

Branch capture systems save CUs money, improve efficiencies.

Image Is Everything

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SEVERAL NOT-SO-LITTLE things are adding up to make data/branch capture an increasingly attractive option for credit unions. Check truncation has made it easier to dispense with physically handling checks more than once, and the construction of more remote branches makes the prospect of clearinghouse courier fees less palatable.

"Credit unions have taken the lead in truncation for the past five to 10 years," says Chesser Campbell, account executive with the imaging division at Canon USA, Lake Success, N.Y. "Banks have been slower to introduce

this to their customers."

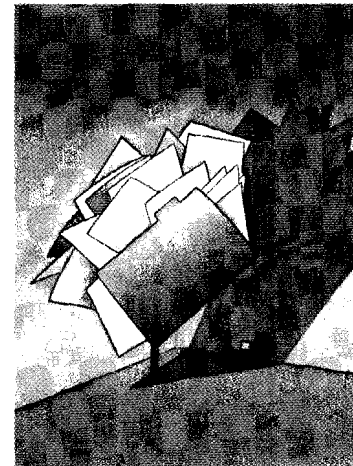
Brad Ganey agrees credit unions generally are much faster in adopting data/branch capture, although the exact percentage is hard to tell. "Several factors affect the adoption rate," says Ganey, director of item processing services at Southwest Corporate Federal Credit Union, Dallas. "One is where you are regionally. On the East Coast, where the infrastructure is very tight and there aren't great distances for couriers to cover, you don't have to pay steep transport costs. Add in the cost of the float and steadily decreasing image-deployment document

fees, and you'll see it becoming rarer for credit unions not to justify branch capture."

Often the decision to adopt data/branch capture can come down to simple frustration, says Ganey. "A credit union will ask itself, 'If we're paying \$100 per day to deliver checks to a processor and we only have a few hundred checks, why not bring them in-house?'"

Simple hardware

Fortunately, the hardware for data/branch capture is fast, reliable, and mature. Typical of what's available are the CR-180 and CR-55 from Canon USA. "Our flagship product, the CR-180, has duplex scanning speeds of 180 checks per minute and highly accurate MICR [magnetic ink character recognition] read capabilities that can support daily volumes of up to 2,000 checks," says Louis Rehman, Canon USA industry marketing specialist. "Used with branch capture, it can replace existing backroom equipment previously devoted to deposit and cash letter handling. The CR-55, which processes 55 checks per minute, is a smaller device effective in lower-volume branches or for teller-line deployment. Both are value-added devices that can capture and feed into an in-house



or outsourced system."

Ganey notes that installing capture capabilities isn't an all-or-nothing matter. "You don't necessarily have to implement it throughout your entire credit union. It's often used on a branch-by-branch basis, say, by an outlying branch that's new or remote. The credit union will have that branch use capture from the start as an economy."

Credit unions using branch capture note how fast the hardware compares with microfilm, says Campbell. "Microfilm used to be the primary medium for capture, usually as a back-counter or backroom device. Credit union staff would photograph checks and then send the film out via couriers. Sorters would work the physical checks upon delivery at the operations center or clearinghouse."

The benefit for credit

Why Go Paperless?

Bluepoint Solutions, a Vista, Calif., provider of document management solutions, lists on its Web site inefficiencies credit unions incur when they don't go paperless:

- ▶ **Creating**, microfilming, and storing paper receipts;
- ▶ **Inefficiencies** of paper-based teller balancing;
- ▶ **Teller** cash management;
- ▶ **Teller** receipt research due to member requests;
- ▶ **Microfilming** teller receipts;
- ▶ **Courier** fees for the daily delivery of documents and files;
- ▶ **Work** flow involved with completing loans;
- ▶ **Managing** account types;
- ▶ **Managing** and maintaining power of attorney;
- ▶ **Losing** or misplacing payroll or transfer authorizations;
- ▶ **Member** statement management;
- ▶ **Management** and maintenance of Internal Revenue Service documentation;
- ▶ **Managing** documents used in board reports; and
- ▶ **Contract** administration.

unions, he says, is clear: immediate, real-time capture vs. a week or two to fill up a roll of microfilm before captured images could be researched. And the balancing, encoding, and sorting are done in the application.

In a teller-line capture environment, instead of having the tellers converge on a back-room device at the end of the day, they can run member deposits live at their stations, Campbell explains. "In this regard, you need to ensure that any efficiency benefit doesn't detract from your quality standard for member service."

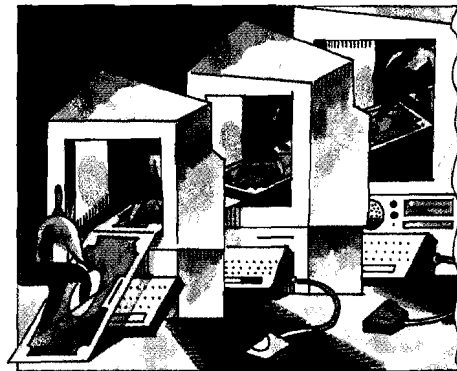
Rehman says that for use in this mission-critical process, the equipment must be readily serviced and supported, and the servicing provider can meet requisite response standards. He says the

hardware is very user-friendly. "If there's teller or back-office turnover, a new person can be up and running on it within a day. It takes just a short time to understand the basic concept and use."

Corporate CUs' role

Campbell says more than 60% of credit unions bringing data/branch capture in-house go through corporate credit unions or league-affiliated service corporations for central item processing services. These organizations also act as intermediaries with the Federal Reserve and other financial institutions. "As an extension of their existing relationship, it makes the transition fairly easy."

Ganey says even large credit unions with in-house check-handling departments often see the merit of letting a middle



person deal with key check-processing headaches. "Say you have a credit union that processed 500,000 checks three years ago but now [processes only] 300,000. It has lost its economy of scale. Because we have the volume to send directly to the Fed banks, we can help clients eliminate unnecessary processes or departments and use those employees for sales and member relations vs. processing."

He also says a corporate credit union's economies of scale mean accelerated collections on items and a robust antifraud capability. As a result, "We have credit unions approaching 30% to 40% electronic penetration, where items are going electronically all the way through the process, with no image deployment document fee. We're processing 10 million items per month electronically. Credit unions truncate checks right at a branch and send them to us via image exchanges. At the same time, more [financial institutions] are becoming exchange points for us."

Seven steps to capture

For credit unions on the fence regarding data/

branch capture, Ganey advises, "Know where your thresholds are. Be cognizant of transport costs." As for deciding what to purchase or lease, he says, "It's tough to weed through all offerings and solutions. We can help credit unions sift through the options."

Rehman advises credit unions to follow seven steps to successfully install and use data/branch capture:

1. **Get buy-in** from key internal stakeholders. Make sure information technology and the business group are on the same page in moving forward with deployment.
2. **Consult** with vendors who'll provide training on the hardware and software components or total system.
3. **See** a demonstration, test the equipment, and talk to other users.
4. **Determine** your service and support options. Review provider responsibilities, contract options, and costs.
5. **Develop** a contingency plan. Prepare for the worst-case scenario, and address business continuity issues in the event of server meltdown or natural disaster. Implement fall-

The ASP Approach

Alogent Corp., Alpharetta, Ga., introduced a quick-to-market approach credit unions can use to provide remote deposit automation to members.

Features of Alogent's new application service provider (ASP) solutions, developed in partnership with FISC Solutions, Lewiston, Maine, include automated setup for financial institutions and consumers, and full user authentication and security. The turnkey ASP is supported by a unique user interface offering branding for each financial institution, image capture and validation, and real-time image quality and usability. Plus, duplicate item detection across multiple days minimizes duplicate presentment risk, whether inadvertent or with fraudulent intent.

Alogent also provides product training, marketing and sales kits, and turnkey hardware deployment to help financial institutions distribute and deploy their remote deposit automation products. Plus, the company offers document templates allowing for easily created welcome kits and other documentation.