

# Mobile Deposit

## Restrictive Endorsement

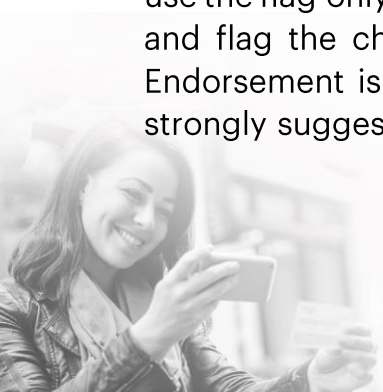


### Introduction

With customers increasingly turning to mobile deposits as a primary means of depositing paper checks, they expect their financial provider to deliver an experience that is fast, error-free, and easy to use. At the same time, six thousand financial institutions have come to rely upon Mitek to provide a Mobile Deposit solution that utilizes up-to-date technology, helps to prevent fraudulent deposits, and provides near-real-time processing capabilities. To support the needs of financial institutions nationwide, Mitek has kept apprised of changes to financial regulations and we continue to enhance the Mobile Deposit application to ensure our customers are able to keep pace. This document serves to provide information about Mobile Deposit's Restrictive Endorsement functionality, which has been a part of Mobile Deposit since version 4.1, released in 2013.

### Usage

On July 1, 2018, changes to the Federal Reserve System's Regulation CC will take effect. Amongst those changes is a change to Regulation CC 12 CFR Part 229 subpart C, which includes an amendment to the indemnification of a financial institution when receiving electronic check images with restrictive endorsements. While Mitek is not in a position to provide operational or legal advice as it relates to the changes in Regulation CC, Mobile Deposit product (version 4.1 and later) is already capable of supporting a workflow that includes business rule rejection logic for restrictive endorsement. Mobile Deposit's Restrictive Endorsement functionality can be used to reject checks that do not include a valid restrictive endorsement phrase, however, the best practice implementation is to use the flag-only option of Mobile Deposit to present a successful deposit to the customer and flag the check for further back-office review. Mitek's Mobile Deposit Restrictive Endorsement is designed to support up to a two (2) line restrictive phrase, but Mitek strongly suggests that the phrase be kept as simple as possible. The system allows the



financial institution to pre-define one or more restrictive phrases that are deemed acceptable, and the system is designed to do a full-text match on those phrases. Because the match is on the full-text, shorter phrases will yield a lower error rate. For example, the restrictive phrase, "Mobile Deposit at Mitek Bank" will yield a higher acceptance rate than the restrictive phrase, "For Mobile Deposit Only at Mitek Bank." Mitek strongly suggests that each financial institution work with their own legal counsel to determine how the changes to Regulation CC will affect them, and what implementation of Restrictive Endorsement meets their needs. Mitek's professional services team is well-versed in the implementation and tuning of the Mobile Deposit Restrictive Endorsement feature, and can provide valuable insight into the best ways to minimize the impact to customers.

## Conclusion

Mobile Deposit continues to be the industry leader in providing intelligent mobile check processing solutions for financial institutions. The Mobile Deposit application has had twenty-three major releases since Mitek invented mobile deposit in 2008 and is in use by six thousand financial institutions. Over the last five major versions of Mobile Deposit, Mitek's computer vision scientists have continued to invest time into this great feature and have provided significant improvements to the Restrictive Endorsement features and functionality. Each enhancement is designed to support financial institutions in their goal of delivering a world class solution to their customers. As the Federal Reserve's Regulation CC continues to evolve, Mobile Deposit will continue to provide the features and functionality that our customers have come to expect from Mitek, the inventors of Mobile Deposit.

For more information regarding the changes, please see the official release from the Federal Reserve, located here:

<https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170531a1.pdf>

Mitek has also been in contact with Thomas Fox at Schwartz & Ballen LLP, in Washington DC to obtain further commentary on the changes. He is familiar with the Mitek Mobile Deposit product and can provide further insight into the new changes as it relates to mobile check deposit. Schwartz & Ballen LLP's published commentary can be found here: <http://www.schwartzandballen.com/Memos%202017/Regulation%20CC%20Final%20Rule%20060117.pdf>

