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CUNA Tech Council: Streamlined RDC Services a Growing Necessity

By [Marc Rapport](#) September 15, 2010 •

Perhaps one of the most revolutionary of the online banking revolution is the ability for members to scan checks and deposit them electronically, a natural outgrowth of the remote-deposit capture technology that began in the back shop with Check 21.

In fact, it's hard to find a downside to RDC-since it allows credit unions to receive and deliver checks electronically and process them rapidly, saving both time and resources. But what must credit unions and their members know to efficiently use the service? Can it increase the likelihood of risk and fraud, and if so, how can that be avoided?

A new white paper from the CUNA Technology Council, an organization comprising more than 500 U.S. credit union technology experts, examines RDC and recommends how credit unions that use the service should choose software and hardware, manage risk and fraud, determine eligibility criteria and deposit limits, and educate its members. According to the tech council paper, RDC is a convenient, growing service that credit unions should research in order to make the most of it and take on its associated challenges.

"RDC offers credit unions the opportunity to provide members greater convenience while reaping the possibility of operational cost savings at the same time," said Elizabeth D. Thompson, a writer who authored the white paper and has covered the credit union movement since 1999.

There are three types of RDC, according to the white paper: Commercial remote-deposit capture, in which businesses (including credit unions themselves) use specialized scanners and software to capture images from a high volume of checks; consumer remote-deposit capture, in which individuals and small businesses use scanners to capture check images; and mobile remote-deposit capture, in which mobile phones are used to scan checks. To better understand RDC's functions, challenges and advantages, the CUNA Technology Council had case studies conducted at four credit unions.

The first, the \$1.5 billion Sandia Laboratory FCU in Albuquerque, N.M., utilizes RDC to better serve its members that need to make check deposits but aren't located near the credit union's branches. To reduce the chances of risks and fraud, the credit union developed eligibility criteria for members, which includes a FICO rating of at least 680 and credit union membership of one year.

The second, the \$25 million WV United FCU of Charleston, W.Va., uses RDC to allow its small group of members to bank exclusively online and reports a successful, secure, low-cost experience. The third case study took place at the \$7.3 billion Alliant CU in Chicago, which offers RDC to reduce costs and convenience members and said its biggest challenge has been spreading the word about the service.

In the final and fourth case study, Thompson interviewed executives at the \$4.1 billion Randolph-Brooks FCU in Live Oak, Texas, which introduced RDC to serve its many out-of-area members. The credit union offers mobile remote-deposit capture, and its biggest challenge has been handling poor-quality check image photos taken with mobile phones.

"They tried to capture images using smart phones in all different locations like the airport and dimly lit places to see if the image could be cropped, read, recognized and processed using Check 21 specifications," Thompson said. "The work paid off in creating educational enhancements up front before release of the product."

Randolph-Brooks FCU, as well as other credit unions involved in the case study, are good role models, as member education is key to effectively using RDC, the CUNA Technology Council said. The use of informative online PDFs and videos, as well as missing information prompts on electronic forms, can help users avoid mistakes.

"The credit union will need to educate its members about how to use the new RDC system and avoid common mistakes in check placement and entry," Thompson said.

The CUNA Technology Council white paper concludes that RDC is valuable to credit unions for three primary reasons. First, it keeps business flowing for credit unions with members who can't get to a branch in person. Second, with fewer members visiting branches, credit unions save on operational costs. And third, with so many credit unions offering RDC, it's almost a necessity to keep up with the competition. However, due especially to the possibility of duplicate check presentment, risk and fraud unfortunately comes with the territory.

To minimize the risk, the report recommends utilizing built-in controls on RDC applications that alert credit unions to poor image quality, unintentional duplicate presentment and suspicious activity patterns; associate the same basic safety measures used for online banking with RDC; and set daily or monthly RDC deposit limits.

Credit unions should also strive to fulfill members' expectations. Leading these expectations is functionality—the ability to access RDC with most scanners and mobile phones, as well as to engage in financial transactions soon after making a deposit via RDC.

Checks are certainly not dead, the white paper argues, making RDC a service that can potentially be used widely. It can be offered by credit unions large and small, and as mobile devices are increasingly used for banking, RDC will become necessary.

"In the future, with mobile phones and smart phones gaining wider public acceptance as banking medium, members may come to expect mobile RDC as a baseline service," Thompson said. "The time then to strategically research the credit union's RDC options is now, so that sufficient time and resources can be devoted to its development, channel harmonization, risk management, and roll out."

--mrapport@cutimes.com

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