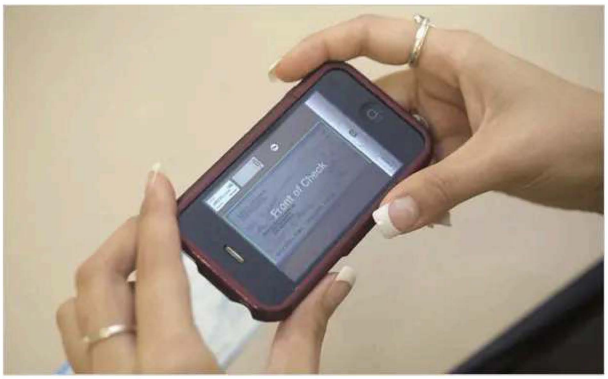
The New York Times | https://www.nytimes.com/2009/08/10/technology/10check.html

Bank Will Allow Customers to Deposit Checks by iPhone



Customers of USAA can photograph both sides of the check, send the images through an app and then void the check.
J. Michael Short for USAA

By Susan Stellin
Aug. 9, 2009

The Internet has taken a lot of the paperwork out of banking, but there is no avoiding paper when someone gives you a check. Now one bank wants to let customers deposit checks immediately through their phones.

USAA, a privately held bank and insurance company, plans to update its iPhone application this week to introduce the check deposit feature, which requires a customer to photograph both sides of the check with the phone's camera.

"We're essentially taking an image of the check, and once you hit the send button, that image is going into our deposit-taking system as any other check would," said Wayne Peacock, a USAA executive vice president.

Customers will not have to mail the check to the bank later; the deposit will be handled entirely electronically, and the bank suggests voiding the check and filing or discarding it. But to reduce the potential for fraud, only customers who are

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eligible for credit and have some type of insurance through USAA will be permitted to use the deposit feature. Mr. Peacock said that about 60 percent of the bank's customers qualify.

USAA may seem like an unlikely innovator in mobile banking. It ranks in size just below the top 20 banks in the United States, and serves mostly military personnel, though many of its products are available to anyone.

But with just one branch, in San Antonio, and customers deployed all over the world, the company has been aggressively developing an anytime, anywhere banking strategy. Three years ago, it introduced the option of depositing a check from home using a scanner. That laid the groundwork for the phone deposit feature, which USAA plans to offer on other phones this year.

"Mobile is going to be a bigger part of how people do commerce and how they interact with their financial institutions," Mr. Peacock said. "The great value that we see is the time savings."

About a million of USAA's 7.2 million customers use their cellphones to access their accounts either via text message, a mobile browser or an iPhone application introduced in May. The deposit feature, which USAA previewed in an online video, puts the bank in the vanguard of the effort to turn cellphones into portable branches.

"USAA has been pretty progressive with this," said Nick Holland, a senior analyst with Aite Group, a financial services research company.

The most popular banking tasks done on cellphones are reviewing account balances, transferring money, making payments and finding A.T.M.'s, analysts say. But in general, mobile banking has been slow to catch on. Mr. Holland said tighter budgets have forced banks to focus on using technology in ways that cut costs or generate revenue, rather than simply creating buzz.

"If banks can get people to stop calling call centers for mundane inquiries and instead send a text message," he said, "that saves a bank about $14 for every one of those inquiries."

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Mr. Holland predicted that other banks would follow USAA and offer some type of mobile deposit capability, especially deposit options aimed at small-business customers who may be willing to pay for the convenience.

A study released recently by comScore, a digital audience measurement company, found that more than 15 million people in the United States used mobile banking each month, a number that is expected to grow as networks become faster and more people migrate to smartphones.

“It’s the iPhone that really propelled things to the forefront,” said Marc Trudeau, a senior director at comScore.

While comScore found that just 3 percent of mobile banking customers use Apple devices, Mr. Trudeau said the iPhone had paved the way for applications that let customers accomplish tasks more efficiently than with a phone’s Web browser.

For instance, Bank of America, which has an iPhone app, has more than three million mobile banking customers, and 43 percent of them bank with an iPhone or iPod touch, said Tara A. Burke, a company spokeswoman.

A cellphone is also always at hand, so it is potentially a more convenient than a computer. In fact, comScore found that people most often use mobile banking services at home.

“We’ve all seen the ads showing people banking from a beach in the Caribbean,” Mr. Trudeau said. “The reality is much more mundane than that.”

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