Remote Deposit Capture: The Future of Check Processing

Virtual Seminar

Wednesday, March 28, 2007
2:00 p.m. - 3:00 p.m. Eastern
1:00 p.m. - 2:00 p.m. Central
12:00 Noon - 1:00 p.m. Mountain
10:00 a.m. - 12:00 Noon Pacific

Presented by:
Harold Williams
Today’s Speaker: Harold Williams

Harold Williams has more than 25 years of bank operations experience with BB&T, mostly in the Item Processing support areas. In recent years, Harold, as a member of the Payments Services Group, has participated in the development of an internal focus within BB&T to understand, analyze and prepare for the movement of payments from the traditional paper-based systems to a more interactive electronic-based environment.

Through BB&T’s leadership in these industry initiatives, Harold has been an active participant in NACHA - The Electronic Payments Association and its Internet and Check Councils, and the SafeCheck ATM check initiative. Harold also served as Vice Chairman of NACHA’s Project Action Proof of Concept Committee, whose initiative is currently in pilot testing.

Most recently, Harold has been serving as the Chief Operating Officer of BB&T Corporation’s payments processing subsidiary, Creative Payment Solutions, Inc.
Agenda

- What is Remote Deposit Capture?
- How does Remote Deposit Capture work?
- What are its benefits to my business?
- What should you look for in a Remote Deposit Capture offering?
- Remote Capture Case Study
- Questions & Answers

What is Remote Deposit Capture?
What is Remote Deposit Capture?

Remote Deposit Capture refers to the ability to deposit checks into a bank account from one’s home or office without having to deliver the actual checks to the bank.

Two Methods of Remote Deposit Capture

Image capture:
Checks are scanned to create digital images (front and back) of the checks. The digital images are transmitted to the bank.

Electronic check conversion:
Checks are scanned to create electronic ACH (Automated Clearing House) transactions. The electronic transactions, but not the check images, are transmitted to the bank.
Webinar Audience Question #1

Is your organization currently using any form of Remote Deposit Capture – either image capture or electronic check conversion?

What has enabled us to take advantage of this?

Image Capture:
- Made possible in October 2004 as part of the Federal Check Clearing Act for the 21st Century
- Authorized substitute (imaged) checks as the legal equivalent of the original checks
- All checks may be converted to substitute checks

NACHA:
- Established as governing body for the ACH Network
- Allowed electronic check conversion at various points in the collection process as early as 1998
- Most recently added “Back Office Conversion”
- Allows the business to convert checks received throughout the day to ACH for presentment
Back Office Conversion

Allows for the conversion of checks received at merchant/business locations provided the following conditions exist:

- Check is $25,000 or less
- Check does not have an “auxiliary on-us field” – i.e., it is the smaller, consumer-size check
- Sufficient notice has been provided to the consumer
- Business allows for the consumer to “Opt-Out” of check conversion
- Additional restrictions apply…

Back Office Conversion – Potential Benefits

- Quicker availability of funds
- Earlier notification of returns
- Possible reduction in return items
How does Remote Deposit Capture Work?

How Remote Deposit Capture Works

**Merchant / Business Location**

**Remote Deposit Application**
- Validation of authorities
- Capture of deposits
- Keying and balancing support
- Submission of deposits
- Short-term viewing archive
- Support for client user id and password maintenance

Application allows business to securely connect to the depository bank for delivery of check deposits.
Two Types of Remote Deposit Capture

- Thin-Client (browser based)
- Thick-Client (larger clients, expanded applications)

**Thin-Client**
- Software functionality driven by the server
- Enterprise deposit monitoring
- Bank-hosted web server (common entry point)
- Easy workflow
- Detailed deposit reporting
- Access to check images

**Thick-Client**
- Local data storage
- Advanced remittance capabilities
- High-volume scanners
- Detailed deposit reporting
- Access to check images

What do I need to use the service?

The beauty of the service is that the requirements are common in most businesses today. At a minimum you will need…

**Personal Computer:**
Most systems require Windows 2000 or higher operating system but due to newer “thin-client” applications, the relative speed and storage capacity requirements are very low.

**Internet Connection:**
Preferably a high-speed connection.

**Check Scanner:**
Very inexpensive scanner that connects to your PC through a standard USB 2.0 connection.
What are the benefits to your business?

Webinar Audience Question #2

How many checks does your organization receive each month?
- Less than 50
- 51 - 100
- 101 - 500
- 501 - 1000
- 1001 - 10,000
- Over 10,000
What are the benefits to your business?

While Remote Deposit Capture, like most financial services, is not for every business, the benefits of this product are broad and are increasing daily. Some of the benefits include…

**Eliminating Routine Trips to the Bank:**
On average, businesses make a trip to the bank each day to make their deposit. Often these trips take an employee away from their place of business as much as one hour per day.

If the person making the daily deposits earns $35,000 per year, the time spent on trips to the bank will cost the business $17.15 per trip or $4,527.60 annually.

Additionally, traveling to the branch daily (with an average distance of 4 miles) costs $400 annually.

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What are the benefits to your business?

**Extended Deposit Deadline:**
Most branch deadlines are typically 2 or 3 p.m. for same day deposit. Remote deposit deadlines are much later in the day, some as late as 7 p.m.

Later deadlines allow a business more time to process checks throughout the day.

Increased processing time in combination with later deposit deadlines equates to accelerated clearing and improved funds availability.
What are the benefits to your business?

Efficiency in the Workplace:
Preparation of the deposit often is as cumbersome as getting it to the bank. To avoid errors, office staff typically make copies and total the deposit multiple times to ensure it is delivered completely and correctly.

The more advanced Remote Deposit Capture offerings contain features, such as the following, to increase office productivity…

- Courtesy and Legal Amount Recognition (CAR/LAR)
- On-line access to deposit images
- Image-based balancing
- Detailed reporting to assist in account reconcilement

Webinar Audience Question #3

Does your company deposit checks at more than one bank?
Consolidation of Banking Relationships:
Many businesses with multiple locations are forced to develop banking relationships with several banks due to the lack of “brick and mortar” locations in a particular market.

Consolidating relationships with one core provider allows a business to increase its buying power for financial services and, more importantly, to take advantage of higher yielding investment services for excess balances.

What are the benefits to your business?

Ability to Convert Checks to Electronic Format:
As mentioned earlier, recent regulatory changes allow for the conversion of consumer checks to electronic format for clearing.

Electronic Check Conversion allows you to…
- Gain access to funds sooner
- Reduce bank fees due to the probable reduction in returned deposit items
- Find out about returns sooner, giving you more time to collect your money
What are the benefits to your business?

Ability to Support In-House Remittance Processing:
More and more Remote Deposit offerings allow the business to capture additional data about the check to streamline accounts receivables processing.

Applications allow you to capture data like…

- Customer number
- Customer name
- Unit / Apartment number
- Payment period, etc.

… to improve the efficiency and accuracy of payment processing.

What are the benefits to your business?

Ability to Approve Deposits at a Central Location:
As a store owner, Controller or office manager, you take time away from important functions or relinquish complete control of the deposit process in order to get the job done.

Remote Deposit Capture applications often contain security levels that allow you to maintain control while delegating the more labor-intensive aspects of the process.

Deposits can be scanned at off-site locations or at the department level for you to approve for transmission to the bank.
What are the benefits to your business?

Complete Audit Trail of Activity:
Understanding deposit activity is often very time consuming and difficult, and many businesses delegate deposit authority to senior staff members or to the division level.

Fast and easy access to deposit information is critical. With online access to the summary and detailed deposit information, you will know at your convenience, without completing and faxing in reports…

- Who made the deposit
- What was in the deposit
- What time of day it was delivered

What are the benefits to your business?

Participation in Future Advancements in Payments:
Many businesses have moved away from accepting checks as a form of payment because electronic payment methods (credit card and debit cards) generally are more efficient and are believed to be less risky.

Advances in check capture may allow some businesses to reconsider taking checks as a form of payment and hopefully increase sales potential.
What Should You Look for in a Remote Deposit Capture Service?

Selecting a service provider

More and more financial institutions are offering a Remote Deposit Capture service. When selecting a service provider, you should look for…

- Secure transfer of information
- Easy to use, easy to maintain system
- Intuitive system
- Image-based balancing
- CAR/LAR functionality
- Thin-client application
- On-line access to images
- Check conversion option
- Ability to report locations in a consolidated report
- Ability to segregate duties; management level approval
- Multiple scanner options to meet my needs
- Ability to capture additional posting data and deliver in file
Case Study

Client Profile:
- Small business
- Two locations
- One daily trip to bank per location (1 hour each) by Office Manager
- Difficulty meeting 2 p.m. branch cutoff
- 250 items deposited per day, per location (10,000 per month)
- $75,000 average dollars deposited per day ($1,500,000 per month)
- 80% of checks convertible to ACH (8,000 per month)
- 40% of dollars convertible to ACH ($600,000 per month)
- Average convertible check amount is $75
### Case Study

#### Estimated Savings & Benefits:

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value of 2 manager’s daily trip to bank</strong></td>
<td>$13,000</td>
</tr>
<tr>
<td>- Using straight salary + benefits calculation</td>
<td></td>
</tr>
<tr>
<td>- Annual salary and benefits = $50,000</td>
<td></td>
</tr>
<tr>
<td><strong>Accelerated availability of deposited funds</strong></td>
<td>$900</td>
</tr>
<tr>
<td>Total funds availability delay is 2.5 days.</td>
<td></td>
</tr>
<tr>
<td>Using remote deposit reduces presentment delay by 1 day all items.</td>
<td></td>
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<tr>
<td>Using BOC reduces availability delay by .5 days on converted items.</td>
<td></td>
</tr>
<tr>
<td>Availability improvement: Non ACH = $45,000 x 1 day;</td>
<td></td>
</tr>
<tr>
<td>ACH = $30,000 x 1.5 days</td>
<td></td>
</tr>
<tr>
<td>Earnings Credit Rate = 1.0% (annual benefit $900)</td>
<td></td>
</tr>
<tr>
<td>- If Investment Opportunity Cost = 3.5% (annual benefit $3,150)</td>
<td></td>
</tr>
<tr>
<td>- If Cost of Debt = 6.5% (annual benefit $5,850)</td>
<td></td>
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<tr>
<td><strong>Deposit Ticket Costs of $1.25 per ticket</strong></td>
<td>$650</td>
</tr>
<tr>
<td><strong>Mileage Reimbursement Costs</strong></td>
<td>$790</td>
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<tr>
<td>- Assume .38¢ per mile</td>
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<tr>
<td>- Branch is 4 miles round trip</td>
<td></td>
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<tr>
<td><strong>Reduced return item losses of 20% Reduced bank fees</strong></td>
<td>$7,680</td>
</tr>
<tr>
<td>- Using a return rate of .4% of items or 40 items per month with an average dollar of $75</td>
<td></td>
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<tr>
<td>- Reduced return item fees (@$5 each)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Annual Benefit:</strong></td>
<td>$23,020</td>
</tr>
</tbody>
</table>
Case Study

Estimated Costs:

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Cost Details</th>
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<tbody>
<tr>
<td>2 Scanners</td>
<td>Annual Cost: $667 (for 3 years)</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td>Bank Fees</td>
</tr>
<tr>
<td></td>
<td>(Vary - based on bank relationship or balances)</td>
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<tr>
<td></td>
<td>Monthly maintenance per scanner site of $40</td>
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<tr>
<td></td>
<td>Per item scanned (10,000 items @ .12¢/item)</td>
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<tr>
<td></td>
<td>Total Annual Cost (through year 3): $16,027</td>
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<tr>
<td></td>
<td>Net Annual Benefit:</td>
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<td></td>
<td>$6,993</td>
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</tbody>
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Cost estimate assumes no equipment or internet connectivity upgrades required.

Questions & Closing Remarks

*If you have a question or comment, please e-mail that to us by clicking on the “question icon” in the lower right corner of your screen. Type your question or comment in the window that appears, and then click “send.” Submitted questions will be answered verbally as time allows.*
Thank you for participating today!

Contact Information
Please call 1-800-810-5625 to be connected to a BB&T Payments Consultant in your area.

Or, visit our website at bbt.com/bbt/business/products/onsitedeposit/default.html.

Evaluation
You will receive a short webinar evaluation via email. Your feedback is very important to us!

Remote Deposit Capture is provided by Creative Payment Solutions Inc., a subsidiary of BB&T Corporation.
Thank you for attending this event.

Today’s event features an online, post-event evaluation form. To send us your feedback, please click on the link below, or type the URL into your web browser’s address bar.

http://eval.krm.com/eval.asp?id=12442

Your feedback and comments are very important to us. Thank you in advance for taking the time to complete this evaluation!