

Cash in on Convenience: Consumers Want Same-Day Funds Availability

Digital and mobile technologies have redefined consumer expectations for convenience and real-time service. In response, fee-based funds-availability solutions have emerged to meet the growing need for instant access to cash. Check-cashing centers, payday lenders, retailers, mobile wallet and prepaid providers, and telecommunications companies are competing for their share of the market—and yet the majority of consumers say they would prefer to use an immediate-funds service offered by their financial institutions.

In a 24/7 online world, the demand for immediate, hassle-free access to cash is growing. The trade association Financial Service Centers of America (FiSCA) estimates nonbank financial transactions at check-cashing outlets total \$106 billion (over 350 million transactions) annually, and check-cashing services are responsible for over half of that activity.

So who are all these check cashers? Many of them may be your customers, since 75 percent of consumers who use check-cashing services have banking relationships, according to a consumer behavior analysis by the Center for Financial Services Innovation (CFSI). And more than half of consumers who use these services to get funds immediately do so because their banks do not offer the service.

A Service and Revenue Opportunity

The need for immediate-funds access resonates across all small business and consumer segments. A Fiserv study of check-cashing behaviors found 4 in 10 consumers are interested and willing to pay for immediate funds and are, in fact, already using check-cashing outlets for this purpose.

To frame the opportunity for financial institutions, consider these additional findings from Fiserv:

- Families are most receptive to immediate funds-services and already use them. Young families with annual incomes of \$50,000 or more

show the highest opportunity, followed by higher income single parents and mature families

- Consumers will pay a higher percentage to gain access to funds from low- to mid-range checks, but the cap seems to be around \$11 regardless of check amount
- Among small-business owners, 60 percent are likely to use immediate funds for routine or unexpected business expenses, while 16 percent would use the funds to meet payroll deadlines

Banks Must Be Competitive to Attract Customers

Our study found banks have a clear competitive advantage when it comes to offering immediate funds services. Consumers said they have more confidence and trust in their banks than in other money-service businesses to protect and regulate personal information, and would prefer to use their banks for immediate funds transactions.

The following feedback from our focus groups should be noted by banks interested in offering a competitive immediate-funds service:

- The service should be priced competitively. Banks must overcome a general perception that they might charge higher fees than check-cashing services
- Convenience and time savings are big with consumers. Because check-cashing locations may have longer hours or closer locations, banks should

offer the convenience of depositing checks through multiple channels including branches, ATMs and mobile devices

- Consumers are sensitive about their privacy and do not wish to provide more information than they normally would provide to cash a check
- Mobile access may be one key to rapid adoption. Some survey respondents said they prefer the privacy of a mobile app when requesting approval of immediate funds

Offering Customers Value

Thanks to new offerings from payment processors such as Fiserv, banks are now able to provide an immediate-funds service for less than the fees charged by alternative providers. Here's how the Fiserv service works:

When a customer deposits a check using one of the financial institution's service channels (mobile, ATM or branch), a transaction risk score is calculated by an analytical decision engine. Based on the score, Fiserv can offer an immediate-funds availability option to the pre-approved customer, along with a premium service fee that corresponds to the check amount. If the customer selects immediate-funds availability, the fee is deducted and the customer has immediate access to the net funds from the deposited check. If the deposited check is not approved for immediate funds, it can still be granted the institution's standard-funds availability.

Now is the Time for Immediate Funds

In light of the fact that a majority of check-cashing consumers would qualify for a bank account if they applied, an immediate-funds service is an ideal way to attract new consumers and businesses to your financial institution.

And by offering real-time convenience when it matters most to your customers—enabling an on-time payment for college tuition or the purchase of essential business equipment, for example—your bank can win their loyalty as you drive new revenue from your branches, ATMs and the mobile channel.

Who We Surveyed

In January, 2015, 1,501 banking consumers and small business owners ages 18 and older completed online interviews regarding their check-cashing behaviors. Four focus groups were held in February to obtain in-depth feedback. For more detailed results from our study, contact your Fiserv representative.

About the Author

Bill Harrington is a senior engineer at Fiserv with more than 15 years of experience in commercial and retail/small business banking. He is responsible for providing large banks with industry-leading risk management solutions, including immediate funds availability. Prior to joining Fiserv, he served in senior roles with responsibility for driving strategy and revenue opportunities for several large regional and national banks.

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