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By Liz Wheeler



Is smart phone next branch for community banks?

don't have a smart phone. I have a dumb phone. But I'm fascinated, and a bit jealous, of the cool things smart phones can do. Then a friend, Heidi McDowell, a portrait photographer in Blaine, Minn., posted a message on Facebook saying she'd just deposited her first check using mobile deposit capture.

"I saw commercials for Bank of America where customers deposited checks through their phone. 'Well, I thought, 'we bank at Wells Fargo so I'll check to see if they have it,'" McDowell said. "I downloaded their app and noticed it would be available nationwide in December. I got the notice in December, downloaded the app; I had a check right there and started."

McDowell then described the process she went through on her iPhone 5. The app has you log into your secure account. You then type in the amount of your deposit and take a picture of the front and back of the check with the smart phone's camera. "It was really easy; it worked," she said. "I've hardly been back to the ATM since."

"[Mobile deposit capture] has an amount limit. There was one check that I had for about \$1,500 that it wouldn't let me deposit, so I had to go to the ATM with that one. I've done this about five or six times. It works really well. It's really simple. I love it!"

As part of the process, the bank tells users to write on the check the date it was mobile-deposited and hold

onto it for five days. Then McDowell gets an email confirmation the deposit went through, and she shreds the check.

Cathi Weaver, a real estate agent in the Greater Chicago area, also uses this process for depositing her commission checks. Weaver was looking to switch banks after it added new fees. Because of her relationship with a banker in a networking group, Weaver switched to American Chartered Bank, headquartered in Schaumburg, Ill. "Having the ability to do the smart deposits was a plus for me," Weaver said. American



Link

Chartered, which was founded in 1987, has \$2.2 billion in assets and 15 branches in three counties.

"The banker made a presentation in our networking group about the app" and said to search for American Chartered Smart Deposit, Weaver said. She signed up for smart phone banking and opened an online account. Then, "I just downloaded the app," Weaver said. She's had it for almost a year.

When she gets her commission checks, "I lay them on something dark and just sign into the app."

"I've only had one time when I had

trouble with it, and I thought, 'Oh, great, I'm going to have to do this the old-fashioned way!' I think the problem was that my signature was too light," she said.

"I've been really pleased with it. Too bad you just can't get money out of your phone, too!"

So consumers love it. Can community banks make it feasible?

Premier Bank, a \$250 million asset bank in Dubuque, Iowa, says yes. They've had mobile banking for awhile and, on January 23, they rolled out their mobile deposit capture product.

"Mobile banking is really the future — the present and the future — of banking," said Todd Link, senior vice president of operations and chief risk officer at Premier. "Our clients live in a 24/7 real-time world, and they certainly want to do their banking in that same environment."

Premier got into mobile banking in its infancy, or Mobile 1.0, as Link phrased it. "It was more of a transaction-oriented product where you could do a basic balance inquiry."

"Now we are able to get the alerts, mobile bill payments and now mobile capture, POP [point of purchase], P2P [person to person] payments added. It's really put a branch in every one of our smart phone clients' hands, with the one exception of cash. If we're on mobile 2.0, that's mobile 3.0," Link said.

"We absolutely embrace technology as an organization and primarily it's

been driven by our clients. For us, mobile banking is an industry game changer,” Link said. “Mobile banking and the technology resources today can be implemented far cheaper than you can staff branches, add branches, things of that nature. We look at technology as leveling the playing field. Technology I’m looking at on my smart phone right now can do virtually anything the ‘big’s’ can do.

“It’s a bright day for community banks,” he said.

When Premier was looking to get into mobile banking, “one of the biggest things we wanted was an app-based product,” Link said. “So anyone who couldn’t come to the table with an app-based delivery model was immediately eliminated from consideration just from the fact they weren’t moving in the way technology was moving. We would have been outdated before we even deployed [had we not gone that route].” Premier ended up choosing Fiserv, Inc., which works with more than 1,200 financial institutions.

Acceptance of mobile banking has been strong at the bank. In the last two years, the number of clients who have the product and use it has increased

400 percent. In the last 12 months, growth has still exceeded 50 percent. “It has also led to other things which help offset the cost of the product,” Link said, mentioning that the last year has seen 10.7 percent growth in penetration for e-statements; 40 percent of the bank’s customers now receive them. About 70 percent of Premier’s customers also utilize online banking.

“Banking is no different than any other function we’re doing on our smart phone. It’s an extension of our day-to-day lives,” Link said before admitting he sat at a major league baseball game last summer and paid bills. “Mobile capture is the next logical step.”

Link said the most work in getting mobile deposit capture was putting policies and procedures in place such as who reviews the deposits and what dollar amounts get reviewed. “A mobile capture product is far, far less cumbersome than most people anticipate” from a consumer standpoint, Link said. “It’s very intuitive so we don’t anticipate a lot of consumer inquiries,” but just in case, the bank does have a tutorial on its site.

The only difference bank customers

who already have mobile banking will see is that the app now has a “payment button.”

“We aren’t trying to steer all of our clients to this channel; it has its place. Some clients like face-to-face, which is one reason community banks have been so successful for so long. We let the customer make that choice,” Link said.

“I personally think mobile banking is probably one of the most significant changes we’ve seen in the last 30 to 50 years,” Link said. So many huge companies like Google and Apple are “fighting for the electronic wallet” with P2P payments. But for banks, “you’re the immediate contact for the client who wants to use some of these technologies... [which] puts community banks in a much more favorable spot than not adopting and losing those clients on the backside to the Googles and the Apples and PayPal. For us, it’s also an insurance policy because it creates that loyalty now that we’re hopefully going to benefit from as this whole banking picture gets clearer over the next few years.

“The great next step will be the cashless society,” Link said. ❖