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# Check 21 and the Evolution of Remote Deposit Capture

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Because remote deposit — the ability to deposit a check into an account from a remote location — is rapidly changing the way banking is done, I thought I'd take this week's post to offer a bit of history about how this technology came into being and where it might be heading.

First we need to go back about to the beginning of the new century.

## Secondary effects of 9/11

On September 11, 2001, four coordinated terrorist attacks took place in New York City and Washington D.C. In the aftermath of those attacks, air transportation was shut down and the movement of checks slowed dramatically.

Banks were forced to move



Express style.

As you might imagine, this event and its repercussions made the banking industry sit up, take notice, and realize it needed to figure out a way to speed up the check clearing process between banks.

## The check is dead — long live its image

Okay, as we know from [Darrin's blog post about B2B electronic transactions](#), the check isn't really dead and it may be a while before we write its final obituary. That being said, one of the after effects of 9/11 was that the industry appreciated the need to figure out a way to deal with payments in a 21<sup>st</sup> century way, fostering innovation to enhance efficiency.

In 2003, [Check Clearing for the 21st Century Act](#) (or Check 21) was signed into law and became effective the following year. In essence, this law made it possible for banks to clear checks based upon images of the original items, instead of having to transport the original check all the way back to the paying bank for clearing. Check 21 intended to keep the country's financial industries going in the case of a catastrophe like the 9/11 attacks.

This is where remote deposit capture (RDC) comes in. Because a digital image of a check was now considered to be a legal document (a side effect of Check 21), bank customers — B2B or B2C — could scan a digital image of a check into a computer and then transmit that image to the bank.

## The evolution of RDC



At first, RDC was really only useful (and used by) businesses that dealt with a large number of checks on a monthly basis. This is because a decade ago, the only way to scan checks for remote deposit was to use a very expensive high volume check

scanner. But not long after, lower-priced scanners came on the market, opening the door for smaller businesses to make use of the technology too.

Around this time — 2004 to 2008 or so — banks charged a monthly fee to use RDC. Some would give away a scanner in exchange for a one or two year commitment, kind of like cell phone carriers do today. As you can imagine, while this technology was attractive to most everyone, it was still too costly for very small businesses.

Finally, in recent years, banks and other RDC providers began offering lower cost, pay-as-you-go services bringing RDC within reach to just about everyone, including individuals.

And today, you may already be doing this with your bank. In fact, you may be able to take a photo of your check and then send that digital image to the bank. It's convenient and it's efficient and being able to use a smartphone to deposit a check illustrates how far we've come.



# Is RDC good for all organizations?

The benefits of RDC for businesses are obvious:

- Better deposit availability
- Convenience
- Reduced transportation cost and risk
- Enhanced cash flow from cash management
- Reduced return item risk
- Reduced processing costs
- Consolidation of banking relationships

It's also good for banks — it reduces transportation costs, it opens the door for new revenue streams, and just like for corporations, it reduces processing and clearing costs.

But is it good for everyone? According to Olivia LaBarre at [Bank Systems and Technology](#), "Banking customers increasingly see value in mobile remote deposit capture (RDC). In fact, in many cases, they would even change banks to get the service, according to the Mobile Financial Services Tracking Survey, a semiannual survey conducted by Boston-based consulting firm [AlixPartners](#)."

The need for Check 21 spawned remote deposit, a technology that's here to stay and that will keep on growing. Stay tuned for more on remote deposit, its effects, its risks (such as duplicates), and how it's used in other parts of the world.

*"Money won't create success. The freedom to make it will."* —  
Nelson Mandela