



- ▶ Convenient
- ▶ Target markets – route drivers, in-home service, distributors, etc.
- ▶ Bill pay tie in
- ▶ Need to mitigate fraud risk, security, original check control, etc.

Market trends – Virtual Lockbox

- ▶ Scan and Go concept with Coupon & Invoice Capture
 - Deposit into your existing lockbox
 - For misrouted lockbox payments/Walk-in payments
 - Single reconciliation process
 - Consolidated images, reporting and AR file
 - Full size remittance support with flatbed scanner



Market trends – Alternative Scanners

▶ Flatbed scanners

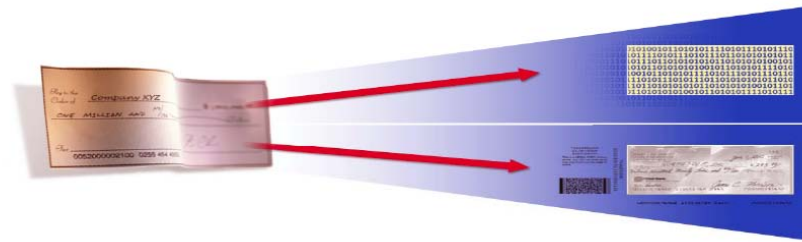
- Low cost alternative for low volume
- Eliminates need for single function office equipment
- Allows for scanning on larger documents (invoices)
- Consolidate wholesale lockbox payments



▶ Single feed scanners “micro scanners”

- Cost compression as offering moves into small business
- Small footprint
- Maintain & improve on existing technology

Market trends – Optimized routing of



- ▶ **Optimally routes and clears deposited checks**
 - Eligible checks generally converted to ACH debits (BOC, ARC) (consumer items without an aux-on-us field, less than \$25k)
 - Ineligible checks processed via image exchange, substitute checks (business items with an aux-on-us field, money orders, travelers checks, government items)
- ▶ Uses decisioning logic and company opt-out database to determine ACH eligibility
- ▶ Automatically creates appropriate payment files based on transaction decision

Indiana University RDC overview

- ▶ 102 locations on RDC (400+ use Bursar RDC)
- ▶ All RDC deposits made in one bank account, with all transactions labeled by unique ID #'s of depositing units
- ▶ Approx. 71% of checks received university wide are cleared via RDC (no ACH conversion) remaining 29% represent lockbox deposits
- ▶ Locations directly depositing increased from 32 to 102.
- ▶ May have nudged a staff culture shift regarding cash
- ▶ University float drops 3-4 days



RDC Rationale: Deciding to use RDC

- ▶ How many checks received?
- ▶ What is average dollar amount?
- ▶ How many deposits?
- ▶ How many check acceptance locations?
- ▶ How many Business vs. Personal checks (if you chose to convert to ACH)



RDC Rationale: Accelerating Collections

- ▶ Deposit velocity
- ▶ Float reduction
 - University: transportation, processing
 - Bank: processing, clearing
- ▶ Reduction of adjustments and research



RDC Rationale: Implementation

- ▶ Scalability
- ▶ Standard installs
- ▶ Written instructions
- ▶ FTE impact
- ▶ Forward thinking
 - Documentation
 - Scanner placement
- ▶ Avoiding pitfalls



RDC Rationale: Is RDC Cost Effective?

- ▶ Soft dollar savings
- ▶ Hard dollar savings
- ▶ Can integrate with lockbox activity
- ▶ Green and sustainable
- ▶ Reduced risk of financial loss, data compromise, identity theft



RDC Rationale: Risks of using RDC

- ▶ Security of items scanned
- ▶ Original check retention and destruction
- ▶ Duplicate deposits
- ▶ Transmission failure

Helpful Decision Tools

- ▶ www.remotedepositcapture.com
 - Business RDC calculator
 - On demand informational webinars
 - White papers
- ▶ <http://www.depositnow.com/greenbanking/index.html>
 - Calculate fuel cost and greenhouse gas emission savings
- ▶ <http://www.indiana.edu/~iutreas/rfp/remotecapturerfp.pdf> IU RDC RFP