

# KEY BENEFITS OF REMOTE DEPOSIT CAPTURE FOR NON-PROFIT CORPORATIONS

Non-Profit corporations which utilize a Remote Deposit Capture service stand to gain the lion's share of the benefits of Remote Deposit Capture. Below is a brief list of the main benefits which can be realized. Be sure to also read about the [additional issues](#) a non-profit corporation should consider when evaluating / using an RDC Solution.

## Accelerated Clearings

The Remote Deposit Capture service allows non-profit corporations to capture deposits in their office / processing center and can eliminate the need for the checks to be transported to the bank. This reduction of the transportation time from the total processing lifecycle of a check provides a longer time for the non-profit corporation to process the checks. Often, this additional processing time allows the non-profit corporation to deposit more items at an earlier cutoff time than they otherwise would.

In addition, most banks offering Remote Deposit Capture have extended the cutoff times for deposit. For example, Remote Deposit Capture deposits can be made as late as 8:00 PM EST while the deadline for regular paper deposits is 4:00 PM.

The combination of more processing time for the non-profit corporation and later deposit deadlines results in accelerated clearing times.

## Improved Availability

Closely related to accelerated clearings, Improved Availability results from the ability to now make deposits earlier in the day. Most large banks offer availability schedules which vary depending upon time of deposit. The earlier a non-profit corporation can make the deposit at the bank, the better an availability schedule can be assigned to that deposit because the bank now has more time to process and clear the items.

As more banks begin to use image exchange for clearing, as well as other check-21 enabled products from the Federal Reserve and others, clearing capabilities and success

rates will improve. Depending upon deadlines and a bank's clearing capabilities, it is now possible to achieve as much as 95% next-day availability on "transit" items (items drawn on banks outside the current Federal Reserve District).

## **Enhanced Cash Flow from Cash Management Operations**

Accelerated clearings and improved availability result in improved cash flow and working capital for your non-profit corporation. A quick way to gage the financial impact is to use your non-profit corporation's Weighted Average Cost of Capital (WACC). The WACC is basically a measure of the return your company generates on every dollar invested. The historical average WACC for the S&P 500 is approximately 15%. Using this figure, every \$1,000 in accelerated cashflow (availability) results in a 60 cent benefit to that non-profit corporation. If that non-profit corporation deposits \$100,000 daily, the annual benefit just from (total) availability acceleration would be over \$150,000!

## **Reduced Transportation Costs / Convenience**

Now that full truncation of checks is possible, substantial savings can be had from reductions in transportation expenses. We say "reduction" because there will be items which may be unsuitable and unable to be processed via Remote Deposit Capture, and therefore must still be deposited in paper form at a bank. The vast majority of items (99.5%+) will be able to be captured. Assuming your non-profit corporation previously had daily couriers depositing items, Remote Deposit Capture allows you to reduce your transportation needs substantially. Your non-profit corporation may now choose to utilize that courier now only once per week for the (very) few items which need to go to the bank in paper form.... an 80% reduction in transportation!

## **Reduced Processing Costs**

At a minimum, a non-profit corporation can save time and money by using a Remote Deposit Capture solution to eliminate: the time and expense of traveling to the bank, and the time spent balancing the deposit & associated keying. Additional benefits can be had by using a Remote Deposit Capture solution as both your remittance processing,

and your financial transaction processing platform. The new check 21 legislation and new technologies allow for the convergence of these traditionally separate functions (Remittance Processing & Treasury Deposit Functions).

## **Consolidation of banking relationships**

Remote Deposit Capture can enable consolidation of banking relationships. No longer does a non-profit corporation necessarily need to have the local bank around the corner to make check deposits. With a Remote Deposit Capture solution, there are no longer geographic "footprints" for depository relationships. The combination of business portability and competition between banks for corporate deposit business will prove a windfall for non-profit corporations. Clearly, the larger the non-profit corporation and the more volumes of items to deposit, the greater the potential opportunity. Likely benefits of banking relationship consolidation include:

- LOWER PER ITEM PRICING: By consolidating your depository account relationships to fewer banks (possibly just a single bank), your depository bank should be able to provide a volume-based discount on your per-item charges. This holds true on both items deposited, as well as your return item fees, posting fees, etc.
- IMPROVED AVAILABILITY: Similar to the benefits of volume pricing, larger banking relationships often are assigned "preferred" availability schedules.
- EXPANDED CREDIT RELATIONSHIPS: As a non-profit corporation does more business with a bank, and with larger the balances / volumes in the accounts, the bank will be more interested in providing credit services.
- REDUCED RELATIONSHIP MANAGEMENT COSTS: Bank account analysis, reconciliation and management can be a costly and time-consuming process. Reductions in the number of banking relationships will result in lower relationship management costs.
- A MORE EFFICIENT CORPORATE TREASURY: As a result of all the above mentioned benefits, your corporate treasury operations will simply be more efficient. Lower transaction costs, reduced funding rates, enhanced cash flows and consolidated banking relationships will result in a treasury department which has more time to focus upon productive efforts (as opposed to administrative

efforts such as account reconciliation for many banking relationships) for the firm.

- REDUCED PHOTOCOPYING COSTS: Many non-profit corporations photocopy checks received prior to depositing them at a bank. Often, this is done to help in reconciliation and deposit adjustment cases, sometimes this is a requirement written in the bank's deposit agreement. Either way, a non-profit corporation or correspondent bank can see substantial savings by using a Remote Deposit Capture service. For a non-profit corporation which processes 500 checks per day, assuming an all-in photocopy cost of just 5 cents per item, annual savings could be \$6,300 for this example!