



Network Branded Prepaid Cards

Solutions for Consumers, Corporations
and Governments

Presented by: Gary Palmer, Chairman,
Network Branded Prepaid Card Association
(NBPCA)

NB Prepaid Card Evolution



1999

- Loads on NB prepaid cards estimated at \$8 billion
 - Corporate incentives
 - Promotions
 - Rebates
 - Travel cards
 - Insurance (P&C / Worker's Comp)
- Single load gift cards introduced
- First general purpose reloadable prepaid card introduced at AAA
- New products being developed
 - Teen cards
 - Payroll cards
- Very low consumer awareness

2010

- More than \$60 billion loaded (1)
 - 15+ distinct “applications” or types of cards
- Mainstream adoption by corporations and governments who “make payments”
 - \$1.48 billion in loads for social security payments(2)
 - Corporations will load \$9.21 billion instead of using cash, checks or vouchers (3)
- Consumer funded GPR cards mature to include rewards, bill pay, savings features and short term credit
- Consumers use and love the cards
 - 94% of underbanked consumers would recommend a prepaid card to someone else (4)
 - 80% of consumers say they have been satisfied with their experiences receiving open network gift cards(5)

(1),(2),(3) – Mercator Network Branded Prepaid Market Assessment 2009

(4) NBPCA Underbanked Reloadable Prepaid Card Users Survey 2009

(5) NBPCA Open Network Gift Card Survey 2009

The Faces of Prepaid



“I would say that they are extremely useful due to the fact that they are easy to reload and easy to use and I don’t have to worry about things like bank overdraft fees. I can use them like credit or debit cards without having to be concerned about whether my credit will be affected or not.”

Diana: Prepaid cards are the only plastic she uses, even for emergencies



Ebony: She wants to be smart about her spending and prepaid cards help her save money.

“I’m not a bank or credit card type of person. Reloadable prepaid cards give me the ability to make purchases.”

The Faces of Prepaid



Claudia: She uses a prepaid card for the peace of mind that comes from avoiding debt.



“With banks there is so much that goes into getting an account and you worry about your money. As for the prepaid card, it’s like your money is still in your pocket. With the prepaid cards you use it as if it were a regular credit card and you only use what you have.”



“I am able to reload them at my local 7-11, Wal-Mart, or supermarket. I find that easier than going to the bank.”

Ryan: He thinks a prepaid card makes him just as “cool “as anyone who uses credit and it keeps him on budget.

The Faces of Prepaid



Lorraine: Using a prepaid card has eliminated her safety and budgeting concerns with carrying cash.

“I don’t have to carry cash on me...everything I want to pay for is on the card. I have had problems in the past with carrying money and losing it.”



“My daughter is 18 and instead of giving her cash I give her a card that I can refill when I want.”

Gary: Gary and his family think prepaid cards make you feel like a VIP.



Why Prepaid?

- Consumers use prepaid cards to simplify their lives and/or replace more expensive alternatives
 - Gift cards: easy & convenient to buy, and easy to use for the recipient
 - Payroll and general purpose reloadable
 - Less expensive: over \$1.5 billion (annually) in fees are paid to cash checks(1)
 - For the typical underbanked or low-balance consumer, prepaid is cheaper than a basic checking account or check cashing store (2)(3) and they avoid overdraft fees
 - Prepaid is safer, more convenient and has greater utility than cash
- Corporations use prepaid cards to solve broader business objectives and reduce costs
 - Promotion cards: better at attracting customers than checks/gifts
 - Rebate and incentive cards: an effective way of branding money
 - Flexible spending account cards: lowers total corporate benefit costs while improving employee benefits
- Governments use prepaid cards because they're less expensive than checks (thus, saving tax dollars) and users report high satisfaction
 - 37 states are issuing at least 1 type of disbursement on prepaid cards
 - Federal Employee Health Benefit Plans are successfully using prepaid cards
 - US Federal tax refunds are loaded to prepaid cards offered by various entities

(1) Visa analysis based on data from the Federal Reserve Bank; U.S. Census; Transunion, SEC filings and the Urban Institute

(2) CFSI: One Size Does Not Fit All; A Comparison of Monthly Financial Services Spending

(3) Bretton Woods: Payment Systems Evolution and Branded Prepaid Card Analysis October 2009



What Does the Future Hold?

- Greater adoption and usage
 - Prepaid is expected to grow to \$526 billion loaded on cards by 2012. \$292 billion will be open-loop ⁽¹⁾
- New features, new functionality
 - Expanded use of savings features, short-term credit and rewards
- Industry maturation
 - Continued move towards exceptional disclosures
 - Industry trade association (NBPCA) will expand role in promoting standards, best practices
 - Continued reduction in fees with scale and more competition
- New concerns / threats not fully understood
 - Unintended consequences of regulations could limit access to consumers who voluntarily purchase, prefer and depend on prepaid
 - New regulations may hinder the growth of, make more expensive or even kill certain cards (e.g. American Red Cross disaster cards, flexible spending accounts cards)