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COVER STORY

FirstView to Market Checks with a Prepaid Link

■ BY DANIEL WOLFE

FIRSTVIEW LLC is pitching a checking product designed to make its prepaid payroll cards a competitive alternative to bank accounts.

The Atlanta card marketer expects to begin offering the checks to its customers this year and will target people turned off by the overdraft fees bankers charge.

“The reason so many of our customers have been excluded from the mainstream banking system is because they bounced too many checks in the past,” Cherie M. Fuzzell, the president and chief executive of FirstView, said in an interview last week.

Customers essentially will “pre-fund” the checks with a prepaid account, so they will not be able to bounce, Ms. Fuzzell said. “We call it responsible banking.”

The checks will bear the customer’s name and address and will clear through a trust account at a bank (which FirstView would not identify), whose name will also appear on the checks. The company’s Espree cards are issued by Meta Financial Group Inc., which will not clear the checks.

The unbanked have alternatives such as money orders, and other prepaid card providers, such as First Data Corp., offer checks that bear the name of the issuer but not the consumer.

Ms. Fuzzell said those checks can be confusing, because they look like the bank is the payer. Since the consumer’s name is absent from such products, “it doesn’t look like a regular check,” she said. “They have a hard time explaining, yes, this is real.”

One of FirstView’s goals with its product is to offer customers money management capabilities comparable to those offered through banks, she said.

“Our whole goal in serving this customer is to give them the same dignity and respect as those of us who participate in the mainstream financial system,” Ms. Fuzzell said.

FirstView expects to have 400,000 cardholders by yearend. It will offer the checks only to people whose accounts are funded by direct deposit of a paycheck.

The company was founded in 2003 and began offering its Espree cards that year. It also offers a version of the card aimed at Spanish speakers; a Junior version that can help parents supervise children’s spending; and affinity versions.

Ms. Fuzzell said she expects the checks to generate about two or three additional transactions per customer every month; doing so would increase its annual transaction volume by about 150,000.

Before joining FirstView in July, she was the chief administrative officer and general counsel for Nova Information Systems, a payment subsidiary of U.S. Bancorp.

FirstView cardholders will be able to write one check a month for free; they will pay a fee of \$1.50 for each additional check.

To write a check, cardholders would call a number to request that the funds be set aside; they then receive an authorization code that they must write on the check. The code is meant to reassure recipients that the check is good.

“The payee can call to verify that the check has been funded,” Ms. Fuzzell said.

“If the check has not been authorized,” the recipient is “not going to take it.”

Jennifer Tescher, the director of ShoreBank Corp.’s Center for Financial Services Innovation, said prepaid cards are “increasingly mimicking checking accounts.” Checks are “one more value-added feature.”

FirstView’s checks will likely get some use, but not as much as the cards, Ms. Tescher said.

“A lot of people have gone to a prepaid card in the first place because they’re moving away from checks,” she said. “Having someone’s name on the check is a nice touch and may indeed make a consumer feel more comfortable using the product, because it feels like something real,” though she noted that many businesses insist on money orders over checks.

Also, several states require people to have access to all of their paychecks, Ms. Tescher said. When the funds are deposited into a prepaid account, “a check may indeed be the only way to get my last cent off a payroll card.”

Gwenn Bezar, a research director at Aite Group LLC, said the checks are “targeted for people that would be using a prepaid card” but must write a check in some instances.

Overall, “it’s a good product” for the unbanked, he said, but it may raise issues for recipients.

“You are basically requiring a change in process on the part of the recipient,” he said. “The landlord may just say, ‘We don’t take checks,’ ” rather than using the authorization code to verify that the check will clear. ■