

Shifting Gears



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RDC Reliability is Put to the Test

Desktop check scanners for the remote-deposit or teller-branch capture environments require some hardware down-scaling. That is not to be confused with simplification.

BY GLEN FEST

No health-club office manager or remote-branch bank teller needs the fastest check scanner available, but he does need one that's reliable and easy to use—and that itself is a technical challenge.

The hum of a computer terminal in an office or in a lobby can disrupt a MICR-enabled scanner. That, and concerns about maintaining digital-image quality outside the tightly controlled operations center is fueling the need for secondary recognition technologies by equipment vendors such as Panini and Digital Check.

“Check processing used to be done in a fairly controlled, very processed-bound, highly technical operations center ... where you had multi-million-dollar equipment and staff,” according to Michael Pratt, Panini North America's chief marketing officer. “Now you move to a world where not only is process being sent out to a complete myriad of different environments, [but also] primarily to people with no expertise in processing checks.”

At November's BAI retail delivery show, Panini was scheduled to unveil its first OCR/MICR-read desktop scanner designed for the remote-deposit capture/back-office conversion market—a business that has grown mightily over the past two years.

Panini has already upgraded its scanner lines with new contact-image sensors for higher-density, true-color readings of check images, plus new spring-loaded document-handling features more sensitive to two checks stuck together, torn corners, and staples, etc.

Digital Check, meanwhile, is promoting what it terms its new “adaptive thresholding” technology—a double MICR-reading of a scanned check that is then measured against an additional optical scan to reduce the rate of misreads.

Misreads in a check-processing operations center are typically below one percent. But A 2006 MICR-read study by Silver Bullet Technology, a firm that markets Web-based scanner-optimization software, showed that desktop scanners perform poorly in relation to the traditional IBM 3890 processor/sorter—by either failing to reject defective documents (those littered with MICR spots, low-quality ink toner, poor character spacing, etc.) or delivering unacceptable misread rates on good items.

One scanner in the brand-blind measurements had a misread level of more than 10 percent.

Such performance concerns banks. On the one hand, they’re eager to offer remote-deposit capture services, but they don’t want to put scanners in the hands of customers and tellers and then

cope with technical snafus. Roger LeBlond, evp and CIO of Pharr, TX-based Lone Star National Bank, took a measured approach to deploying the new technology. First, he introduced Digital Check devices (in conjunction with Jack Henry & Associates) to the teller lines of his 19 South Texas branches; then he decided to use the same equipment for commercial clients’ remote-deposit needs. “The part I liked is that the image quality is automatically adjusted by the machine,” says LeBlond. “So my teller doesn’t have to worry about any particular settings.”

Says Paul Ruppel, Digital Check’s director of marketing and product development, “Even with our MICR algorithms. We’re constantly improving those with our latest API release. We tweaked the magnetic algorithms so that you can get entire reads magnetically, then with the optical ware, up to 99.5 to 99.7 percent accuracy.”

LeBlond’s prudent approach is shared by many small banks, which, according to a recent survey by Celent, have been slow to deploy the technol-

ogy. Banks outside of the top 10 RDC evangelists (like Wells Fargo) have only averaged 19 seat licenses apiece.

“Image-quality suspects are one type of exception that needs to be dealt with centrally, but there are other item-defect issues that need to be dealt with, too,” says Celent senior analyst Bob Meara. For example, he says, misread MICR codelines can be embedded with an associated image that only gets corrected upstream if it’s bounced back as an invalid code line. “And what I’m hearing from most banks is they don’t want clients to correct the code line because that invites fraud,” he says.

Much more prevalent errors are character monitoring, courtesy or legal-amount reads that are below thresholds, Meara says.

For many small banks, most of the data correction—even for teller capture—is performed as a central function at the main operations center. So as alluring as putting the technology into customer’s hands might be, it’s still the bank’s expertise that remains at the very heart of the relationship. ■