

A Cautionary Tale



Rusty Cloutier,
President & CEO
MidSouth Bank, Lafayette, LA

"It's the worst mistake I ever made," says MidSouth Bank Chairman Rusty Cloutier, about his decision in the mid-1990s to offload his credit card portfolio.

Like many community banks then and now, Cloutier believed he didn't have the scale or efficiency to run a profitable credit card program. So he sold his portfolio, which was later acquired by his arch competitor, handing over potential revenue and a roadmap to his best customers in the process.

MidSouth Bank reestablished its credit card business, and Cloutier says he regained most of his old credit card customers over a five-to six-year period, but learned a valuable lesson.

Today, MidSouth Bank's portfolio, estimated at \$7 million in outstandings, is not only a money maker but a valuable customer retention tool.

ICBA Bancard offers the skinny on why the card business makes sense for community bankers—and the benefit for both your customers and your bottom line.

Visit www.icbabancard.org/creditsolutions

Call (800) 242-4770

Or e-mail creditsolutions@icba.org

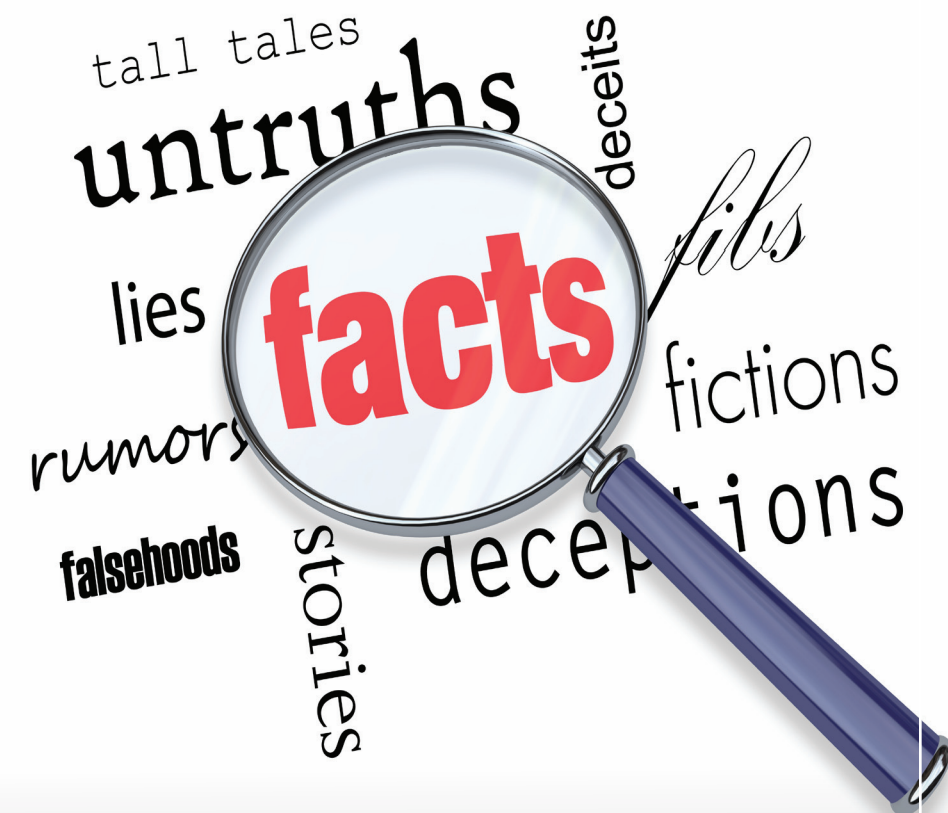


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The Truth About the Credit Card Business





“ Issuing credit cards sets us apart and gives us an absolute advantage. We incentivize customers [to use their card] through ScoreCard rewards which has been a successful product that ICBA Bancard has delivered. ”



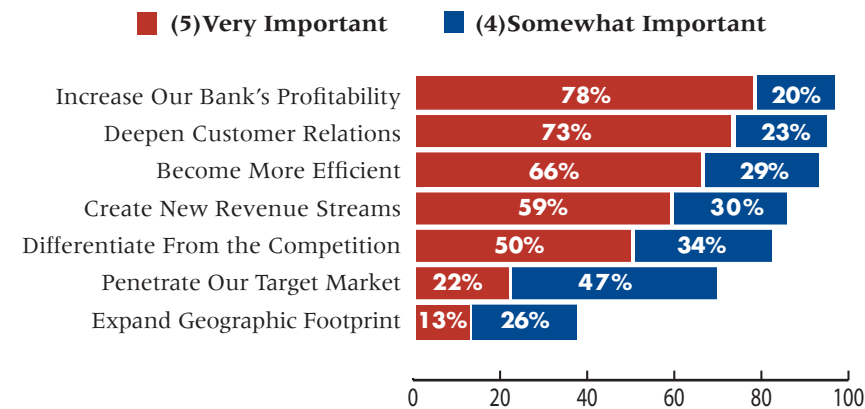
Noah Wilcox, president and CEO
Grand Rapids State Bank, Grand Rapids, MN

Separating Fact from Fiction

The truth is, credit cards remain an important part of a community bank’s payment strategy. In separating fact from fiction we shed light on your credit card portfolio’s true potential.

Most Important Payment Strategies

(as rated on a 1–5 scale by community banks)



Source: ICBA 2009 Payment Survey of Community Banks

Are you ready to diversify your business portfolio?

Contact ICBA Bancard for your FREE credit evaluation.

FICTION: Credit card programs aren’t profitable.

FACT: Managed properly, credit cards are potentially the highest yielding loan product a bank can offer. ICBA Bancard’s automated portfolio development tool, ACE, can help set fees and rates, to improve your portfolio’s profitability. Bancard also sponsors credit card acquisition campaigns year round.

FICTION: Anyone that is a good credit risk already has a card.

FACT: At least 40 percent of the community bank households qualify for a credit card, but only 2 percent to 3 percent actually carry and use these cards. This is a golden opportunity to win back some of the most credit worthy customers from the large issuers whose abuses are being exposed in the media.

FICTION: The risk isn’t worth the rewards.

FACT: ICBA Bancard has a direct issuing option as well as zero or reduced liability agent credit card programs. And our Fraud Loss Protection plan safeguards your portfolio from large losses stemming from lost or stolen cards, counterfeit cards, cards not received and identity theft.

FICTION: New regulations are an insurmountable obstacle.

FACT: New regulations don’t have to be an impediment. Timely adjustments to your card portfolio (such as shifting to a variable rate tied to an index or revisiting fees for services like cash advances) can mitigate future margin risk. And ICBA Bancard, in tandem with its partners, can help you stay in compliance.

FICTION: All cards are created equal.

FACT: Community banks don’t participate in the controversial lending practices that have tarnished the reputation of some national lenders. As ICBA exposes these differences to policymakers, you can promote your sensible and stable practices to customers.

FICTION: Community banks can’t compete on rewards.

FACT: ICBA Bancard’s ScoreCard Rewards program is a cost-effective way to increase your profits, acquire new customers and retain existing ones. If you already offer ScoreCard, consider adding an annual fee for your rewards or adjusting the points required for the travel awards to offset the cost.