

# Profile

December 2009

## New White Paper Evaluates C-21 and Remote Deposit

In terms of significance to the check processing industry, the Check Clearing for the 21st Century Act has been compared to the monumental introduction of MICR line printing 40 years ago.

The goal of "Check 21," which went into effect five years ago, was to create a more efficient check collection industry. Has that goal been accomplished? And if so, at what cost? Are credit unions better off as a result of this legislation?

Southwest Corporate examines these questions in a new white paper entitled, "Five Years Later: A Perspective on Check 21 and the Remote Deposit Industry."

The paper explores the changes that have occurred in the check processing industry since the law became effective and offers observations on the direction the remote deposit industry is heading, including a look at member/consumer capture and mobile applications.

The 10-page document covers: the impact created by the closure of Federal Reserve Bank check processing sites nationwide; the results of Southwest Corporate's survey of 124 Branch Capture user credit unions; three in-depth case studies of credit unions' multi-year experiences with Branch and Teller Capture products; and risk associated with remote deposit services.

"From the beginning, Branch Capture and Teller Capture were intended to streamline credit union operations and reduce risk. That goal is being realized. No one fully appreciated, however,

## Rossell: Recovery Underway, Exports to Lead U.S. Economic Growth in 2010

Economic recovery, albeit in the early stages, is underway, Marci Rossell told a packed house at Southwest Corporate's recent Economic Forum.

"I am absolutely confident in the real recovery of the global economy," said Rossell, former chief economist for CNBC.

Financial crises typically have three phases, Rossell said: **a credit crunch**, when economic conditions change dramatically and financial institutions alter their risk profiles; **containment**, when the government takes action to stabilize the crisis; and **resolution**, when the economy begins to move toward more normal market conditions.

The U.S. is in the resolution phase, and recovery began in mid-September, Rossell said. She believes national focus on unemployment is misplaced, because the unemployment rate - a lagging indicator - usually peaks after a recession is over.

Rossell is watching oil prices instead. "Oil prices are a market-based indicator of where the economy is headed, and prices are improving. Oil prices peaked at \$147/barrel last summer and then collapsed, bottoming out at \$38/barrel in March. But now, prices are up around \$80/barrel."

From Rossell's vantage point, several signs point to an improving economy. The first is a rapid rise in the household savings rate. And while some say the economy won't grow until consumer spending returns, Rossell thinks savings had to come first.

"This recession is fundamentally about the savings rate going from zero to five percent. People are now saving for unexpected expenses and for retirement. It is the best thing that ever could have happened. Yes, it's painful in the short run, but it is absolutely necessary for the long-term health of the economy."

Another sign that the economy is recovering is a dramatic drop in housing prices, which translates into increased affordability, Rossell said.

"Houses have been overvalued for about 10 years. The rule-of-thumb is that consumers can afford a house valued at 2½-3 times their income. The median household income is \$55,000 per year, but the median home price had been running about \$212,000 - above what the median household could afford. The market appears to have stabilized some now, and the median home price has dropped to \$170,000."

Lastly, Rossell believes exports will lead economic growth in 2010. The declining value of the dollar gives the U.S. a competitive advantage in world markets, she said. In addition, emerging countries such as China, India and Brazil have a portion of their population moving into a middle class, according to Rossell, and "they want to buy our goods."

Like the Great Depression, this recession has altered the way people view risk, and that's good, Rossell said. Ultimately though, consumer spending will depend upon income. Job creation is necessary to get the economy back on track.

Rossell offered this final encouragement. "In the next three months, I think we'll see the unemployment rate stabilize at 10%, and start declining. That's when we'll get recovery in consumer spending."

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Marci Rossell

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# Ready-To-Use Campaigns

## Market Member Capture

Credit unions adding Southwest Corporate's Member Capture solution to their service portfolio can take advantage of three pre-designed, but customizable, marketing campaigns that support the product - The "Say Yes" Campaign, The "Excuses" Campaign, and The "Whenever Wherever" Campaign.

Developed in cooperation with an advisory team of credit union marketers, each campaign includes a variety of components, including: a poster, a brochure, a postcard, a statement stuffer, an animated web graphic, a newsletter article, an on-hold message script, and a radio script. Some of the elements offer design options, giving credit unions the flexibility to target specific audiences or to extend the campaign out over time.

Materials may be viewed and downloaded from Southwest Corporate's website. Credit unions wanting ready-to-use materials can download high-resolution portable document files (PDFs), drop in the credit union's logo and contact information,

and take to the printer or print in-house. Credit unions wanting to create their own branded marketing materials can download text files and art files, including fonts and image links, and modify the pieces and parts to suit individual needs.

Aside from customization and printing, these materials are available at no cost to credit unions participating in Southwest Corporate's Member Capture program. For more information, look under Resources on the Remote Deposit Services page at [www.swcorp.org](http://www.swcorp.org), or contact Communications at 800-442-5763, ext. 7841.



## WHAT'S HAPPENING AT SOUTHWEST CORPORATE?

Southwest Corporate uses a variety of methods to communicate news and alerts to member credit unions. The method most effective at delivering timely information about Southwest Corporate is email. Is this how you and your staff are receiving important information? Is your contact information current?

It's time to find out.

Member credit unions are encouraged to check the Notification Screen in TranZact to verify that the proper employees are receiving important email

communications. Credit unions should also confirm that contact information is up-to-date and email addresses are accurate.

To ensure delivery of email communications from Southwest Corporate, please be sure to add [news@swcorp.org](mailto:news@swcorp.org) and [commentscfcu@swcorp.org](mailto:commentscfcu@swcorp.org) to your credit union's white list and individual recipient address books.

For more information, or to add a TranZact non-user to a list, please contact [news@swcorp.org](mailto:news@swcorp.org).

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## NEW WHITE PAPER EVALUATES C-21 AND REMOTE DEPOSIT

the number of additional image-based products that would evolve as a result of remote deposit technology," said Brad Ganey, Southwest Corporate's senior vice president of payment services.

Ganey, who has been involved with the image exchange industry since its infancy and worked for the Federal Reserve Bank of Jacksonville prior

to joining Southwest Corporate in 2000, shares his insights in the document.

To get a free copy of the white paper, click on the White Papers page under the Communications tab on [www.swcorp.org](http://www.swcorp.org) or call Communications at 800-442-5763.

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# FELDSTEIN: Economic Recovery May Not Be Sustainable



In a sobering assessment delivered at Southwest Corporate's 32nd annual Economic Forum, economist Martin Feldstein warned credit unions of the "substantial risk" that exists for another economic downturn in 2010.

"The recent recovery has been driven by temporary factors. The Cash for Clunkers program has bolstered

the auto industry, and the first-time home buyers' credit has supported the housing industry. Without further incentives, there's danger this upturn won't be permanent," Feldstein told the record-breaking crowd of 470 in Dallas in late October. Feldstein was one of a dozen speakers at the three-day event, which also included a free Financial Management Series conducted by Southwest Corporate Investment Services.

A member of President Barack Obama's Economic Recovery Advisory Board, Feldstein also served on President George W. Bush's Foreign Intelligence Advisory Board and as President Ronald Reagan's chief economic adviser. In addition, he held the position of President/CEO of the National Bureau of Economic Research for almost 30 years.

The current recession is different from those of the past, Feldstein said. In previous recessions, the Fed's monetary policy had room to move rates lower to eventually spark a recovery.

"That is not the case here. The reason for this recession is asset bubbles – risk mispriced for homes and stock market securities. The added burden stemming from deteriorating home values, lower stock prices and weak spending has created such a dilemma that altering the rate environment has little effect."

Feldstein suggested GDP growth might be negative in 2010 and identified three impediments to robust growth: continued weak consumer spending, declining residential and commercial real estate values, and a dysfunctional banking system with restrictive credit.

A sustained recovery will depend on consumers, he said, but unemployment, declining real income and a negative wealth effect make that unlikely. "Employment continues to decline and at a faster rate than before, and many who are employed are working fewer hours. Manufacturing is down, and consumer confidence is the lowest in 25 years."

Feldstein projected a 10-year fiscal deficit. "We will be leaving enormous debt for future generations. Even with a 7-8% savings rate, we will have to depend on a serious inflow of capital from around the world. If other countries decide not to invest in the U.S., interest rates will have to rise."

With the current high unemployment environment, the Fed would meet significant resistance in raising interest rates.

"I hope I'm wrong," Feldstein offered, "but you may want to consider these risks."

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## Southwest Corporate Profile

Southwest Corporate Federal Credit Union publishes Profile as a compilation of information recently released by our communications department. For up-to-the-minute news and information, visit us online at [www.swcorp.org](http://www.swcorp.org).

Please contact Jana Fowler at extension 7844 with questions or comments about this issue of PROFILE.



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## Teller Capture Reduces Float And Employee Overtime, Increases Revenue

Grow Financial Federal Credit Union in Tampa, Florida, was the pilot credit union for Southwest Corporate's Teller Capture service in 2007. After two years, the credit union shared some of its experiences.

"Teller Capture truly has done everything we wanted it to do for us," said Beth Griffin, Grow's VP of Finance. "Balancing is easy - no stamping, no adding checks. Proof operations took two days before, but Teller Capture helped us eliminate two full days float time and reduce the potential for fraud and other losses. The capital outlay was worth it."

"We gained other efficiencies," Griffin added. "Members can go into any branch, regardless of where the check was deposited, and have staff pull check images for them. It used to take several days, because the request had to go through the back office."

With Teller Capture, each teller has a workstation that enables them to scan and transmit checks electronically as they are deposited throughout the day.

"One of Teller Capture's best benefits is eliminating the need to transport checks and store them for long periods. Checks never leave the branch; they are handled by dual control, locked, and eventually destroyed," said Griffin.

Teller Capture has helped reduce employee overtime, Griffin said, and because encoding is no longer required, the credit union was able to eliminate a sub-department and redirect two employees' efforts.

Griffin also mentioned an increase in revenue as a result of faster processing. "With overnight rates at .25%, getting items through the system faster to increase earnings doesn't amount to much, but when the overnight rate is 5%, the difference is more meaningful."

For more information on Teller Capture, email [contactus@swcorp.org](mailto:contactus@swcorp.org) or call 800-442-5763.



**southwest corporate**  
FEDERAL CREDIT UNION

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