

A Forrester Total Economic Impact™
Study Commissioned By Ingo Money
August 2017

The Total Economic Impact™ Of Ingo Money

Instant Check Cashing Attracts New
Customers And Lifts Bank Revenue

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August 2017

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Executive Summary

Ingo Money provides instant money services to transform cash, checks, and Automated Clearing House (ACH) into real-time digital funds. Businesses, such as financial institutions, can implement Ingo Money's solutions to attract new customers, capture new revenue streams, and deliver new and enhanced services to consumers. Ingo Money commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) that enterprises may realize by implementing Ingo Check, the company's instant check-cashing and deposit solution. Ingo Check enables banks to capture incremental revenue by offering a fee-based instant check-cashing and deposit service via mobile, branch, and ATM channels. Ingo Money underwrites and assumes the risk for approved checks and enables banks to provide their customers instant, guaranteed funds that are immediately available and safe to spend — all in a matter of minutes.

The purpose of this study is to provide readers with a framework to evaluate the potential financial impact for their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed a customer with several years of experience with Ingo Money. This customer, a large regional bank, has implemented Ingo Check as an option for customers and nonbank consumers. The bank has transformed the traditional check-cashing and deposit process into an instant money service for its customers while creating a new revenue opportunity for the bank.

Before Ingo Money, the bank offered standard check-cashing and deposit services to bank customers only. This often required a one-to-seven-day waiting period for funds to clear, leading to customer frustration and, in some cases, cash flow issues.

Key Findings

Quantified benefits. The interviewed organization experienced the following risk-adjusted quantified benefits:

- › **Incremental income of \$25.5 million from fees for instant check-cashing services.** Customers of all types have opted for instant check-cashing services and pay a fee equal to a small percentage of the check amount. The service supports and guarantees any check type such as pre-printed payroll, government, personal, and two-party checks. In addition, it supports any check amount, from smaller amounts to very large ones.
- › **Incremental revenue of \$21.2 million from new customer business.** Instant check cashing attracts new customers, and many adopt other bank products and services. The bank estimates 22,000 to 30,000 new customers each year will open a banking or prepaid card account after having first used the bank's instant check-cashing service. While the reasons and deposit amounts vary, the result is new bank revenue.

Unquantified benefits. The bank and its customers experienced additional benefits, which are important but not quantified for this study:

- › **More options deliver better customer service.** Bank tellers can provide customers additional services to help deliver exactly what their customers need: traditional check deposits, instant check deposits, or instant check cashing.

Benefits And Costs



Instant check-cashing service fee revenue:

\$25.5 million



Income from new customer accounts opened due to instant check-cashing services:

\$21.2 million



Number of new accounts opened each year as a result of instant check cashing:

Between 22,000 and 30,000



ROI
162%



Benefits PV
\$46.7 million



NPV
\$28.9 million

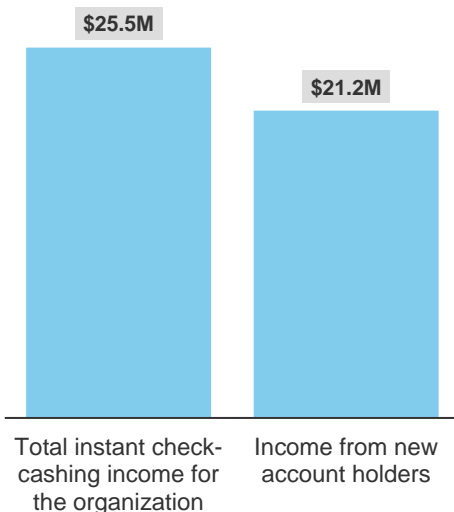
- › **The bank has become known for its services, leading to new customers from referrals.** The bank offers instant check-cashing and deposit services for any check type or any check amount. Local businesses might offer check-cashing services, such as supermarkets or convenience stores, but they usually cash only payroll or government checks and/or limit check amount; they are happy to refer the bank as a service to their own customers.
- › **The bank has reached a largely untapped market for banking services.** Customers who have opted for instant check cashing come from all walks of life and income levels and use various financial services. Nonbank check-cashing options, such as those offered by supermarkets or check-cashing services, can mean that cashing a lot of checks could take time and effort to drive all over town to different banks or service providers. With Ingo Check, the bank can reach and service these customers, plus offer other bank services like opening a checking account, loan, or a prepaid debit card.
- › **No hidden fees for customers.** When Ingo Money approves a check, the amount is guaranteed, so the customer never has to worry about nonsufficient funds (NSF) issues and fees — a very important benefit for people such as small business owners who are paid with a lot of personal checks; in the past, they could only avoid potential NSF fees by driving from bank to bank to cash the checks from each.
- › **Customers receive instant, safe-to-spend funds.** Ingo Money underwrites and assumes the risk for approved checks and enables banks to provide their customers instant, guaranteed funds that are immediately available and safe to spend. Customers are very happy they don't have to sit through a waiting period before funds are available, are better able to manage their monies, and can immediately make payments. Small business owners who may need funds immediately for business payments again find this valuable.
- › **Customers make the choice.** Customers who opt for the service know immediately what they are getting and the associated cost. There are no hidden fees or additional bank charges, which is important in the currently regulatory period. The customer chooses whether to select instant check cashing and pay the fee for the instant funds or opt for traditional deposit for free.

Costs. The interviewed organization experienced the following risk-adjusted costs:

- › **Fees to Ingo Money.** Fees are collected for each transaction; a portion of each fee is paid to Ingo Money to support the service.
- › **Initial and ongoing resource costs.** Preparing for Ingo Money included efforts to integrate and configure the service, train employees, and market the new offerings. Implementing the service, including adding it to bank teller systems and web and mobile banking applications, was quite simple. Ongoing costs include a few employees to manage the system and look for further improvement opportunities.

Forrester's interview and subsequent financial analysis found that the bank experienced three-year, present value (PV), risk-adjusted benefits of \$46.7 million versus risk-adjusted, PV costs of \$17.8 million after implementing Ingo Check. A large part of the cost is a pass-through fee for the service. The net present value (NPV) is \$28.9 million, and the ROI is 162%. The bank estimates the payback for the service was about three to nine months (nine if the deployment period is included).

Benefits (Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interview, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Ingo Money.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Ingo Money can have on an organization:



DUE DILIGENCE

Interviewed Ingo Money stakeholders and Forrester analysts to gather data relative to Ingo Money.



CUSTOMER INTERVIEW

Interviewed one organization using Ingo Money solutions to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organization.



CASE STUDY

Employed four fundamental elements of TEI in modeling Ingo Money's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Ingo Money and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Ingo Money.

Ingo Money reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Ingo Money provided the customer name for the interview but did not participate in the interview.

The Ingo Money Customer Journey

BEFORE AND AFTER THE INGO MONEY INVESTMENT

Interviewed Organization

For this study, Forrester interviewed the senior vice president (SVP) of new consumer banking services at an Ingo Money-enabled customer bank. This client:

- › Is a regional bank in the United States doing business in several states.
- › Has 20,000 employees, about one-quarter of whom are bank tellers.
- › Has about 1,500 bank branches, 2,000 ATMs, and a mobile app.

Situation And Key Opportunities

By implementing Ingo Check, the bank intended to deliver a new set of services into new markets and extend its products and services as part of a long-term strategy to:

- › **Serve customers who need instantly available funds.** Often called “underbanked” or “underserved” banking consumers, this group is often assumed to be lower-income and/or live paycheck to paycheck. However, they are really a broader customer segment using nontraditional financial services such as check-cashing services, money transfers, person-to-person payment services, and banking centers located at retail shopping centers to meet their financial needs. Many of these customers feel that banks fail to meet their needs. According to the bank services SVP, at the time that the bank adopted Ingo Check, “there was a lot of discussion about customers who need instant money to meet their daily needs; we saw an opportunity to help them.”
- › **Serve Millennial consumers who use banks less but need and expect instant funds.** Millennials often also use nontraditional banking services: check cashers, peer-to-peer (P2P) money transfers, and online payment services. They do use mobile deposit but seek instant funds and only use banks to deal with the occasional check.
- › **Maintain pace with industry trends, including staying ahead of the decline in paper checks.** With advances in technology, including digital push payments, paper checks will eventually go away.
 - NSF fees are perceived as predatory and *create ill-will with customers*. Consumers hate NSF fees, and banking regulators have signaled that changes are coming too.
 - People were sometimes *turned away if they didn't meet requirements*. Before Ingo Money, the bank had requirements in place that required either being an account holder or the check being from the bank. After hearing they had to deposit and wait for their funds, customers often went elsewhere: “We were driving customers away,” said the bank services SVP.
 - Tellers had *too much on the line to help customers with unusual check requests*. Tellers were given the authority to make decisions on checks, such as allowing some or all of the amount to be available immediately. But a wrong decision meant an upset customer, more training, or even termination; thus, bank

“There was a lot of discussion about customers who need instant money to meet their daily needs; we saw an opportunity to help them.”

Services SVP, bank



“We were driving customers away. Ingo Check helped us serve them.”

Services SVP, bank



tellers were very risk-averse and would often decline questionable requests (many of which would have been just fine). Not just potential customers but also current account holders often were told “no.” The bank services SVP added, “Tellers were looking at negotiable items, knowing that if they make a wrong decision, it could impact their livelihood and their employment.”

Solution Requirements

The interviewed organization searched for a solution that could:

- › Deliver a service that could be easily *integrated within the current teller check-cashing processes*. “In our branches, our check cashing is done by the traditional teller role,” said the bank service SVP.
- › *Provide convenient and needed services to customers* who demanded instantly available funds, to deliver value and build trust.
- › *Provide useful services to Millennial customers*, so they could have more options from one provider.
- › *Take advantage of new and innovative technology* to bring more of an online transaction experience to check cashing and deposits.
- › *Be accessible across multiple channels*. “We leverage our drive-through locations; we’re moving to where all ATMs would become deposit-smart, which supports instant check funding for cashing and deposit; and our mobile app supports instant check funding for deposit,” said the bank services SVP.
- › Deliver services that would *position the bank for future advances* in the marketplace, including the coming-of-age of Millennials and the surge in mobile usage.
- › *Provide a better alternative to NSF and overdraft fees* that improves customer goodwill and reduces or eliminates surprises for them.

The bank evaluated several proposals from multiple vendors. After review, the bank found Ingo Money both easy to work with and the most comprehensive solution. The bank began planning and development for deployment of a new instant check-cashing service:

- › The bank included Ingo Check within a broader set of banking services aimed at unlocking new customer segments that were looking for services such as cash banking, check cashing, simple account management, prepaid cards, and more. This required a longer lead time for product planning and marketing. The bank also made a commitment to make sure instant check-cashing options were available in all branches, which took some additional effort.
- › The bank spent about 18 months on planning, development, marketing, and training. This included planning and requirements analysis; product planning for account services that would complement instant check services; marketing of new account services, including instant check services, to inform and educate current and potential customers; and software development (for the final six months) to integrate Ingo Money solutions into mobile, web, teller, and ATM applications; training for all tellers and other customer-facing roles.
- › The bank launched Ingo Check to be available in every branch (including drive-through), on its website, in its mobile app, and at some ATMs. More ATMs have been and continue to be added.

“In our branches, our check cashing is done by the traditional teller role.”

Services SVP, bank



The bank found Ingo Money easy to work with and the most complete solution.

Key Results

The interview revealed that key results from adopting Ingo Check include the following process changes and financial impact:

- › **New services and options are available to both bank customers and noncustomers.** Ingo Check is integrated as a key part of the strategy for new banking products and services to attract new consumer markets. “Now we can offer instant check cashing for any check type and amount,” said the bank services SVP. Its dedication to serving customers who need instant funds includes new products along with specific marketing campaigns and education programs to help drive adoption. “We went with the strategy of making this service available everywhere. We wanted to make instant check cashing available to all customers, all branches, all markets,” said the bank services SVP. The bank has grown the business by bringing in new customers and expanding services to current customers.
- › **Customers appreciate better communication and an overall better experience.** With the launch of the new banking services, the bank dedicated resources and money to teller training. First and foremost was helping tellers understand that Ingo Money will assist with decisions for instant check cashing. Tellers could lift the weight of deciding whether a check was good or not from their shoulders, while at the same time offering more options to customers. With Ingo Check, the customer gets a faster and better experience. “We get to cash the check and make instant, safe-to-spend funds immediately available to customers without the risk that the check will be returned costing the bank money,” said the bank services SVP. New teller processes related to check processing include:
 - *A discussion about the check and options available to the customer.* The customer can deposit the check with a standard wait time and be responsible for any NSF charges for free or pay a fee to use Ingo Check and get safe-to-spend funds with a guarantee of no NSF fees and to have the full amount available immediately.
 - *Processing checks for instant funding.* The bank reports that about 40% of customers and consumers use the instant check-funding service and pay the fee. Even when they don't, they appreciate having the options and results clearly explained to them.
 - *Options for account deposit, opening new accounts, and safely transporting money,* starting with the new banking services, such as opening an account with a prepaid debit card that can be closed and replaced if lost, unlike cash. The bank services SVP said: “When people come in with a large check, our tellers can take the opportunity to provide banking advice. For example, they might suggest: ‘Why don't we put \$500 in a savings to a \$500 loan? You still walk out of here today with the money, but we can help to build your credit.’”

“We wanted to make instant check cashing available to all customers, all branches, all markets.”

Services SVP, bank



“With Ingo Check, we can instantly cash any check type for any dollar amount, including two-party checks.”

Services SVP, bank



› **Instant check cashing available in all physical and digital bank locations has led to some surprising results.** Even though the bank focused its new services on attracting new customer segments like the underserved, many more customers fall in to the “instant money economy” segment that may live paycheck to paycheck, uses a lot of online services, and expects immediate transaction results. Ingo Check delivered a lot of value to all these groups:

- *Millennials.* They are younger, are often tech-savvy and just starting careers or working in the “gig” economy, and represent cross divisions of income or paycheck living status. However, they bank in similar ways. They have a short-term financial focus, have high expectations from mobile banking (and use it heavily), and expect instant results from money-related transactions, like cashing a check.¹ The bank’s new services provide the type of accounts many of them prefer, such as a prepaid debit card or a checking account with online account access — with the ability to support direct deposit as well as instant check cashing powered by Ingo Check.
- *Middle- and higher-income customers and consumers.* Instant check cashing is not limited to underbanked or underserved segments. Many well-off customers opted to pay the fee when using the branch or mobile app — sometimes for instant check cashing but more often for the guarantee of no NSF fees. A common example shared by the bank is small, retail business owners: They often end up with a lot of checks at the end of a week of business, and, before the bank instituted Ingo Money solutions, these business owners would spend half a day off driving around town to cash checks written on accounts from different financial institutions. But these owners would still be left with some checks they had to cash at their own bank; some of those checks wouldn’t have enough money in their accounts, and the business owners had to pay the NSF fees. Not only did they lose time, but they lost money, too. “We can provide services where small business owners can come straight to a branch and we can cash everything, saving time, and helping that customer out,” said the bank services SVP. Today, they can make one trip to their bank, deposit all checks at once, and pay the fee to guarantee funds and avoid any NSF fees. These business owners opt to pay check-cashing fees as they greatly outweigh the cost of losing time and being surprised by NSF fees.
- *People cashing very large checks.* “Through Ingo Money, we have seen checks of \$300,000, \$400,000 get cashed; insurance checks, lawsuit settlement checks, a check for a construction job that’s just finished,” said the bank services SVP. Customers can come in to cash that check, even if they don’t already have an account at the bank.

These key benefits have led to significant financial growth for the bank, detailed in the next section.



Millennials often:

- Have a short-term financial focus.
- Have never lived in an era without mobile banking.
- Have high expectations from mobile banking.
- Think all banks are the same.
- Shop around for financial products.

“We can provide services where small business owners can come straight to a branch and we can cash everything, saving time and helping that customer out.”

Services SVP, bank



“When people come in with a large check, our tellers can take the opportunity to provide banking advice.”

Services SVP, bank



Financial Analysis

QUANTIFIED BENEFIT AND COST DATA

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Instant check-cashing income	\$8,987,760	\$10,111,230	\$11,983,680	\$31,082,670	\$25,530,595
Btr	Income from attracting new customers who open accounts	\$4,725,000	\$9,056,250	\$12,521,250	\$26,302,500	\$21,187,359
Total benefits (risk-adjusted)		\$13,712,760	\$19,167,480	\$24,504,930	\$57,385,170	\$46,717,955

Instant Check-Cashing Income

Ingo Check delivers significant, obvious, and direct benefits to the bank. Customers who opt for instant check cashing pay a fee, based on a percentage of the check amount. Of this total fee, the bank keeps a portion, and a portion is paid to Ingo Money.

Fees are based on the following schedule:

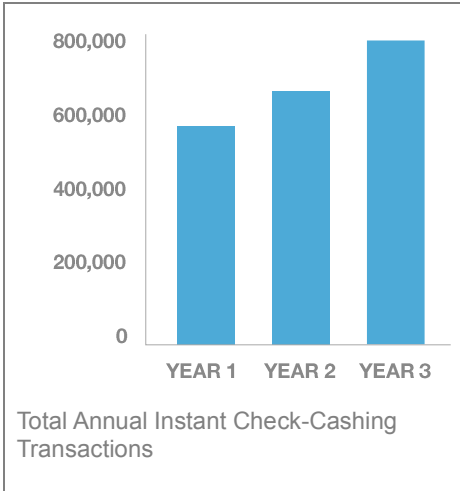
- › A 1.5% fee for government and pre-printed payroll checks.
- › A 4% fee for all other checks, except for money orders, which have a 5% fee.
- › A \$5 minimum fee regardless of check type or size.

(Note that due to the \$5 minimum check fee, which equates to a higher fee rate for smaller checks, as well as other factors, the average rates shown below will not be exactly the same as these standard rates.)

The bank estimates that 600,000 checks were cashed using Ingo Check, growing significantly through Year 2 at 675,000, and Year 3 at 800,000 checks. But this total number of checks cashed with Ingo Check includes check sizes and types that can vary significantly:

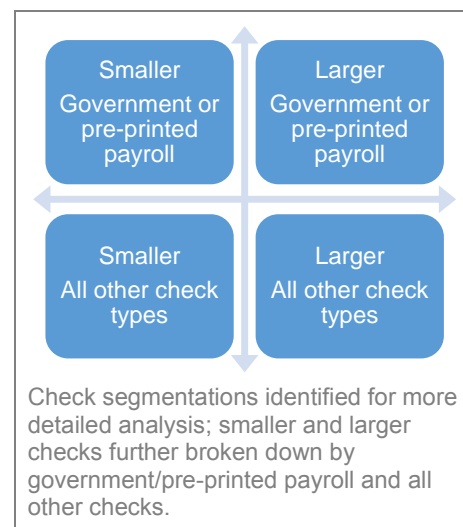
- › Pre-printed payroll and government checks are usually not more than a few thousand dollars.
- › The \$5 minimum fee means that any two-party check less than \$125 (or a government or pre-printed payroll check less than \$333) pays a premium, but, even with the potentially higher relative fee, customers will often opt for instant funding to be able to walk out with cash in their pocket or money in their account.
- › The category of “all other checks” is very broad. Personal and two-party checks can vary in size. Money orders are also included in this category, though they are usually not more than a few thousand dollars. Most personal and two-party checks are in the low hundreds of dollars on average — including gifts (such as checks from grandma), insurance reimbursements, and payments to small businesses. These checks are also regularly chosen for instant funding, both for the convenience of immediately getting money as well as avoiding any potential NSF charges.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total benefits to be a PV of more than \$46.7 million.



- › Some two-party checks are of unusual size, in the thousands, tens of thousands, and even hundreds of thousands; the bank has seen checks as large as \$400,000 instantly funded with Ingo Check. These are usually large legal, investment, insurance, or inheritance payments. While there's little risk of NSF charges, and the fee is a higher dollar amount, customers often opt for instant funding to avoid the extremely long holding periods (as much as five, seven, or 10 days) the bank would otherwise need to set for larger checks.

Though the bank's financial benefit from instant check-cashing income is based on a weighted average across the broad spectrum of all 600,000 (or more) checks cashed with Ingo Check of all sizes and types, it is helpful to understand some of the differences between key segments. As an introduction, four specific segments are detailed across two axes: check size and check type. The matrix to the right shows the relationship of these four segments:



- › Smaller (less than or equal to \$1,000) checks from government or pre-printed payroll sources.
- › Larger checks (larger than \$1,000) from government or pre-printed payroll sources.
- › Smaller checks from all other sources (including personal checks and two-party checks).
- › Larger checks from all other sources (including two-party checks).

The sum of all four of these items adds up to the financial benefit table at the end of this section. Note that the detail tables for each of these sub-categories include a risk adjustment; this is explained at the end of this section but is included here to help readers see how all four add up to the financial benefit total. Note that there is some slight variance due to rounding.

Small government or pre-printed payroll checks

Government or pre-printed payroll checks less than or equal to \$1,000 make up about 38% of the bank's total instant check-cashing transactions.

Income From Instant Check Cashing For Government Or Pre-Printed Payroll Less Than Or Equal To \$1,000						
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3	
SG1	Number of checks processed: less than/equal to \$1,000, government or pre-printed payroll		228,000	256,500	304,000	
SG2	Average amount per check		\$352	\$352	\$352	
SG3	Average fee per check		\$8.08	\$8.08	\$8.08	
SG4	Profit margin on check-cashing services		95%	95%	95%	
SGt	Total income from fees for checks less than or equal to \$1,000 — government or pre-printed payroll checks	SG1*SG3*SG4	\$1,750,128	\$1,968,894	\$2,333,504	
	Risk adjustment	↓10%				
SGtr	Total income from fees for checks less than or equal to \$1,000 — government or pre-printed payroll checks (risk-adjusted)		\$1,575,115	\$1,772,005	\$2,100,154	

Most government and payroll checks fall in this size range, with an

average of \$352, such as monthly social security checks or weekly paychecks. The average instant check-cashing fee for smaller government or pre-printed payroll checks is \$8.08, which is a slight increase above the set rate because any check less than \$333 hits on the \$5 minimum fee.

Small checks from all other sources

Checks less than or equal to \$1,000 from all other sources (such as personal checks, two-party checks, handwritten payroll checks, and money orders) make up about 54% of the bank's total instant check-cashing transactions and amount to an average of \$261 per check. The average instant check-cashing fee is \$13.34; again, this average fee is higher than the set rate because any check less than \$125 will hit on the \$5 minimum fee.

Income From Instant Check Cashing For Other Check Types Less Than Or Equal To \$1,000					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
SO1	Number of checks processed: less than/equal to \$1,000, all other sources		325,500	366,188	434,000
SO2	Average amount per check		\$261	\$261	\$261
SO3	Average fee per check		\$13.34	\$13.34	\$13.34
SO4	Profit margin on check-cashing services		95%	95%	95%
SOt	Total income from fees for checks less than or equal to \$1,000 — all other sources	SO1*SO3*SO4	\$4,125,062	\$4,640,701	\$5,500,082
	Risk adjustment	↓10%			
SOtr	Total income from fees for checks less than or equal to \$1,000 — all other sources (risk-adjusted)		\$3,712,556	\$4,176,631	\$4,950,074

Large government or pre-printed payroll checks

Government or pre-printed payroll checks larger than \$1,000 make up less than 3% of the bank's total instant check-cashing transactions. Only a few government and pre-printed payroll checks fall in this size range, with an average amount of \$2,276, mostly larger payroll checks. They are rarely much larger than \$10,000 to \$20,000.

Income From Instant Check Cashing For Government Or Pre-Printed Payroll Larger Than \$1,000					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
LG1	Number of checks processed: greater than \$1,000, government or pre-printed payroll		16,200	18,225	21,600
LG2	Average amount per check		\$2,276	\$2,276	\$2,276
LG3	Average fee per check		\$40.70	\$40.70	\$40.70
LG4	Profit margin on check-cashing services		95%	95%	95%
LGt	Total income from fees for checks larger than \$1,000 — government or pre-printed payroll	LG1*LG3*LG4	\$626,373	\$704,670	\$835,164
	Risk adjustment	↓10%			
LGtr	Total income from fees for checks larger than \$1,000 — government or pre-printed payroll (risk-adjusted)		\$563,736	\$634,203	\$751,648

Large checks from all other sources

Checks larger than \$1,000 from all other sources (such as two-party, larger handwritten payroll, legal or insurance settlement checks, and large money orders) make up about 5% of the bank's total instant check-cashing transactions and average of \$2,915 per check. This segment of checks has the greatest size variance — a large majority of checks are in the low thousands of dollars, but there is a long tail of a few very large checks. The bank has seen checks as large as \$300,000 and \$400,000 cashed with Ingo Check. The average instant check-cashing fee for the very large checks is \$119.65; this is the category with the highest average fee because it sees the largest checks.

Income From Instant Check Cashing For Other Check Types Larger Than \$1,000

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
LO1	Number of checks processed: larger than \$1,000, all other sources		30,720	34,560	40,960
LO2	Average amount per check		\$2,915	\$2,915	\$2,915
LO3	Average fee per check		\$119.65	\$119.65	\$119.65
LO4	Profit margin on check-cashing services		95%	95%	95%
LOt	Total income from fees for checks larger than \$1,000 — all other sources	LO1*LO3* LO4	\$3,491,866	\$3,928,349	\$4,655,821
	Risk adjustment	↓10%			
LOtr	Total income from fees for checks larger than \$1,000 — all other sources (risk-adjusted)		\$3,142,679	\$3,535,514	\$4,190,239

Total instant check-cashing fee income financial benefits

The bank estimates that 600,000 checks were cashed or deposited with instant funding in the first year, with growth expected in Year 2 and Year 3. This 600,000 represents the checks approved by Ingo Check; the approval rate has been 90% or higher.

Across the four segments above, the weighted average check size is \$486, and the weighted average fee across both two-party and government/pre-printed payroll checks is 3.7%.

This adds up to \$10.5 million in revenue in Year 1, growing to \$14 million by Year 3. As an easy, transactional process, the ongoing marginal costs of instantly cashing a check are very low — estimated to be just 5% for other overhead not included in the Cost section below.

For the first year, the bank split the fee 50/50 — 50% went to the bank and 50% was paid to Ingo Money (see the Costs section for more detail). In Year 2 and Year 3, the portion of fees retained by the bank are expected to grow as more checks can be approved through Ingo Check's automated decision engine, and fewer will need individual review by Ingo Check's Risk Operations Center (see the Cost section for more detail).

Given the potential for overestimation in the amount of fees collected and the share of fees for the bank, a 10% risk adjustment has been applied. The risk-adjusted benefit adds up to \$8.9 to \$12.0 million per year, or about \$7.50 to \$8.24 in incremental income for each check cashed. The annual benefits add up to a three-year present value (PV) of \$25.5 million.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Instant Cash-Checking Income

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Number of checks processed with Ingo services		600,000	675,000	800,000
A2	Weighted average check size		\$486	\$486	\$486
A3	Weighted average fee rate		3.6%	3.6%	3.6%
A4	Average fee revenue per check	A2*A3	\$17.52	\$17.52	\$17.52
A5	Total revenue for instant funding for check cashing for the organization	A1*A4	\$10,512,000	\$11,826,000	\$14,016,000
A6	Percentage of fee revenue allocated to bank		50%	52%	55%
A7	Portion of revenue allocated to bank	A5*A6	\$5,256,000	\$6,150,000	\$7,709,000
A8	Profit margin on check-cashing services		95%	95%	95%
At	Total instant check-cashing income for the organization	A1*A4*A8	\$9,986,400	\$11,234,700	\$13,315,200
	Risk adjustment	↓10%			
Atr	Total instant check-cashing income for the organization (risk-adjusted)		\$8,987,760	\$10,111,230	\$11,983,680

Income From Attracting New Customers Who Open Accounts

The bank's instant check-cashing services bring in a number of people who are not already bank customers. They've come to the bank because they heard about these services, usually from advertisements but also from referrals, such as nearby supermarkets that offer some check-cashing options but only for smaller checks. They might also come in because someone wrote them a check written from an account at the bank.

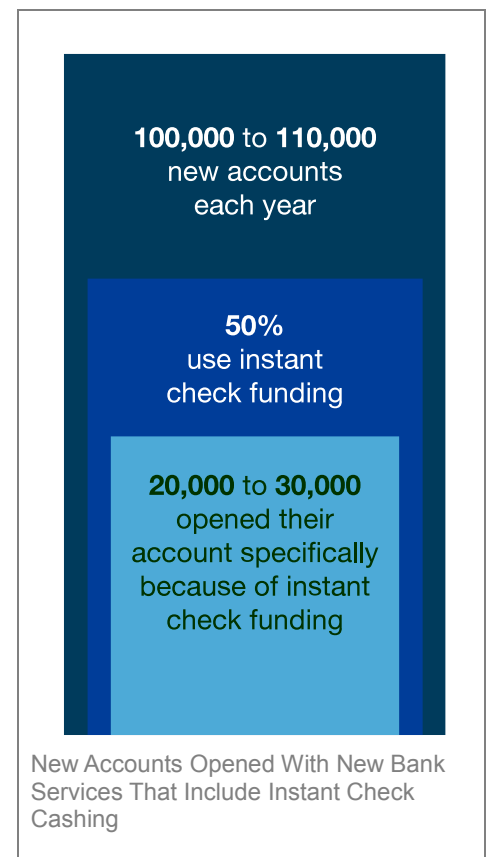
The bank estimates that about 100,000 to 110,000 people have signed up or will sign up for its new banking services each year. Of those, about half use the instant check-cashing service, and about 40% of those identified check cashing as a primary reason for opening an account.

Of the total new customers each year, between 20% and 30% have opened an account due in some appreciable way to instant check cashing, because:

- › They do not already have an account, they know they need one, and the bank's services are targeted to their specific needs and appeal to these customers who need instant funds.
- › They do most of their transactions via online payment services but find a traditional bank account would be useful for the times they have to pay a bill or write their own check.
- › The check is quite large, and, on the advice of the bank teller, they open an account to keep their money safe, instead of carrying around a pocket (or even a briefcase) full of cash.

The bank estimates that these accounts average a deposit of about \$3,000. The bank estimates that for an average checking account of this amount, it can gain at least \$210 in annual income. This income is collected for all accounts each year.

In other words, income is collected from all new accounts in Year 1; in



Year 2, there are new accounts on top of the new accounts from Year 1 that all earn income, and so on. These accounts usually remain open for several years, so it is assumed that they all remain open for the three-year analysis period. Many are kept open and used for a much longer time, though some accounts will be closed after a time; for example, some accounts opened in Year 1 will likely be closed in Year 4 or Year 5.

It is difficult to estimate how much will be deposited or how long accounts will be kept open. To account for these risks, Forrester adjusted this benefit downward by 25%, yielding an annual benefit of \$4.7 million to \$12.5 million and a three-year risk-adjusted total PV of \$21.2 million.



New customers open accounts, make deposits, and provide income opportunities for the bank.

Income From Attracting New Customers

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Customers new to bank opening accounts for new banking services		100,000	110,000	110,000
B2	Customers who opened accounts because of instant check funding		30%	25%	20%
B3	Total new customers each year due to instant check funding	B1*B2	30,000	27,500	22,000
B4	Cumulative total of new customers due to instant check funding		30,000	57,500	79,500
B5	Average account balance of checking account with new bank services		\$3,000	\$3,000	\$3,000
B6	Average annual income from checking account (including interest, fees, other services, etc.)		\$210	\$210	\$210
Bt	Income from new account holders	B4*B6	\$6,300,000	\$12,075,000	\$16,695,000
	Risk adjustment	↓25%			
Btr	Income from new account holders (risk-adjusted)		\$4,725,000	\$9,056,250	\$12,521,250

Unquantified Benefits

Along with income from check fees and new customer account holdings, the bank has seen or expects benefits in additional areas, not currently measured or difficult to directly link:

- › The bank expects that improved service for all customers will lead to future returns. Treating all customers with respect should help improve loyalty to the bank. Down the road, when a customer needs a mortgage, they will remember, when they came in to cash a check, how the bank helped them understand the situation and treated them well.
- › Employees, particularly tellers, have already shown appreciation for the instant check-cashing services and Ingo Money's solution, as it takes pressure off the tellers' shoulders. Before Ingo Money solutions were implemented, tellers often had to try and identify issues with checks — and a wrong decision could lose them their jobs. With instant check funding, much of the pressure is off the tellers, allowing them to focus more on customer relationship and service.



Improved service today will pay dividends in the future — both from customers and from employees.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Ingo Money and later realize additional uses, business opportunities, and financial benefits, particularly outside the three-year investment window, including:

- › **Income from account holdings available beyond three years.** As mentioned above, new customer growth can increase revenue and income for the bank. But, as mentioned, the time window for this analysis is three years, and current and new accounts created and/or maintained in later years will deliver greater benefits.
- › **Cost savings from reduced employee turnover.** While not yet measured specifically, the bank has identified some improvement in teller job satisfaction. While bank tellers are a relatively high-turnover position at the bank, it expects some tellers will stay with the bank longer, leading to some reduction in hiring needs and improved opportunities for promotion to other positions in the bank. This is further expected to lead to reduced recruiting costs and other turnover-related costs.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Ctr	Transaction fees to Ingo Money	\$0	\$5,518,800	\$5,960,304	\$6,622,560	\$18,101,664	\$14,918,589
Dtr	Bank resource time and effort costs	\$1,344,000	\$634,200	\$634,200	\$634,200	\$3,246,600	\$2,921,162
	Total costs (risk-adjusted)	\$1,344,000	\$6,153,000	\$6,594,504	\$7,256,760	\$21,348,264	\$17,839,751

Transaction Fees To Ingo Money

As detailed above, each check instantly cashed is charged a fee, with a portion going to the bank and a portion to Ingo Money. This fee goes toward paying for Ingo Money's automated check approval service, which is based on several data sources and review of historical transaction (and the check-cashing or deposit result). This process returns results in just a few seconds.

Some checks fall in a gray area that requires additional review. Ingo Money's Risk Operations Center is staffed 24x7 to provide a personal review but still with a relatively quick result. Ingo Money guarantees a 60-minute response, though the bank rarely sees any take more than 30 minutes. Most answers are returned within minutes.

Checks that require personal review come with a higher fee allocation for Ingo Money, while checks that can be answered automatically have a much lower share. Ingo Money's automated decision percentage is in the high 90% range, regardless of check type or amount.

- › For Year 1, this is estimated to be about 50/50.
- › In years 2 and 3, as Ingo Money collects and learns from more transactions to use in its algorithms, the rate of checks reviewed automatically is expected to go up, meaning the share of fees for Ingo Money is expected to reduce.
- › Additionally, the bank reviews processes and specific transactions with Ingo Money to identify best practices and ways to help improve the automated response rate further.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total costs to be a PV of more than \$17.8 million.

"Ingo Money approves 90% of checks automatically, regardless of check type or amount."

Services SVP, bank



Transaction Fees To Ingo Money: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
C1	Total number of checks cashed each year with Ingo Money services	A1		600,000	675,000	800,000
C2	Average total fee per check charged to customer	A4		\$17.52	\$17.52	\$17.52
C3	Percentage of fee paid to Ingo Money	1-A6		50%	48%	45%
Ct	Transaction fees to Ingo Money	C1*C2*C3		\$5,256,000	\$5,676,480	\$6,307,200
	Risk adjustment	↑5%				
Ctr	Transaction fees to Ingo Money (risk-adjusted)			\$5,518,800	\$5,960,304	\$6,622,560

More check transactions than estimated in Year 2 and Year 3 may require personal review, meaning the share of fees for Ingo Money may be underestimated. To account for this risk, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$14.9 million

Bank Resource Time And Effort Costs

In addition to transaction fees to Ingo Money, the bank has invested time and money to ensure that instant check-cashing services are available in all branches, that tellers know how to talk about the services, and that customers (and potential customers) are educated about the services through advertising, marketing, and ongoing support. The total planning and implementation and ramp-up time was about 18 months (about six months of this time was dedicated to deployment) and included the following resource time and effort to meet these goals:

- › Planning and development to update existing software, such as teller applications, the bank website, and the bank’s mobile app. “Ingo Money was great to work with, and it was relatively easy to set up,” said the bank services SVP. This step took place in the last six to nine months of the implementation period.
- › Internal education to ensure branches, managers, and executives understood the service and what changes would be required, while also explaining how the service would still meet all required regulations.
- › Teller training to help them understand the new process and teach them ways to talk with customers about using the check-funding service and about opening new accounts.
- › Advertising and marketing to educate customers and potential customers about instant check funding and other new banking services. “In that 18 months’ time, we did out-of-home advertising, television commercials, in-branch marketing, and direct mail. All the typical levers before we felt like we got a sustainable level of consumer knowledge and interest,” said the bank services SVP.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.



18 months
Total implementation and deployment time, including new product development and advertising

“Ingo Money was great to work with, and it was relatively easy to set up.”

Services SVP, bank



Bank Resource Time And Effort Costs: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
D1	Upfront resource and planning costs		\$780,000			
D2	Marketing efforts related to instant check-cashing services		\$500,000	\$500,000	\$500,000	\$500,000
D3	Ongoing resources managing Ingo system (FTE)			1	1	1
D4	Average annual hourly resource cost			\$50	\$50	\$50
Dt	Bank resource time and effort costs for instant check-cashing services	$D1+D2+(D3*D4*2080)$	\$1,280,000	\$604,000	\$604,000	\$604,000
	Risk adjustment	↑5%				
Dtr	Bank resource time and effort costs for instant check-cashing services (risk-adjusted)		\$1,344,000	\$634,200	\$634,200	\$634,200

Ongoing resource costs are minimal. Even though nearly 10,000 employees interact with Ingo Money solutions each day (such as tellers processing a check for a customer), nearly all of this effort is the same as previous check-cashing and deposit processes. To manage and maintain the Ingo Money solution integration (such as responding to support requests and reviewing transaction logs to identify improvement opportunities in the check-cashing and deposit process), only 10 full-time equivalents (FTEs) are involved — and they only spend about 10% of their time on Ingo Money tasks, for an equivalent of 1 FTE.

Since resource costs may be underestimated, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$2.9 million.

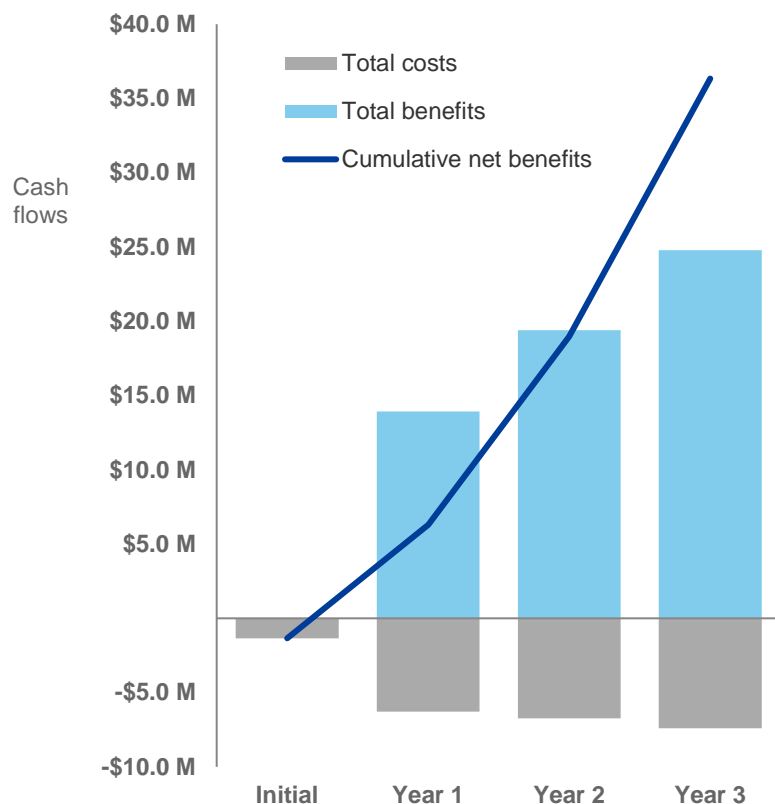


10 FTEs
spend 10% of their time
on the ongoing
management of Ingo
Money.

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$1,344,000)	(\$6,153,000)	(\$6,594,504)	(\$7,256,760)	(\$21,348,264)	(\$17,839,751)
Total benefits	\$0	\$13,712,760	\$19,167,480	\$24,504,930	\$57,385,170	\$46,717,955
Net benefits	(\$1,344,000)	\$7,559,760	\$12,572,976	\$17,248,170	\$36,036,906	\$28,878,204
ROI						162%
Payback						3 to 9 months

Ingo Money: Overview

The following information is provided by Ingo Money. Forrester has not validated any claims and does not endorse Ingo Money or its offerings.

Ingo Money, headquartered in Atlanta, is the instant money company. Founded in 2001 with a mission to digitize the paper check, Ingo Money's push payments technology enables businesses and banks to disburse instant, safe-to-spend funds to more than 4 billion consumer debit, prepaid, credit, private label credit, and mobile wallet accounts. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Learn more at ingomoney.com/enterprise or by following Ingo Money on LinkedIn, Google+, and Twitter.

INGO MONEY PRODUCTS

Smart solutions for the instant money economy. Modern consumers move at smartphone speed, and they expect the same of their money. Traditional paper checks and ACH not only fail to deliver, but they are also a drag on your company's bottom line. Ingo Money is remaking company-originated payments to be fast, cost-effective, and customer-centric.

Ingo Instant Money Solutions

INGO PUSH

Pay anyone, anywhere for anything in an instant with real-time, secure funding to more than 4.5 billion consumer accounts, plus cash disbursement. From technology and support to user experience and administrative interfaces, unlock everything you need to realize serious savings and deliver payments with complete confidence.

INGO CHECK

Capture incremental revenue by eliminating the delay and risk of check deposit for the nearly \$25 trillion in checks issued to consumers each year through fee-based check-cashing and instant deposit services offered in your mobile, branch, and ATM channels. Ingo Check turns your customers' checks into instant, guaranteed funds immediately available to pay bills, make purchases, or withdraw at an ATM, with no risk to you.































INGO CASH

With the swipe of a card you can turn cash into real-time, digital deposits and payments. Accept cash at your register and originate push payments using our simple API or web point-of-sale (POS) platform, giving your associates the ability to process transactions in seconds so your customers can move on with their lives.

Key Features

UNPARALLELED REACH

Ingo Money's Instant Money as a Service is a network of networks reaching nearly every type of consumer account including debit, prepaid, credit card, and mobile wallet accounts, and even offers cash disbursement capabilities. Best of all, it combines everything you need — compliance, risk management, and routing intelligence — with payments instruments that consumers already know and use with no additional bank forms or account numbers to memorize.

PROVEN TURNKEY PLATFORM

Real-time, digital money movement is hard. Instant Money as a Service makes it easy. Ingo Money's instant money solutions are turnkey, bank-regulated services that provide secure, compliant, and ubiquitous money movement capabilities. Ingo Money's simple API or Software-as-a-Service (SaaS) solutions provide everything you need to deliver a modern money experience, making it fast and easy to begin earning revenue with no risk to you.

- › **Regulatory-compliant platform.** Built-in acquiring and settlement bank sponsorship plus compliance controls on a mature, regulatory-compliant platform.
- › **Risk management.** Multivariate user authentication, account verification, and transaction validation, with 24x7 transaction and system monitoring.
- › **Redundant reach.** Independent, multinetwork connectivity to almost any debit, prepaid, or credit card, mobile wallet, and cash pick-up location.
- › **Routing intelligence.** Intelligent bank identification number (BIN) routing and automatic rerouting via alternate connections to minimize transaction failures and maximize speed.
- › **Reconciliation and settlement.** Cross-party reconciliation services and a single, integrated prestaged settlement simplify reconciliation.
- › **Research services.** End-to-end transaction processing visibility and support for customer servicing and dispute resolution.

Ingo Money is powering the instant money economy, from any source to any destination. To learn more about Ingo Check or Ingo Money's full suite of solutions, please email at Sales@ingomoney.com.

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach



Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Supplemental Material

Related Forrester Research

“Banking On Millennials: It’s Not All About Mobile,” Forrester Research, Inc., February 16, 2017.

Appendix C: Endnotes

¹ Source: “Banking On Millennials: It’s Not All About Mobile,” Forrester Research, Inc., February 16, 2017.