

ATM & Debit NEWS

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Elvis Sighting On Prepaid Cards
Licensing celebrity images, in particular music legends, is becoming a forte of one prepaid debit card firm. The Elvis Presley card will debut later this month.

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News Briefs

Debit Ousts Cash As UK King

Retail spending on debit cards exceeded the use of cash in the United Kingdom for the first time in 2005, according to APACS, the UK payments association. In 2005, UK consumers used debit cards to pay for \$159 billion worth of goods and services at merchant and Internet retailers, according to APACS. That compares to \$145 billion in cash spending. By comparison, in 2004, consumers' cash purchases totaled \$150 billion, while debit cards accounted for \$146 billion in retail spending, according to APACS. Retail credit card charge volume remained virtually unchanged, at \$109 billion in both years, the association says. Debit spending represents about 37% of all spending in the UK, according to APACS.

NYCE Surfing In Hawaii

The Honolulu-based American Savings Bank is joining the NYCE network and will carry the NYCE mark on its ATMs and debit cards. The bank ranks as Hawaii's third-largest financial institution in terms of assets, according to the NYCE announcement, and operates 165 ATMs and issues more than 425,000 debit cards.

BB&T Taps Cardtronics ATMs

The Cardtronics Inc. ATM ISO and Winston-Salem, N.C.-based BB&T Corp. have entered into a deal in which BB&T will brand 64 off-premise ATMs operated by Cardtronics in Walgreens drugstores in the Atlanta region. The deal calls for Cardtronics to deploy new ATMs by the end of April. The ATMs will be surcharge-free to BB&T debit cardholders.

Vendor News



Check Cashers Move Into Cards, Accounts

Check-cashing stores are one of the most common destinations for consumers without bank accounts, or even minimal bank accounts, to cash paper checks.

But with the proliferation of prepaid debit cards as an alternative to the paper payroll check, these check-cashing firms now are evolving into something more resembling a financial institution. They are offering prepaid debit cards, direct deposit and even savings accounts.

Indeed, the continuing decline of the use of paper checks has placed pressure on check-cashing outlets to adopt new strategies centered on prepaid cards to maintain their customer base. "I think prepaid cards are a boon to check cashers as transactions become increasingly electronic," says Jennifer Tescher, director of

Cashers > 3

Prepaid Card News



GAO Report Gives FEMA Cards Failing Grade

For launching such a small prepaid debit card program nearly eight months ago, the Federal Emergency Management Agency, or FEMA, manages to still stir quite a bit controversy over it.

Its ill-fated, prepaid debit card program following Hurricane Katrina last August lasted less than 24 hours before being cut off.

Now, a picture of widespread fraud and manipulation involving the FEMA cards is emerging. And some say the FEMA card program is a case study on how not to implement an instant-issue, prepaid debit card program for emergencies.

A recent report to Congress by the Government Accountability Office, the accounting arm of Congress, shows how the FEMA prepaid debit cards spiraled out of financial control. Proper systems were not in place to verify the information and identities supplied by card applicants.

Consider the GAO's key findings:

*That 5,000 FEMA prepaid debit card recipients, of 11,000 FEMA cards issued, had already been given an allot

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ISO News



Bundled Communications Services Not Just For Consumer Market

Bundled communications packages are all the rage among the largest U.S. telecommunications firms. These firms try to entice consumers to use an all-in-one package that include a broadband Internet service, telephone service and television service.

Independent ATM providers also are selling bundled communications services to clients in order to cut the costs of ATM communications and convert ATM communications from a land-based phone service to a wireless service. "Our objective is to become a totally wireless network," says Ron Christensen, CEO of San Francisco-based Swipe USA Inc., an ATM independent sales organization. Swipe manages ATM contracts on 500 machines, mainly at retail locations in the San Francisco-Oakland region. Christensen says Swipe intends to become a totally wireless ATM service by next year. Swipe uses Verizon as its telephone line provider and Transaction Network System as an ATM transaction communications provider.

Christensen says Swipe's strategy is to bundle all of a retailer's communications needs into one package. The goal is to cut the costs of providing wireless ATM communications

Bundled > 4



Prepaid Card News



GAO Study Calls Into Question Relief Debit Cards

GAO < 1 ment of \$2,000 in emergency assistance. Nearly half of the FEMA card recipients, therefore, got at least twice their share of assistance. Some recipients also received multiple FEMA cards.

*That \$10 million was spent from use of FEMA funds loaded onto debit cards or delivered via paper checks by people who improperly obtained more than the top \$2,000 allotment.

*That FEMA failed to set up a system to screen prepaid card applicants.

What emerges, according to the GAO, is a prepaid card-issuing system that had few fraud controls. "Our work indicates that FEMA put in place limited procedures designed to prevent, detect and deter certain types of duplicate and potentially fraudulent disaster registrations," stated Gregory D. Kutz, managing director of forensic audits and special investigations, in a report to Congress.

The GAO audited the FEMA card transactions using transaction information supplied by JPMorgan Chase & Co., which was the bank issuer and manager of the MasterCard-branded "We The People"

FEMA cards.

The GAO backtracked on applicant information supplied at the time to FEMA using, for example, the Social Security Administration's database of Social Security card numbers. The GAO found that thousands of applicants were supplying false addresses, fake Social Security numbers and even Social Security numbers of deceased people. The information was taken over the telephone and over the Web.

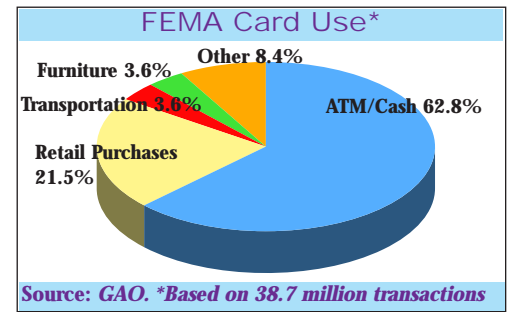
The GAO cited a case of one individual who received eight, \$2,000 FEMA payments using the same name, the same Social Security number and the same address on separate applications.

Come One, Come All

The real problem with the FEMA card program, according to the GAO, is that FEMA failed to put in place a way to verify such seemingly simple information as the validity of a Social Security number. FEMA also failed to verify Social Security numbers that had already been used in previous applications for FEMA emergency benefits.

A Chase official familiar with the FEMA cards declined to discuss the GAO report and a FEMA representative could not be reached for comment. A spokesperson for the bank referred any questions to FEMA.

According to the report, FEMA was under pressure to distribute emergency funds under an "expedited" emergency



assistance program. For its part, Chase did attempt to verify applicants who used a Web connection and blocked some applicants who failed to supply proper identification to get a FEMA card.

But the failed applicants were then instructed on the Web site to call FEMA, which did not have information on the original application and in many cases approved the applications anyway. Chase has since issued hundreds of thousands of instant-issue emergency cards for the American Red Cross for distribution of emergency funds after Hurricane Katrina and Hurricane Rita.

In February, Chase and Red Cross officials described that program as relatively free of fraud (ADN 02-23-06).

However, T. Jack Williams, senior vice president of Tier Tehnologies Inc., which is a prepaid debit card provider to states, says the GAO report brings up some serious security issues about the use of instant-issue, prepaid debit cards issued for disasters. "There was no integrated plan of action," in identifying FEMA card applicants, says Williams, who is also a member of the Federal Reserve Board's Payment Card Committee.

He says that FEMA should not shoulder all of the blame for the failure of its prepaid card program. "FEMA is empowered to provide emergency services, they are not a debit card issuer," he says. "They entrusted that to Chase."

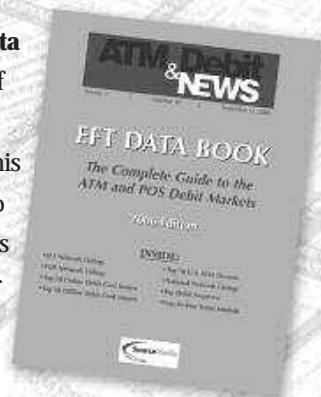
The FEMA card program may signify the limitations of instant-issue emergency cards, despite their growing use for emergencies, says Williams. Such cards could be issued with more severe limits, such as funds caps of a few hundred dollars per card instead of thousands of dollars per card, he notes.

In some cases, instant-issue cards may not be the best way to distribute emergency funds, he says.

ATM & Debit News ANNUAL EFT DATA BOOK

ATM&Debit News annual **EFT Data Book** – a comprehensive survey of statistics and rankings in the ATM and point-of-sale debit markets. This has been the authoritative guide to the EFT industry since 1984, and is a valuable, must-have resource for executives to compete and win in this volatile industry.

For further information or to inquire, contact Beverly E. Burgess at (212) 803-8763



Vendor News



Check Cashers Looking A Lot Like Bank Issuers

Cashers < 1 the Chicago-based Center for Financial Services Innovation, an affiliate of ShoreBank Corp. "Check-cashers' livelihoods are potentially threatened."

Most check-cashing firms have for years sold network-branded, prepaid cards in their stores. But most recently, these firms are trying to move beyond that stand-alone product by linking the cards to funds that are loaded onto these cards on a recurring basis.

Austin, Texas-based NetSpend Corp., a prepaid debit card transaction processor, seems to have become the main beneficiary of this trend.

NetSpend, for example, last week signed up Chicago-based PLS Financial Services Inc. to offer NetSpend's All-Access, MasterCard-branded prepaid card, along with NetSpend's payment processing services and its management of prepaid card accounts. PLS operates 200 check-cashing and pay-day loan stores in nine states. About 100 check-cashing stores will offer the All-Access products, according to Bob Wolfberg, co-president of PLS.

The product line includes the option by consumers to place payroll funds, via direct deposit or loading value on the cards at store locations, in savings accounts. Debits on the funds are managed by NetSpend but are held by Inter National Bank Corp. or MetaBank.

NetSpend also offers online bill payment for cardholders as well as balance inquiry and transaction history access. NetSpend's deal with PLS follows a partnership in 2004 with the check-cashing chain store, Ace Cash Express. Ace Cash has about 1,200 outlets.

Wolfberg says NetSpend's consumer marketing plan for prepaid cards as well as its savings account management offering made the company attractive to PLS. "They do the best job of marketing and advertising to customers," he says.

Wolfberg agrees that the check-cashing

business is evolving. Check-cashing fees currently represent the bulk of PLS' revenue, he says.

A prepaid debit card product line tied to a bank account as an alternative to simply cashing a check does not generate as much revenue on a per-transaction basis, Wolfberg says. But prepaid debit cards attached to savings accounts place check-cashing stores in the center of competition for unbanked and underbanked financial services business, he says.

PLS charges 1% of the value of a check to cash it in states without check-cashing fee regulations. A NetSpend prepaid debit card costs \$9.95 to purchase, with a \$2 fee to load value on the card. In many cases, those prepaid debit card fees are cheaper than fees banks charge account-holders who are able to keep only a minimal amount in a bank account, says Wolfberg.

Although trends show that the use of checks is declining, the debit and account products are expected to bring more regular customers to PLS, says Wolfberg. He says about half of PLS's customers already have bank accounts, but find banks inconvenient. PLS stores are open 24 hours. The check-cashing also comes with higher expenses due to check fraud, he says.

Bertrand Sosa, vice president of advertising for NetSpend, declined to reveal

how many All-Access prepaid debit cards are in circulation. But Sosa said 132 companies now are distributing NetSpend cards. Most of NetSpend business is centered on check-cashing firms, he says.

Tim Ramsey, senior manager for the BearingPoint Inc. consultancy, describes prepaid debit card accounts as a good opportunity for firms such as PLS that serve millions of consumers who mainly use cash for payments. "There is an opportunity in this market" of unbanked and underbanked populations, he says. BearingPoint estimates there are about 28 million adults without bank accounts and about 45 million with minimal accounts.

However, check cashers may face stiff competition from financial institution debit card issuers who could leverage their own card-payment systems to offer similar prepaid card services as check cashers.

Indeed, Visa USA recently announced plans to create a value-loading network for prepaid debit cards between participating retailers who accept Visa cards and Visa issuers.

Ramsey says the check cashers for now appear to have an edge in serving people without bank accounts. But the evolution from checks to plastic will inevitably invite competition from banks. "The check cashers will have to upgrade their services to remain competitive," he says.

All Shook Up About Elvis Cards

Collectors of everything Elvis Presley certainly may be attracted to a new prepaid debit card that will feature the late rock 'n roll legend's white-suited image. But Elvis collectors are not the only potential purchasers of the new card to be sold by EDP Licensing.

Paul Cleveland, EDP CEO, tells *ATM&Debit News* that licensing Elvis's image on prepaid cards is a way to get the public's attention to EDP's prepaid debit card products. The firm, which sells prepaid debit cards over the Web, sees using music legends for prepaid debit card branding as a leading way to market prepaid debit cards to populations that Cleveland says are underserved by banks and credit card firms. "A lot of people want prepaid debit cards to manage finances," he says.

The Elvis cards are expected to be offered over the Web later this month. EDP purchased Presley's likeness for prepaid cards from Memphis, Tenn.-based Elvis Presley Enterprises. EDP also has plans for a MasterCard-branded Johnny Cash prepaid card.

The Elvis card will be a Visa-branded card and will be the first of a series of prepaid debit cards with different likenesses of Presley, Cleveland says. The Elvis card will be issued by Sioux Falls, S.D.-based First Premier Bank. Cleveland says EDP does not plan to distribute the Elvis card in physical locations, not even Presley's historical Graceland mansion, but is considering that option. The cards, however, will be promoted on Elvis Enterprise's *Elvis.com* Web site. EDP offers a value-reloading and customer-identification service via a secure Web site.



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ISO News

April 20, 2006

Bundled Communications Plans Are Marketing Options For ISOs

Bundled < 1 below monthly costs of telephone dial-up services, which have stayed steady at about \$50 a month.

The idea is to bundle a retailer's existing Internet service costs with point-of-sale terminal communications costs as well as ATM communications costs. Among smaller retailers, POS terminal communications and ATM communications are commonly separate services.

If these services are bundled, the cost for ATM communications using a wireless system drops to well below \$50 a month, says Christensen. "Our objective is to make it competitive with the dial-up line," he says.

There is a one-time startup cost of about \$250 per ATM, which includes a wireless router from Transaction Network Services for installation on ATMs, says Christensen.

High-speed Web access for ATMs costs extra per month, but is generally unneeded for the relatively low data demands of ATM transaction communications, says Christensen. He says Swipe is "committed" to distributing 500 wireless routers in order to get lower bulk prices on the routers.

Many of the nation's largest chain retailers, in particular chains with pay-at-the-pump payment card access, have for years bundled their payment communications.

ATM communications are bundled with existing wireless communications systems that remotely plug in their stores with a central, satellite-based communications network, Christensen notes. "We are talking about connecting mom&pops to the same kind of service the big guys get," he says.

The benefits of going wireless on ATMs include more flexibility on deploying ATMs, faster transaction times and cost savings on replacing old, worn landlines, says Christensen.

But wireless communications is not the only emerging communications option for retail ATM operators.

Kent Phillips, vice president of sales for self-service solutions at Transaction Network



Swipe's Christensen:
"Our objective is to become a totally wireless network."

Services, says a growing number of retailers now have broadband Internet-communications access via DSL, or Digital Subscriber Line, service on existing telephone lines. The same kind of bundling concept can occur using DSL as with cellular communications-based wireless services, says Phillips.

Transaction Network offers its ConverterPoint hardware that allows ATMs to hook into a DSL service as well as a wireless system. Some retailers are using DSL service for business management functions on secure Web sites, says Phillips. Bundling ATM communications with existing DSL service can cut costs below \$50 a month, he says.

Phillips declined to say how much a conversion to DSL for ATMs would cost. But he says some ATM ISOs are selling the concept among retailer clients that the cost of hooking ATMs and point-of-sale terminals into a DSL service will pay for itself in a relatively short amount of time.

Six separate phone lines can be plugged into a single DSL line, Phillips notes.

Currently, however, the use of wireless ATM communications as an alternative to dial-up telephone lines is more entrenched than DSL service, says Phillips.

About 4,000 off-premise ATMs use wireless communications through Transaction Network Services, he said. About 67% of the estimated 396,000 ATMs in the U.S. are in nonbank-branch locations, according to *ATM&Debit News' EFT Data Book*.

ATM & Debit NEWS

Vendor News

Talbots Goes With Fifth Third
Fifth Third Processing Solutions has signed a deal with Talbots apparel retailer to provide credit and debit card processing. Talbots operates 1,049 stores throughout the U.S., Canada and the United Kingdom, distributes millions of catalogs and offers online shopping. Fifth Third Processing is the processing subsidiary of Fifth Third Bank.

VeriFone To Supply RBS Lynk
Point-of-sale terminal maker VeriFone Holdings Inc. has signed a contract to supply terminals and related devices to RBS Lynk, a merchant-acquiring subsidiary of the Royal Bank of Scotland Group based in the United Kingdom. Paul Rasori, VeriFone's vice president for product marketing, said RBS Lynk will resell the terminals primarily to small retailers.

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