

Nurture Your Card Programs

for Optimal Results

Consulting leader BAI Banking Strategies' 2008 Study of Consumer Payment Preferences found that "63 percent of consumers' in-store purchases were paid electronically, using signature or PIN debit card, credit card, or gift or prepaid card, up from 43 percent at the beginning of the decade." The study also points to the significant decrease of cash as a payment instrument. As consumers' methods of payment continue to evolve, is your community bank doing all that it should to build loyalty for its payment products?

Credit and debit cards can be among the most profitable products a bank offers, but only if your customers use your cards. At least once a year, perform a thorough review of your card programs. Understand what the industry trends are and evaluate whether your bank is keeping up with those trends.

Increase Product Awareness, Loyalty and Usage

Your customers can't apply for your card if they don't know you offer one. When a customer opens a new checking account, do you always offer a debit card? If not, do you offer them a checkbook? Why would you trust your customers with a checkbook and not a debit card? Most EFT processors, including FIS and Fiserv EFT, have the ability to set different spending limits per card. You can also use this opportunity to qualify a customer for your bank's credit card.

Once customers have your card, you want them to use it. Customers will want to use their cards if given the right information.

Use every opportunity you have when interacting with a customer to explain the benefits of your card programs. This could be the zero liability protection required by Visa and MasterCard or the details of a rewards program. Customers also want to carry a card that looks good. Do you have a local landmark in your community that people are proud of? Create a custom designed plastic featuring the landmark. This is a fantastic way to show your customers that you care about them and the community.

Protect Your Bank from Card Fraud

With every card issued comes an increased risk for fraud. Do not let fraud deter you from issuing credit or debit cards. Instead, promote the security features of the cards to your customers. Let them know that their cards are being monitored and that you are taking the necessary steps to not only protect the bank, but to also protect them. For credit card customers, promote products like MyCardStatement.com where custom-

ers can log-on to check their balance, credit limit, transaction history and to make a payment. As an ICBA Bancard participant your bank may be eligible to participate in the Fraud Loss Protection program. This program helps banks offset the cost of fraudulent transactions should fraud occur on one of your customer's cards.

Card programs should not only be something a bank has to offer, but something a bank *wants* to offer. With a little time and proper attention, your bank can reap the benefits of a successful card program, while satisfying customers, as well. ■

ON THE WEB: www.icbabancard.org
CALL US: (800) 242-4770

By Kevin Bell, senior vice president, payments product manager, ICBA Bancard

¹ Hough, D., Riddle, M., Allen, C., & Fox, M. (January/February 2009). World of Choice: Consumer Payment Preferences. *BAI Banking Strategies*, 85(1). Retrieved February 3, 2009 from www.bai.org.



Trim Your Credit Card Risk

Best Practices from TCM Bank, N.A.sm

low rates after the new Reg Z/Reg AA changes take effect next year. Risk-based pricing, on the other hand, compensates issuers for the risk of lending to individuals who are less qualified than others.

4. Lower Credit Limits

In this instance a dual strategy comes into play. By lowering credit limits for good customers with excessively high limits (four times the highest monthly use they've ever had) you can more easily manage your bank's total exposure to fraud risk. For customers with lower risk scores you can reduce future losses and begin taking steps to close the account. Take great care when lowering credit limits, as you want to be very careful not to trigger an overlimit situation, when the customer is actually not past due or over their limit at the time.

5. Look at the Total Relationship

Like it or not, loyalty plays a role in who gets paid. While it's certainly not always the case, a customer who has more than one relationship with your bank is more likely to pay their account on time versus an individual who only carries your credit card. ■

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By Paul Weston, president and CEO, TCM Bank, N.A.

¹ Consult with your attorney to see if a Reg B adverse action notice is required.

TCM Bank, N.A. is a limited-purpose credit card bank that is wholly-owned by ICBA Bancard. By implementing some or all of TCM's best practices you can reduce your credit card portfolio's exposure to delinquencies and charge-offs.

1. Close Inactive Accounts

TCM Bank reviews its cardholders' accounts quarterly and systematically closes inactive accounts – when the cardholder has a low risk score and no balance.¹

2. Reduce Cash Advance Limits

Many community banks give the full credit limit as the cash advance limit and in today's environment that is too great a risk to take. Consider setting cash advance limits at 35 percent of the credit line depending on the customer's credit worthiness and payment history.

3. Change to Variable Rate and Risk-Based Pricing

Issuers who switch to variable rate pricing can avoid having old balances trapped at