

Green Dot Holds Prepaid Card Lead, Banks Slow to Enter Market

Companies: AXP, BAC, COF, EBAY, EFT, GDOT, GOOG, LIN:BAZC1, MA, MGI, NTSP, TYO:3382, WMT, WU

September 29, 2011

Research Question:

How are sales for Green Dot and NetSpend, and what new products are emerging in the unbanked market?

Summary of Findings

- Growing demand for prepaid cards is expected to continue. Demand is being fueled by unemployment, underemployment, increasing bank fees, and the estimated [60 million adults](#) who are “unbanked” or “underbanked” in the United States.
- Green Dot Corp. (GDOT) and its [Wal-Mart MoneyCard](#) are a clear leader in the prepaid card industry and have the strongest brand recognition. Competition in the prepaid card space continues to increase; [Google Inc.’s \(GOOG\) Prepaid Card](#) and American Express Co.’s (AXP) no-fee [Prepaid Card](#) recently have entered the fray.
- New products and services are emerging for the prepaid card customer, including free online bill pay, cross-border remittance services, legal services, online budgeting/spend analysis tools, mobile payments and credit score building services. Some companies are even offering interest on card balances, such Grupo Financiero Banorte SAB de CV’s (MXK:GFNORTEO) [Mango prepaid MasterCard](#) which offers 5.1% interest on balances up to \$5,000.
- Bank sources at the branch level had little or no knowledge about prepaid cards and services for the unbanked or underbanked. However, industry specialists said banks are becoming more aggressive with their marketing of credit cards and are slowly getting into the prepaid card market themselves.

Silo Summaries

1) RETAIL STORE STAFF

Six of 10 sources said sales of Green Dot cards have increased, three said sales are flat, and one reported a decrease. Most sources’ stores did not sell NetSpend cards. Two sources expect the use of prepaid cards to increase because of the poor economy and the approaching holidays. Green Dot is sources’ most popular card, but Visa Inc.’s (V) \$25 gift card with no loading fee also is very popular. Numerous card types are available, including phone cards, online-game cards and major-brand gift cards. One store sold than 40 different prepaid cards. Students do not purchase many prepaid cards, according to cashiers at six convenience stores near a major university.

2) FINANCIAL SUPPORT COMPANIES

All four sources—two from competing prepaid cards and two from alternative financial service companies—think demand for nonbanking financial services is increasing because of the growing numbers of unbanked people and the increase in bank fees. More people are using prepaid cards and are looking for additional ways to use them. One source reported expanding services to include car and mobile payments.

3) INDUSTRY SPECIALISTS

Three of four industry specialists said demand for prepaid cards is increasing, and the fourth said demand is steady and will increase if the economy continues to struggle. Demand is being driven by high unemployment, high underemployment, high banking fees, and disenchantment with banks. One source said Wal-Mart’s MoneyCard, which is backed by Green Dot, is the top prepaid card while another said NetSpend is the strongest card. The competitive landscape is expected to continue to grow. Google has entered the space with Google Prepaid Card, powered by MasterCard and First Data’s Money Network. New services expected to be offered by prepaid card companies include bill pay, interest on card balances, cross-border remittance services, legal services, online budgeting/spend analysis tools, mobile payments and credit score building services.

4) UNBANKED/UNDERBANKED CUSTOMERS

All five sources have used prepaid cards for convenience and security. They did not cite a card preference, but Green Dot was the only card brand mentioned. Three sources commented on the high fees associated with the cards but still felt the service was worthwhile. One source expects prepaid card use to increase as bank fees continue to rise.

5) BANK PERSONNEL

Three branch-level banking sources had minimal knowledge of the prepaid and underbanked markets. One source said his bank sells gift cards and a prepaid card but that these products are not popular. Two sources admitted that bank customers might be disgruntled because of increasing fees and government regulations.

	Prepaid Debit Card Market Growing	Green Dot Industry Leader
Retail Store Staff	↑	↑
Competitors and Financial Support Companies	↑	➡
Industry Specialists	↑	↑
Unbanked/Underbanked	↑	N/A



Green Dot Corp. and NetSpend Holdings Inc.

Background

Blueshift Research's [March report](#) on alternative financial services found demand growing and Green Dot and NetSpend among the leading service providers of prepaid debit cards. Green Dot currently is the market leader with 4.3 million of its cards in use, and NetSpend is its closest competitor with 2.3 million cards in use. [Green Dot's revenue](#) rose 29% during 2Q11, aided by a 23% increase in new activations and 27% increase in active spending.

CURRENT RESEARCH

In this next study, Blueshift assessed sales trends for both Green Dot and NetSpend in the post-[Durbin Amendment](#) market, customers' reasons for using prepaid cards, and new products within the prepaid card industry. We employed our pattern mining approach to establish and interview sources in six independent silos:

- 1) Retail store staff (10)
- 2) Competitors and financial support companies (4)
- 3) Industry specialists (4)
- 4) Unbanked/underbanked customers (5)
- 5) Bank personnel (3)
- 6) Secondary sources (7)

Blueshift interviewed 26 primary sources and included seven of the most relevant secondary sources focused on banking and prepaid debit card industry.

Silos

1) RETAIL STORE STAFF

Six of 10 sources said sales of Green Dot cards have increased, three said sales are flat, and one reported a decrease. Most sources' stores did not sell NetSpend cards. Two sources expect the use of prepaid cards to increase because of the poor economy and the approaching holidays. Green Dot is sources' most popular card, but Visa Inc.'s (V) \$25 gift card with no loading fee also is very popular. Numerous card types are available, including phone cards, online-game cards and major-brand gift cards. One store sold than 40 different prepaid cards. Students do not purchase many prepaid cards, according to cashiers at six convenience stores near a major university.

➤ CVS Caremark Corp. (CVS) store associate, coastal North Carolina

Green Dot cards have been popular at this store. More customers are purchasing the cards year to year, and this source expects growing demand to continue. Prepaid card customers are mostly middle-aged men and women, who have not voiced any with complaints about card fees or services. This store's most popular Green Dot products are the [MoneyPak](#) and Visa cards. [MoneyGram International Inc.](#) (MGI) services are offered at the store and are popular among college students, but no other financial services are available. The store does not carry NetSpend, and the source had never heard of the company.

- "The cards are popular. I would say they have increased to an extent."
- "Usually people who don't have a bank or a credit card buy them. Mostly, it is middle-aged men and women. Students use the MoneyGram for bill pay."
- "Green Dot is the only one company I know of. I don't think they have competition. They have a good display. I have not heard any complaints."
- "Customers have complained about the Visa card fees but not Green Dot's."
- "[Apple Inc.'s/AAPL] iTunes is the most popular card, but for the debit cards it's the MoneyPak is the most popular, that and the Visa."

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Store Associate, CVS
North Carolina

Green Dot Corp. and NetSpend Holdings Inc.

Reporter Observations: This CVS store had a trifold end cap displaying seven different options of Green Dot prepaid cards. The store had very low stock of the MoneyPaks. Signage was included at the top of the Green Dot card side, and an information board was on the side of the display. The remaining two sides of the display held gift cards, long-distance phone cards, entertainment cards and dining cards.

➤ CVS clerk, Chicago area

Green Dot card sales have been flat during the last three months. The store refills a card at least once a day. The cards are most popular with people under 25 who do not want a bank account but who want to pay bills, send money or travel.

- “The Green Dot cards usually sell pretty well. They are popular.”
- “We are selling about the same amount as we were three and six months ago.”
- “I feel their popularity will stay about the same in the future. I think the people who would use them already know about it or use it now.”
- “We don’t have anything in the store that is new or like the Green Dot card. I haven’t heard about anything coming in.”
- “The Green Dot is most popular with the younger crowd—under 25 or so. They don’t want to have a bank account. They pay their bills, send money overseas or go travel with their Green Dot card.”
- “We refill a lot of cards to people who want to pay a bill or for people who travel. They fill up a Green Dot before they leave so they have a Visa to use.”
- “I have a customer that comes in almost every day to refill his Green Dot card. He is an Asian man, and he is sending money to his family over there.”
- “We sell the same amount of gift cards as we do Green Dot cards.”
- “Gift cards are good because you don’t have to pay a fee every time you put money on it, like the Green Dot.”
- “People buy a lot of prepaid Visa or American Express cards, but they also have fees. Their fees are about the same as Green Dot.”

Reporter Observations: Two freestanding prepaid card displays were located in the front of the store and were approximately four feet high. The displays also carried candy, magazines and gift cards. One display had three Green Dot MasterCard and the other had 15 MoneyPak cards. The store also had a trifold end cap with approximately 40 to 50 different vendor gift cards. The right side held Green Dot cards and a sign stating “Green Dot—Reloadable Prepaid Cards. No credit check. No bank account.”

➤ Wal-Mart MoneyCenter associate, coastal North Carolina

Sales of Green Dot prepaid cards has increased 50% year to year. The source expects sales to be steady despite hearing more complaints about the related fees. The source has not noticed any changes in Green Dot’s fees or services. The MoneyCenter mostly sells prepaid cards to those in their 20s and the underbanked. The [Wal-Mart MoneyCard](#) (through Green Dot) is the most popular. The store does not sell NetSpend cards, but about 10% of customers reload the company’s cards at the store. This store also offers [Bill Pay](#) and Money Orders, [Check Cashing](#) and [Money Transfers](#). Online and mobile services allow customers to reload their Wal-Mart card and check their account.

- “Since I started here, we have had them; that was about a year and half ago. They are really popular. I would say sales have increased 50% since then.”
- “I hear complaints about the charges and people not being aware of them or that the activation fee is too much. It does deter some people. But most of the time they buy it because they need it.”
- “It is a good option if you don’t use a bank, but if you do you really have no reason to use one.”
- “The card has good security. You get a secret PIN, and if the card is stolen they send you a check in the mail for the amount.”
- “People come in to reload the NetSpend, about one out of every 10 customers, but we don’t sell the card here.”

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Associate, Wal-Mart MoneyCenter
North Carolina

Reporter Observations: The MoneyCenter section offered large informative and brand signage on the walls. The cards were displayed in wall pockets and in a display counter. Visa and MasterCard Inc. (MA) prepaid cards were displayed separately from and were outnumbered by the Wal-Mart MoneyCard. Five customers made a purchase from the

Green Dot Corp. and NetSpend Holdings Inc.

MoneyCenter during our visit. Another was shocked by the MoneyCard's activation fee and declined the purchase. American Express had a freestanding gift card display that was low in stock.

► Walgreen Co. (WAG) store manager, coastal North Carolina

The number of customers purchasing prepaid cards has increased 10% quarter to quarter, and the source expects 10% to 15% growth through the next six months. Visa and Green Dot's MoneyPak are the store's most popular prepaid cards. The store also sells NetSpend cards, but was very low on inventory. Most customers purchasing prepaid cards are immigrants and middle-aged men, who usually spend as much as \$500. No customer support issues or complaints about the cards have been brought to the manager's attention. The store does not offer any other financial services.

- "The cards sales have increased since I started four months ago, I would say about 10% more over that time."
- "The new display has been up for about a month. It makes the Green Dot cards more visible to the shoppers than before."
- "The Visa and Green Dot MoneyPak are the most popular cards we sell. The MoneyPak is the most popular."
- "I have noticed more men than women buy the cards. Middle-aged family men and Mexicans make up most of the customers. They spend anywhere from \$100 to \$500, sometimes more."
- "I have not heard any complaints about [Green Dot buyers] so far. Customers like them. We have to restock a lot."
- "We are getting more NetSpend cards coming in soon. I guess they are selling too."

Reporter Observations: The prepaid debit cards were easy to locate near the front of the store and close to the checkout. Green Dot's display stood out on the trifold end cap display. Green Dot offered a \$5 credit for registering a card online within 30 days of purchase. Three products were available: Visa, MasterCard and MoneyPak. Visa had lower stock than MasterCard. NetSpend had the very bottom of the display, but had no cards in stock. The manager expects to get more in about one to two weeks.

► Walgreens sales associate, Southern California

Sales of the prepaid Visa cards from Green Dot have risen since the summer now that students have returned. This store sells only Green Dot prepaid cards. The MoneyPak is the most popular, but the source reported also selling about two Prepaid Student Cards each week. Most customers use the cards to reduce the risk of fraud. This store does not carry NetSpend cards.

- "I am not sure why we don't carry NetSpend cards. We have had Green Dot for a few years, and it seems to do pretty well. I would say overall they are growing in popularity, especially for students."
- "We were slow all summer, but I've noticed we are selling more since school started and that may be because we sell a lot of the Student Version Visas from Green Dot."
- "We are selling about two each week, which is about twice as many as we were selling this time last year."
- "Most of the customers I talk to like these better than their own debit card because they don't have to worry about someone hacking into their checking account. I don't think they are just being used by people who are not able to get credit cards or checking accounts. There are a lot of people who just want to be secure when they shop online."
- "I don't know what banks are offering, but I think people are getting sick of the bank fees and opting for these instead. They also can budget better—no overdrafts to worry about because if you don't have the money on the card, you can't use it."

Reporter Observations: Cards were displayed near the cash register and next to the cigarettes, with Green Dot cards on the lower half of the rack. Inventory was full, but the Green Dot MoneyPak seemed to be the most depleted of the collection. Prepaid international phone calling cards and gift cards dominated the display.

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*Sales Associate, Walgreens
Southern California*

Green Dot Corp. and NetSpend Holdings Inc.

► Head cashier at Walgreens, south side of Chicago

Prepaid card sales are the same as three months ago. Visa is this location's most popular card. The store refills four to five Green Dot cards per week. Card users are predominately Latino and vary in age.

- "We see people of all ages getting and using the Green Dot cards. It's not just younger people. We have mostly Hispanic customers here."
- "The people that buy them are people that just don't have credit cards. They don't have credit available to them so they use a Green Dot."
- "We are selling the same amount of Green Dot cards as we were three months ago."
- "I can see the Green Dots getting more popular if the economy doesn't pick up some. There are a lot of people struggling and out of work around here."
- "I think we sell more of the Green Dot cards around Christmas time."
- "We don't really refill that many cards. We only do about four to five a week."
- "Green Dot is not very popular. Most people usually go for the gift cards."
- "The \$25 Visa gift card is the most popular gift card."
- "We sell a Visa gift cards pretty often. We sell anywhere from five to 10 a week. It does vary depending on the time of year."
- "Some of the kids think the Green Dots are gift cards, and I have to explain to them that they have to pay the \$4.95 activation fee. Most of the time they get a regular gift card."

Reporter Observations: The Green Dot card inventory was low, with only one Green Dot Visa card available. The source said the store is expecting more cards on Friday. Walgreens carries approximately 40 other vendor gift cards.

► 7-Eleven (Seven & I Holdings/TYO:3382) manager, Southern California

The store has sold prepaid debit cards for more than a year. Green Dot MoneyPak sells the best of all the prepaid cards; the store sells at least one every day. The card is easy to use and refill. Green Dot Visa is the next most popular and sells several times a week. Euronet Worldwide Inc.'s (EFT) [Ria Financial Services](#) and [PayNearMe Inc.](#) cards sell infrequently, but 7-Eleven requires the store to stock these brands.

- "We have lots and lots of cards. Here's our big display, and you've seen the Green Dot display by the counter. We mostly sell Green Dot MoneyPak, maybe once a day. The people who come here tell me they are the easiest to use, and they ask the least amount of questions."
- "We have the Green Dot [display at the counter] because we sell many of those cards, maybe several times a week, and they give us a display. Visa brand cards don't sell that well, maybe every once in a while. Mostly we sell the cards for online. Not too often do we sell the ones for travel or students."
- "We hardly ever sell the others, Ria and PayNearMe, but we are required by 7-Eleven to carry them."
- "We've had the cards more than a year now, maybe a year and a half. The young kids buy the game cards, and we sell them every other day. They are the most popular."
- "Many customers are from Mexico. ... Some people tell us they like to buy things online, and the debit cards are safer. They don't trust giving information online."
- "These cards cost money. Look, this card costs \$4.95, and then you have to pay more, sometimes each month. But the customers like the cards. They don't complain."
- "I had one man return a card a few weeks ago. He bought the one you use only on the phone, not online. And he wanted to use an online card. Some cards are only for phone, not for Internet. Another man returned a card because it required too much information."
- "I order the cards every two weeks, and they come in batches by mail. It takes three to five days. Green Dot always fills the order on time. They make it easy. But the last time, Green Dot MoneyPak was out of some cards. We are low here, and they claimed they didn't have any more of those. We have to wait and see."

We hardly ever sell the others, Ria and PayNearMe, but we are required by 7-Eleven to carry them.

*Manager, 7-Eleven
Southern California*

Green Dot Corp. and NetSpend Holdings Inc.

➤ 7-Eleven sales associate, Southern California

Sales of Green Dot prepaid cards are down significantly from last year. The source reported selling only one card in September. The store carries PayNearMe cards, which he said have not moved since they arrived two to three weeks ago. It does not offer NetSpend products.

- “I think I’ve sold one card this whole month, which is way down from a year ago.”
- “We used to sell quite a few more of the Visa cards from Green Dot, but lately it has really gone down and I think it’s because people just don’t have the kind of money they had a year ago for online shopping. I think a lot of them are using cash now if they can’t get checking accounts or credit cards, but I also know that the cards are being used by people who want to avoid being exposed to fraud when they buy online.”
- “We do not carry NetSpend. We never have.”

Reporter Observations: The cards were prominently displayed on a side aisle. Green Dot inventory was very full with five different types of Visa cards.

➤ 7-Eleven manager, Chicago

This store sells 20 to 25 Green Dot cards per month, and sales are up 5% to 10% quarter to quarter. Sales of gaming cards are increasing at the same rate. The source reported having a technical issue with Green Dot and has been unable to refill cards for a few weeks.

- “Green Dot sales are good. They are getting better all the time. We sell a little more each month. People like it because it is basically a debit card.”
- “Green Dot cards are pretty popular, especially in this neighborhood.”
- “Green Dot sales are up 5% to 10% in the last three months.”
- “We sell 20 to 25 Green Dot cards a month.”
- “Customers who purchase Green Dot cards are mainly Hispanic people, both men and women. The average age is over 20 but under 30.”
- “There are some problems with Green Dot system right now. We have not been able to refill any cards for two to three weeks. It is a problem with the 7-Eleven system, but they are fixing it.”
- “Trends nowadays are cards for gaming, especially among the teenagers. The cards are for online games or to buy games. They were introduced six months ago, and sales have really picked up.”
- “We sell about five to 10 gaming cards per week, or 25 to 35 a month. We sell as many gaming cards as we do the Green Dot cards. The [Zynga \[Inc.\] card](#) is popular.”
- “Our cards sales are 85% Green Dot, with 15% sales going to gaming and gift cards.”
- “The most popular gift card is the Visa gift card.”

Trends nowadays are cards for gaming, especially among the teenagers. The cards are for online games or to buy games. They were introduced six months ago, and sales have really picked up.

Manager, 7-Eleven
Chicago, IL

Reporter Observations: The prepaid and gift cards were in the first aisle at the store’s entrance. This store had six different Green Dot cards, totaling more than 25 Green Dot cards available for purchase.

➤ Cashiers at six convenience stores on and off campus at a major Midwestern university

Prepaid cards have limited appeal with students, and their sales are consistent. Most sales are to unbanked or underbanked individuals. Green Dot offered the most popular cards, but gift cards also were in demand.

- “I don’t sell more than one or two [Green Dot cards] per week, there’re not popular at all.” 7-Eleven cashier
- “We sell about 10 cards per week to people that, excuse my language, look homeless.” CVS cashier
- “Student and parents buy the Green Dot Student prepaid cards more than the MoneyPak, but still not very often.” 7-Eleven cashier
- “We’re selling to down-on-their-luck people, people who seem suspicious of credit cards. Most students have credit.” CVS cashier

2) COMPETITORS AND FINANCIAL SUPPORT COMPANIES

All four sources—two from competing prepaid cards and two from alternative financial service companies—think demand for nonbanking financial services is increasing because of the growing numbers of unbanked people and the increase in bank fees. More people are using prepaid cards and are looking for additional ways to use them. One source reported expanding services to include car and mobile payments.

► Media service provider for a prepaid card company

This card's customer base of at least 30 million users is more than either Green Dot or NetSpend. Customers using this card retain and use their cards longer than the competition, about three years according to this source. The card offers a few advantages: People can regain their credit rating while using the card, and the card can be used in many countries outside the United States. Applications are increasing monthly, so the need is growing.

- "I believe we are the largest such company [selling prepaid debit cards]. People certainly prefer us over Green Dot cards. Green Dot cards cannot be used all over the world. You can't travel with them."
- "A lot of our users are travelers. Yes, I think a lot of them do not use banks either. Our cards only cost about \$350 or up to \$550 a year, and that is cheaper than many banks now charge, even for a checking account."
- "I can't give you exact numbers, but I can tell you that my company serves more than 30 million people. That's nearly half of the people who do not use banks in the United States."
- "Our applications are increasing each month."
- "Right now you can only apply for a card online, in the United States. But we are expanding, and I think cards will be available for sale in other countries."
- "Our customers, on average, use our cards for about three years. I think we have our customers for longer than the other companies. I don't think customers last that long at some places."
- "It is better to buy this cards for three important reasons: 1) In the United States, people can build up their credit rating because we report all information to the credit bureau. This is most important, and no other card gives you this feature. People want to fix bad credit, you see, and this card allows them to do that at the same time they can pay bills. 2) The card is great for safety, and it can be used anywhere in the world. ... No other debit card does that. And 3) you can transfer funds from card to card, so if you need money urgently, someone can transfer the funds. It happens quickly, and it doesn't matter where in the world you are."
- "Our card is attached to big names. ... They back up our cards and our services."
- "We were one of the first prepaid debit cards available."
- "We now offer seven different types of Visa cards with different fees. People can pick out what would be better for them or we can help them decide. We have two different plans: a one-time plan and a lifetime plan."
- "These cards are very good for emergencies if you are strapped for cash."
- "You cannot swipe these cards at a gas station. You must go in and pay the clerk with the card. Also, we do not accept wire transfer. We don't think this is safe because of the data that must be given."
- "We have 24/7 customer service, and everyone says it is the best."
- "Our card is physically easier to handle and more durable. It is easier for reuse than the other cards."
- "Our company also offers card holders discount health plans, medications."

A lot of our users are travelers. Yes, I think a lot of them do not use banks either. Our cards only cost about \$350 or up to \$550 a year, and that is cheaper than many banks now charge, even for a checking account.

*Media Service Provider
Prepaid Card Company*

► Branch manager for a check cashing company with six locations in Southern California

This company has sold NetSpend prepaid cards since this branch opened four years ago, and it does not sell Green Dot cards. Sales are on the increase because of the economy, but the source said most of her customers tell her that they use them to make online purchases more securely. This branch offers services from [The Western Union Co.](#) (WU), prepaid phone cards to Central and South America, bill pay services and check cashing. Customers have said that fees were worse with banks and that they prefer the fees associated with NetSpend and the [Guardadito MasterCard](#) (Banco Azteca del Peru S.A./LIN:BAZC1).

Green Dot Corp. and NetSpend Holdings Inc.

- “Our business is down in general because of the economy. We are a paycheck cashing service primarily, and with so many people out of jobs, that business is dropping.”
- “Sales for the NetSpend cards are definitely increasing because so many people are unable to open regular checking accounts. But many of my customers tell me they are using the cards to pay bills online and to shop online. They do not feel secure using their own bank debit or credit cards.”
- “Sales were increasing faster in the beginning of the year and now they have slowed down somewhat. But they have gone up since last year.”
- “This is a heavy Latino area with a lot of low-income families, so fees are a big issue. But I have a lot of customers tell me they come here not because they can’t get a checking account but because the fees for the NetSpend cards are lower. Some of them say they went for the free checking at [[JPMorgan Chase & Co./JPM](#)] and found out the hidden fees were higher than the cards we sell.”
- “We also sell a lot of prepaid phone cards to Central and South America. Western Union wire services are not as strong as they used to be because people can send money via the prepaid bank cards now. Or they can use their card to wire it to another card.”
- “I know that most banks are doing very little to work with customers with no credit or with the inability to get a checking account. But the one bank I hear about that people are going to is Wells Fargo [[& Co./WFC](#)]. They have something called an [Opportunity Checking](#) account, but I don’t know very much about it.”

Our business is down in general because of the economy. We are a paycheck cashing service primarily, and with so many people out of jobs, that business is dropping.

*Branch Manager
Check Cashing Company*

➤ CEO of a reloadable cash card company

This financial executive said his model is filling gaps left open by NetSpend and Green Dot because its integration with merchants allows consumers to pay for a wide range of goods and services at roughly 6,000 7-Eleven stores across the United States. He said business is growing and the company’s integration partnerships are increasing. More consumers are finding it impossible to meet credit requirements for banks or credit cards, and others simply want privacy when making purchases and prefer to use cash.

- “We’ve seen growth we are pleased with in the last year. I know the underbanked community is growing because we know more people out there are using cash to pay for products, either online or inside retailers, so we expect that growth to continue.”
- “Where we come in is really different from NetSpend and Green Dot. Yes, we offer a reloadable card that may be used like cash, but you don’t have to use it online at the site of the company or retailer you are doing business with or in their store. Instead, we make our cards available for free at 7-Eleven stores, where you simply hand the card to the clerk, pay the cash for the product or service you are buying and, using a code we give you for the transaction, the clerk handles the transaction for you with the swipe of your card or a printed receipt.”
- “The advantage of using our cards is that there are no merchant fees to mess with. Consumers save money, and so does 7-Eleven or the other partners we work with, which includes Ria Financial Services for international money transfers and others. The whole idea is for us to make it easier for consumers who want to pay by cash buy more products and services with cash, but not have to go into the retailer or to that company’s Web site to do it.”
- “We have just completed deals that will allow our PayNearMe customers to use a service with one of our partners to make auto loan payments in 7-Eleven stores, which is another area of financial services that isn’t covered yet.”
- “Mobile phone transactions are part of our model. We have a partnership with one company that allows customers to buy the PayNearMe card, use cash in hand to load on the card and then transfer that money to an remote, overseas mobile billing account.”
- “We see this as a growth market because it is becoming so necessary. We essentially stand to take over as the money order, and the difference is that you can use that money order, our card, inside 7-Eleven stores. Why 7-Eleven? Because they are everywhere.”

Mobile phone transactions are part of our model. We have a partnership with one company that allows customers to buy the PayNearMe card, use cash in hand to load on the card and then transfer that money to an remote, overseas mobile billing account.

CEO, Reloadable Cash Card Company

Green Dot Corp. and NetSpend Holdings Inc.

➤ Owner of a financial services company

Customers ask for both Green Dot and NetSpend prepaid cards, but this company only sells NetSpend cards, which have sold well for the past six years. The source thinks customers use the cards for day-to-day charges, such as gas. Wiring money via Western Union is popular among his customers. He has heard no complaints about fees.

- “We have offered NetSpend prepaid cards for about six years. Yes, that long. I can’t tell you how often we sell the cards. They sell well enough. We keep reshelving the cards.”
- “We offer many services that people need: NetSpend prepaid cards, advanced payday money, check cashing, wire transfer via Western Union. People come in all the time, and we are very busy. We sell the cards whenever people want them.”
- “It’s hard to tell what the customers use the cards for. I don’t ask. I’d say day-to-day charges, for gas maybe. I guess some customers use the cards in place of banks, but I really don’t know.”
- “If they want to send money, they use wire transfer with Western Union. That is also popular.”
- “No one complains about the fees. It is a service they need.”

3) INDUSTRY SPECIALISTS

Three of four industry specialists said demand for prepaid cards is increasing, and the fourth said demand is steady and will increase if the economy continues to struggle. Demand is being driven by high unemployment, high underemployment, high banking fees, and disenchantment with banks. One source said Wal-Mart’s MoneyCard, which is backed by Green Dot, is the top prepaid card while another said NetSpend is the strongest card. The competitive landscape is expected to continue to grow. Google has entered the space with Google Prepaid Card, powered by MasterCard and First Data Corp.’s [Money Network](#). Also, American Express now offers a no-fee prepaid card. Banks also are expected to start offering prepaid cards, but will have to compete against their other services. New services expected to be offered by prepaid card companies include bill pay, interest on card balances, cross-border remittance services, legal services, online budgeting/spend analysis tools, mobile payments and credit score building services.

➤ Banking and finance blogger

Wal-Mart’s MoneyCard is the top performer. Banks will have to reassess fees and even offer their own prepaid cards if they want to remain competitive. NetSpend and Green Dot are not free and clear of the biggest issue aside from fees, which is infrastructure: getting the cash to the cards is the key to the market. Mobile will work, but also has infrastructure problems. NetSpend carries lower fees than Green Dot, but not as low as Wal-Mart.

- “Interest in prepaid cards is going to go up as more people get priced out of checking accounts by rising fees. A lot of national banks are eliminating free checking and imposing new, recurring fees, and I think a lot of people can’t or won’t pay for a checking account under those circumstances.”
- “Prepaid cards are exempted under the Durbin Amendment, but they will have to avoid being used for bill pay to retain exemption, which may hurt companies or not. The exemption should allow companies to keep fees at present levels unless retailers decide to start charging for their use, which is a possibility. Durbin gives broad power to merchants to, for example, offer a lower price to people paying with a certain method of payment.”
- “I believe that prices will rise over the next six months, but the market is growing massively. Why? Payments in general are increasingly becoming card-based, so people who at one time might have gone cash-only are finding more reasons they need a card-based method of payment.”
- “That is a long-term trend that is just continuing. I also think, due to the recessions, a lot of parents are financially supporting their children to one degree or another, and these are useful platforms for regular money transfers.”
- “This recession has been really hard on people’s credit generally, and a lot of people that used to have access to credit cards and even checking accounts do not anymore.”
- “Wal-Mart’s MoneyCard is the best performing card and most popular. And I also think that it is the most useful of the prepaid cards out there right now. What prepaid cards really tend to be lacking is an infrastructure for actually getting the cash on the card, so a lot of

That is a long-term trend that is just continuing. I also think, due to the recessions, a lot of parents are financially supporting their children to one degree or another, and these are useful platforms for regular money transfers.

Banking & Finance Blogger

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cards, including AMEX, rely on Green Dot's MoneyPak, but that's a \$4.95 fee per transactions, which is pretty steep."

- "Wal-Mart, in contrast, charges only \$3, which over time would really add up. They also do not appear to charge a fee for actually making a purchase, which a lot of other prepaid cards do."
- "If you can get your paychecks direct deposited, NetSpend is a pretty good option because their fees for the most part are fairly reasonable although they do have a fee for making purchase."
- "As far as the banks are concerned, I'm sure some will try to release their own cards although many will balk at the idea of offering an in-house alternative to their own checking accounts, which are still a source of fee income for them."
- "At some point banks will have to look at their own fee structures on checking accounts to make sure they are not pricing themselves out of the payment market. But I'm also sure they will be doing a lot of advertising to draw the contrast between prepaid cards and 'real' checking accounts."
- "If mobile does grow the way people are expecting it to, prepaid will play a big role. Google has already released its own prepaid card as part of its new Google Wallet service, and I am sure other mobile banking platforms will incorporate prepaid. That being said, the main thing is still infrastructure. How do you get money on to the card?"
- "For Google Prepaid, it is still a transfer from an existing credit card or debit card, and that makes it still dependent on that conventional checking or credit card account. That is a real liability if you are thinking prepaid is going to replace those conventional accounts."

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Banking & Finance Blogger

► Industry specialist director of marketing for a financial blog

NetSpend is the strongest player although Green Dot, [Ace Cash Express Inc.](#), Wal-Mart and [Capital One Financial Corp.](#) (COF) also are strong. Wal-Mart's card reaches a large audience, and the American Express card carries low fees. A credit card push may account for the recent leveling in prepaid card applications. However, prepaid cards may become more popular in light of the economy, more prepaid issuers, and disenchantment with banks. The cards also appeal to college students. This source expects future services for the unbanked or underbanked to include free online bill pay, interest on card balances, and credit score building services.

- "NetSpend is probably the strongest contender and has the largest portfolio, but Ace Cash Express, Green Dot, Wal-Mart and Capital One are all strong contenders."
- "Wal-Mart has a popular card due to its reach and target market."
- "American Express's prepaid card, which launched this summer, has the lowest pricing in the market. The only fee is for ATM withdrawals, with the first one [withdrawal] free each month."
- "In general, we've noticed [the] volume of applications [of prepaid cards] to be relatively steady. Applications had been trending upward over the past few years as more issuers entered the field and many consumers were feeling disenchanted with credit cards. However, credit card issuers have begun aggressively marketing again, so this may account for slower prepaid growth."
- "[The prepaid market] could trend up again due to the worsening economy, greater penetration of the underbanked and unbanked populations by prepaid issuers, and the entry of major credit card issuers like Capital One and American Express into the market, which could persuade many young professionals, students and working adults to use a prepaid card over a traditional checking account if they've become disenchanted with banks."
- "The scope of product appeal is broadening to include college students, who now must have proof of income or get a co-signer to get a credit card, to parents to give to their kids and to people with access to traditional banking services."
- "I doubt any [negative publicity](#) will stem the tide of prepaid cards. They offer a value and convenience at a cost. The fees are the only way for issuers to make a profit."
- "Possible new prepaid card services include free online bill pay, interest on card balances, cross-border remittance services, legal services, online budgeting/spend analysis tools and credit score building services."

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► University law professor, editor of an academic economic publication and an expert on the unbanked

The number of prepaid debit cards and “unbankers” are on the rise and will increase substantially as new legislation forces increased costs and decreased revenues for consumers. This source was unfamiliar with the different prepaid card brands. Successful cards will have fewer fees and will be easy to use and accessible. Mobile banking is growing.

- “The number of unbanked will increase and the number of prepaid cards will increase. It will move up the economic ladder.”
- “A variety of [public] policies are going to increase the costs and decrease the revenues of servicing many consumers. The overall effect will be to make many consumers unprofitable and lead to higher banking fees. This will drive many consumers out of the mainstream banking system and into prepaid cards. I expect the situation to be large.”
- “I also expect card issuers to start issuing more prepaid cards aimed further up the economic ladder, to catch the newly unbanked consumers who want to make electronic payments.”
- “This will be supplemented by a growing use of mobile banking on phones.”
- “I don’t know the different brands [of prepaid cards]. The ones that will be the most successful will have fewer fees and will be more convenient to use.”

► University economics professor

The use of prepaid debit cards and the level of unbanking/underbanking are on the rise in proportion to unemployment. The situation may not change for a while. This source was unfamiliar with the different card brands. Consumers may not be happy with the fees, but they are stuck with what the banks and bank card companies dictate.

- “Unbanking has certainly increased the last few years, and it will continue to increase.”
- “Customers who can no longer keep a minimum balance will need the convenience of prepaid debit cards.”
- “These people [the underbanked] also coincide with the underemployed. Unbanking or underbanking has increased as unemployment has increased, and it will continue to do so. It has been like this for a few years. No, I don’t see this changing for a while.”
- “I couldn’t address the individual cards. I know there are a lot of them out there, but I don’t know who has the better card or service.”
- “Fees? At some point, the customers don’t have a choice. Of course, no one is happy about it.”
- “If you check the statistics on states other than California, I think you’ll find that there is more unemployment and more use of these cards.”

4) UNBANKED/UNDERBANKED USERS OF PREPAID CARDS

All five sources have used prepaid cards for convenience and security. They did not cite a card preference, but Green Dot was the only card brand mentioned. Three sources commented on the high fees associated with the cards but still felt the service was worthwhile. One source expects prepaid card use to increase as bank fees continue to rise.

► Unbanked female who used a prepaid MasterCard to pay an out-of-state fine

This source recently used a \$400 prepaid MasterCard to pay a speeding ticket fine online. Prepaid cards are popular among those who dislike banks and those seeking an alternative to carrying cash. She dislikes the prepaid registration process, which was similar to applying for a credit card. She has not had a traditional bank account for five years.

- “I know people are leery of banks. I don’t know if prepaid cards are popular just because of that. I know that I got hooked up through a friend. A friend sent her son to college with a prepaid debit card instead of cash. People don’t want to deal with cash all the time, so the cards make it more convenient.”
- “I used a prepaid card for the first time last week. I bought a \$400 prepaid MasterCard because I had to pay a bill online.”
- “I didn’t apply for a credit card. They ask a lot of questions as if you are applying for a credit card. You have to register online before you are even able to use it. I didn’t really like that at all. I don’t think all those

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Unbanked Customer

Green Dot Corp. and NetSpend Holdings Inc.

questions are necessary.”

- “I don’t want to get all caught up in credit cards again. If I really need to charge something, like an airline ticket, I put it on my mom’s Visa and just give her the cash.”
- “I was paying a speeding ticket for an out-of-state ticket so I could either go there in person to pay, which I wasn’t going to do, or I had to pay online. This particular payment system did not allow Visa payments, only MasterCard, so I had to purchase a prepaid MasterCard.”
- “I only got the card because of this particular situation. It was necessity because I don’t carry a credit or debit card. I just prefer to use cash.”
- “I had to pay a \$3 fee for it. I felt that was reasonable. However, if I was to continue with the card, they charge a \$3 monthly service fee, which I think is unreasonable.”
- “Then there is a \$3 recharge fee every time you put money on it. So if I needed a \$10 purchase and I didn’t have money on the card, it would be a \$13 purchase. That does not work for me.”
- “I might use those cards in the future. They are convenient if you need to use a card for purchasing. I will definitely pay close attention to the fees they are charging though.”
- “Prepaid is good for younger people who might not be ready to open a bank account.”
- “I have had bad experience at banks. The last one I was at really mishandled my account. I had really poor customer service. They messed me up with a debit card, sending it to the wrong address, and they would not give me one when I needed it to travel. This situation went on for three weeks and really messed my trip up at the time. I ended up closing out all my accounts there and have not gone back to a bank since. That was five years ago.”

➤ 22-year-old female college student

This source has used a Green Dot Visa for about a year for online purchases because she is afraid to paying for an online purchase through her checking account. She said using the prepaid card also helps her to avoid automatic reorders that some retailers try to push. She has never heard of NetSpend.

- “I’ve used the Green Dot Visa for one year. I use it because I don’t want people to get my checking information. I have an account with Wells Fargo, which I use for other things like restaurants and in-store purchases.”
- “I would say more people are going to use these as banks become more and more distasteful to some younger customers who don’t really have that much money anyway. I also think fees are getting so high for some transactions in stores just to use your debit card that people are going to start buying more gas cards and other things like that to save. If I use my debit card at the gas station now, it’s sometimes an extra 45¢. That adds up to \$5 or \$6 on just about 10 visits.”
- “I think the fees are a little high, but I only have to pay that when I recharge the card. At \$4.95 I can put \$400 or more on there. That will last me a few weeks, which is not that much when you consider what it costs for checking fees and other things.”
- “I think a lot of people, myself included, are really also sick of having to sign up for automatic renewal programs for products we buy online, like [Proactive](#), which used to just renew my purchase membership each month without my approval and charge me for it. When I use my Green Dot card, that can’t happen. It’s a one-time charge until I make another one.”
- “I don’t think my bank offers a prepaid credit card. I have a regular Wells Fargo checking account, which I have overdrawn before and that is \$35 a day. I can’t do that with my prepaid.”
- “I also use my card to keep my PayPal account charged up, so they can’t link to my bank either.”

More people are going to use these as banks become more and more distasteful to some younger customers who don’t really have that much money anyway. I also think fees are getting so high for some transactions in stores just to use your debit card that people are going to start buying more gas cards and other things like that to save.

Unbanked Customer

➤ Unbanked customer, formerly homeless

Prepaid cards are recognized as valuable on the streets and sometimes are sold for drugs. This source’s mother stopped buying prepaid debit cards because of this as well as the high fees. The mother opened a regular checking account that offered a debit card for another child heading off the college.

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- “I often sold them for drugs, so they were pretty valuable. My mom didn’t know. She’d ask for the card. I guess she wanted to see how much I had left, maybe add money. I don’t know. But I told her I lost it. So she’d get me another. I guess she got tired of that. She doesn’t buy me cards anymore.”
- “I don’t know about the different card services or which one is better. I usually get a Visa card, but I don’t remember a Green Dot. They are all the same to me.”
- “My mom asked for the cards back so she could add money to them. But I never had them, so she’d buy a new one.”
- “My mom said [the cards] were expensive. I guess she had to pay fees. She was going to get a card for my sister when she went to college, but I don’t think she did. In fact, she is talking about not getting the prepaid cards anymore because they cost too much.”
- “I don’t use a bank because I don’t have much money. Usually, I keep my money in my pocket so I can buy food.”
- Source’s mother: “I stopped buying the cards for several reason: 1) The cards were often being used to support his drug habit, so that had to stop. Now I just take him out for food and sometimes give him small amounts of cash. 2) The fees were high a few years ago, and I imagine they are higher now. I thought the cards would be a good idea for my daughter when she went away to college. But we decided against them because they were too expensive. A regular bank debit card with checking account is a lot cheaper.”

➤ Wal-Mart MoneyCard user

This source and her husband each have been using Wal-Mart’s MoneyCard for the past six months to help maintain their budget. They reload through a bank transfer but like the convenience of reloading at any Wal-Mart location if needed. She said the fees are redundant, especially the withdrawal fees. She has not experienced any customer service issues or changes in price during the last six months.

- “We opted to get prepaid debit cards from Wal-Mart, their MoneyCard, in order to help us stick better to a family budget without having to go to an all-cash system. We each have a card for our discretionary spending for the month.”
- “We pay \$3 per month, \$3 to reload, \$3 to make an ATM withdrawal. I find [the fees] to be redundant and the withdrawal fee to be excessive. I think it would be fair to have to pay a monthly maintenance fee if we didn’t pay to reload or make an ATM withdrawal that month.”
- “We opt to reload through a bank transfer, but can also reload at any Wal-Mart location, which is why I went with a Wal-Mart card. They are everywhere.”
- “We use them purely for the convenience. Assuming we don’t make any withdrawals, we are basically each paying \$6 a month each not to exceed our family budget. It’s not ideal, but for us it’s an acceptable cost.”
- “I recommend them if people are having trouble controlling discretionary spending. It’s much easier than managing cash for the week/month. But if they already have a working budget, then no, as the monthly fees are definitely costly.”

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Wal-Mart MoneyCard User

➤ Four college students at a large Midwestern university

Only one source reported using a prepaid debit card. He said he was able to control his expenses when he used a Green Dot card for about two years. Other comments ranged from “never heard of it” to “if you’re a college student, you’re smart enough to manage a bank account.” One source had seen prepaid card advertising targeted at college students.

- “I’ve heard of [Green Dot and NetSpend]. I’ve heard that they are trying to market to hipster college students, but most college students have a bank account to pay for books and their rent.”

5) BANK PERSONNEL

Three branch-level banking sources had minimal knowledge of the prepaid and underbanked markets. One source said his bank sells gift cards and a prepaid card but that these products are not popular. Two sources admitted that bank customers might be disgruntled because of increasing fees and government regulations.

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➤ Personal banker at a large national bank's branch

This source was unfamiliar with the terms Green Dot, NetSpend, unbanking and underbanking. Her bank used to sell American Express prepaid cards but stopped carrying them once customers had access to similar cards in grocery stores.

- "I never heard of Green Dot or NetSpend. I don't know what unbanking or underbanking is either. I'm afraid I'm not familiar with those type of prepaid debit cards."
- "I'm not sure what kind of services would work for people who didn't want to use banks."
- "We used to sell American Express prepaid cards. People bought them for gifts, and they were refillable, I think. But mostly they were used for gifts. People did not buy them that often here at the bank. We stopped selling the cards about two years ago because people started buying them in grocery stores."
- "I can understand why people no longer trust banks. There have been a lot of bank changes in the past few years, extra fees, government regulations. It is not easy. Of course, we're required by law to ask for social security numbers because income needs to be reported to the government."

➤ Branch manager of a large national bank

This branch has never carried prepaid debit cards, and the source does not see the need for large banks to offer this service. She was unfamiliar with the term "unbanked." She said a competing bank used to offer refillable prepaid cards.

- "As far as I know, my bank has never carried prepaid debit cards. When I worked at Bank of America [Corp./BAC] a few years back, we carried prepaid credit cards. You could fill them for up to \$2,000. For a while they were very popular, and clients were buying them for gifts and to give their kids."
- "I don't know Green Dot or NetSpend. If people can buy those cards at 7-Eleven, then why would they come to a bank to buy a similar card? And if the cards are readily sold in stores or online, why would large banks carry them?"
- "Do people who use them have bad credit? Banks need to be more careful now about who gets an account."
- "Unbanked? I haven't heard that term."

I don't know Green Dot or NetSpend. If people can buy those cards at 7-Eleven, then why would they come to a bank to buy a similar card? And if the cards are readily sold in stores or online, why would large banks carry them?

*Branch Manager
Large National Bank*

➤ Assistant branch manager for a national bank

This bank does sell gift cards and refillable debit cards, but neither sells very well. The source has seen Green Dot cards but was unfamiliar with NetSpend and the terms "unbanked" and "underbanked."

- "Have I seen Green Dot at 7-Eleven? That name sounds familiar. I don't know NetSpend."
- "We do carry cards that can be refilled, up to \$2,000. We have a refill Visa card and a gift card. But, frankly, we don't sell many."
- "I assume [clients] just use the cards for gifts. I never gave it any thought, actually. And we aren't allowed to ask them."
- "Mobile banking is big around here, not really that new. My guess is that it is used more often by younger people."
- "I'm sure the unbanked people aren't happy with banking fees. Yes, it is changing, and some people are unhappy. But we don't get too many complaints here in this community."
- "I don't know the term 'unbanked' or 'underbanked,' but my guess is that these people don't use banks."
- "The prepaid debit cards, as you describe them, are probably used by people who don't have a bank account, right?"

Secondary Sources

A review of postings and web sites on banking and the prepaid card industry revealed that the government's push to electronic payments and prepaid cards for entitlement programs is expected to generate additional customers for Green Dot and NetSpend. NetSpend is expanding its retail presence with a new distribution deal to be in 3,000 Safeway Inc. (SWY) grocery stores. Industry trends look solid as banks increase their fees for basic services and new services are being offered in

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the prepaid industry, including a card that offers 5.1% interest on the balance in the account, a no-fee prepaid card from American Express, and a mobile app to check balances and transfer funds. Rumors have surfaced that NetSpend is an acquisition candidate.

➤ Sept. 26 Yahoo Finance post

Sterne Agee analyst expects Green Dot and NetSpend to gain customers as a result of the government's move to electronic payments and prepaid cards for Social Security, tax returns, unemployment and other program payments.

<http://finance.yahoo.com/news/Sterne-Agee-analyst-sees-apf-1311153444.html?x=0&v=1>

- "As more government agencies switch to using electronic funds transfers for government benefits and payments, companies that issue prepaid cards such as Green Dot and NetSpend will see growth."
- "Just in Social Security, which must be converted to direct deposit by March 2013, Analysts Greg Smith sees an additional 10 million people who are already receiving benefits plus another 18 million new retirees in the next five years. Green Dot has about 4.1 million cardholders and NetSpend has about 2.1 million."

➤ Sept. 21 Payments Journal post

Safeway's [Blackhawk Network Inc.](#) and NetSpend have signed a distribution agreement that will make NetSpend prepaid cards available in more than 3,000 Safeway stores.

http://www.paymentsjournal.com/Featured_Stories/Blackhawk_Network_Agrees_to_Sell_NetSpend_Cards_at_Grocery_Stores/

- "Prepaid card mall operator Blackhawk Network, Inc. announced on Sept. 20 that it has signed a distribution agreement with NetSpend Corp. to sell NetSpend's general purpose reloadable prepaid cards in more than 3,000 stores, including stores owned by Safeway, Blackhawk's corporate parent."
- "The NetSpend agreement is an interesting one because it puts a competitive product to Blackhawk's own general purpose card on Blackhawk racks. Whether this move is designed to show that Blackhawk will not close its doors to other products or is part of a larger GPR [General Purpose Reloadable] play remains to be seen."

➤ Sept. 23 Savings.com post

Higher bank fees are driving consumers to the low fees and lucrative rewards offered by prepaid companies like Green Dot.

<http://www.savings.com/blog/post/Whos-Ready-for-a-New-Breed-of-Prepaid-Debit-Card.html>

- "The prepaid cards that we're starting to see nowadays aren't your father's prepaid cards, so to speak. No longer are they the sole domain of consumers who cannot qualify for checking accounts and young people just learning what it means to responsibly manage money. No, prepaid cards in the post-Durbin Amendment era won't just be something that some people are forced to get due to a lack of options, but will instead be an attractive option that many consumers seek out due to low fee structures and lucrative rewards."
- "Consumers have already shown a willingness to use prepaid cards, as evidenced by the fact that the number of prepaid card transactions rose 21.5% annually between 2006 and 2009 according to the Fed, making prepaid cards the fastest growing electronic method of payment during that time."
- "What's more, a prepaid card can already serve as a free checking account. Card Hub's [Prepaid Cards Report - 2011](#) analyzed the cost of using five of the most well-known prepaid card issuer's products for a consumer who has his paycheck directly deposited each month and uses an ATM once a week. And while three of the cards examined would cost between \$15 and \$25 per month in this scenario, the [GreenDot Prepaid Card](#) was free to use under these conditions making it essentially a free checking account."

Prepaid cards in the post-Durbin Amendment era won't just be something that some people are forced to get due to a lack of options, but will instead be an attractive option that many consumers seek out due to low fee structures and lucrative rewards.

Savings.com Post

➤ Sept. 23 Mainstreet.com post

Union Prepaid Card consumers now can earn interest of 5.1% APY on the balance they keep on their card, which is offered through [Union Privilege](#), the member benefits arm of the AFL-CIO. The offer carries restrictions but is expected to attract attention.

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<http://www.mainstreet.com/article/moneyinvesting/credit/debt/new-prepaid-card-comes-5-savings-account>

- “We saw a card today that just may do the trick, though. [Union Privilege](#), the member benefits arm of the AFL-CIO, just launched the Union Prepaid Card. And what really caught our eye was that the balance on the card is stored in a savings account that earns a 5.1% APY.”
- “Before you get too excited, note that you’ll only earn that return on the first \$5,000 you store in the account, which comes out to right around \$250 a year. Any balance beyond \$5,000 earns just 0.1% per year. And there are [some fees](#). If you [deposit](#) less than \$500 a month, for example, you’ll be hit with a \$2 a month maintenance fee. ATM fees also apply. And if you don’t deposit money via direct deposit or with a transfer from another bank account, you’ll have to deposit cash manually via the Green Dot MoneyPak system, which will cost you \$4.95 each time. (You won’t want to do that anyway, as the high-yield savings account only works if you use direct deposit.)”

➤ Sept. 1 post on The Prepaid Press

Stefan Happ, senior vice president and general manager of American Express’ Global Payment Options business, offered information on the company’s new prepaid card that has no consumer fees.

http://www.prepaid-press.com/wordpress/?page_id=4516

- “American Express has introduced a new prepaid card. But it does not appear to be just any card. It has one very interesting characteristic that sets it apart from most any other general prepaid reloadable card out there. It has no user fees. None. No application fees, no monthly fees, no reload fees as long as it is reloaded from a bank account. Users can make purchases, and reload as often as they like, with not a single fee. There is also one free ATM withdrawal a month.”
- “So, the prepaid card we just described was one very big piece of news, both for American Express, and also for the category, because it has just revolutionized the value that network cards can bring, focused on benefits, not fees. Many of the benefits are unique to American Express.”
- “You didn’t really have an alternative payment vehicle until the recession really hit. We have heard directly from consumers that they love prepaid cards. They love what they do. They are safer than cash. They have no impact on credit. No risk of overdraft. You don’t have to go to a bank to get them. The application process is much, much simpler. It is universally accessible. What they really don’t like is all the fees associated with them. That’s what we have taken out, and, as a result of that, we really think that we will change the growth of this payment card business beyond where we have seen it today.”

➤ Aug. 30 Payments Journal post

UniRush LLC’s [RushCard](#) is offering a free mobile app to prepaid cardholders with iPhones or Android smartphones.

<http://www.paymentsjournal.com/Page.aspx?id=7139>

- “RushCard users with Android and iPhone devices can quickly and securely check their balance and review transaction and transfer history. The app also gives them easy access to the Card-to-Card Transfer feature, which allows them to send money to other RushCard members for a fraction of the cost of wiring, and iPhone users can ‘bump’ phones to begin a transfer even more easily. Additionally, any Internet-ready mobile device can access all these features through a version of the RushCard account management website that is optimized for mobile phones.”

➤ Aug. 25 Bank Talk post

NetSpend could be a takeover target by one of its competitors.

<http://banktalk.org/2011/08/25/NetSpend-in-play-green-dot-or-capital-one-could-be-buyers/>

- “Rumors are circulating that [NetSpend](#) (NTSP) will soon be purchased by one of its competitors.”
- “[Analysts](#) think that [Green Dot](#) and [Capital One](#) are the entities most likely to want to bid for their shares. NetSpend shares have jumped in the last week. The company now has a market capitalization of approximately \$500 million. Green Dot had \$172 million in cash at the end of June. Capital One reported that it had \$46 billion in cash.”

Next Steps

Blueshift will gauge sales of prepaid debit cards through the holidays. We also will check Green Dot's and NetSpend's expanded services and customers' reactions to the new offers. We will also monitor the possible acquisition of NetSpend. Finally, we will assess any attempts by banks to enter the prepaid card market and will monitor the success of the Google Prepaid Card and American Express' no-fee card.

Additional research by Jacqueline Fox, Renee Euchner, Tina Strasser and Erica Franklin

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