First Data *VantagePoint*™

National Financial Institutions

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First Data Related Events

→ September 13 – 15, 2009
ABA Marketing Conference
Register for this event

→ September 15 – 17, 2009
Debt Connection Symposium
Register for this event

→ October 4 – 7, 2009
AFP Annual Conference
Register for this event

→ October 17 – 22, 2009
DMA Conference
Register for this event

→ October 18 – 20, 2009
Financial Services Collections Conference
Register for this event

→ October 25 – 28, 2009
ABA Annual Convention
Register for this event

→ November 3 – 5, 2009
BAI Retail Delivery
Register for this event

Matt Kardell,
Senior Vice President,
Financial Services Sales

Market Trends

Volatility is a word we've all become much too accustomed to in the past 18 to 24 months as the financial industry unraveled, adjusted and now puts into motion the plans that will set the course for the future. Certainly the one thing we have all learned from this wild ride is to expect the unexpected, an approach that was essential to helping some financial institutions merely survive; however, it is clearly not the benchmark to building sound business strategies for sustainable growth as we climb out of the recession.

You may have seen the August 3 cover of *Newsweek* magazine that declared "THE RECESSION IS OVER!" If the recession did end, then it officially lasted 19 months—the nation's longest since 1933.[1]

Though we've been through a lot in those 19 months, it's what we do in the coming months that will define our post-recession position in the marketplace. To help you determine your course, **we've identified three key trends** that, if managed well, will shape financial institution success as we enter the initial phases of the economic recovery.

→ Growth in debit and prepaid continues to outpace credit
→ Economic climate shifting client focus from marketing to risk management and operating efficiencies
→ Industry regulation—reform is on the horizon

[1] *Newsweek*, August 3, 2009

Growth in Debit and Prepaid Continues to Outpace Credit

Research from TowerGroup indicates that some consumers may permanently migrate from credit cards to debit and prepaid options as a possible consequence of the more arduous card attainment processes and higher fees.

Is your product portfolio prepared for this shift in consumer spending habits? Below are things you should consider to help enhance the profitability of your debit and credit portfolios.

1. Select the Right Customer

Use enhanced tools to identify qualified checking account customers minimizing risk and in turn increasing your ability to authorize more transactions. TeleCheck's New Account Screening Service has helped customers open more checking accounts without increasing overall risk metrics.

Get Plugged Into Training Opportunities

Debit/STAR STATION® Clients
Coming This Summer: New and Improved Client Training and Documentation Site

Credit Clients
Regulatory changes giving you headaches?
Check out these Learning Plans.

1. First Data Dynamic Fees+℠
2. Account Level Processing (ALP)
3. Transaction Level Processing (TLP)
4. Method Level Processing℠ (MLP)
5. Parameter Control System (PCS)

Don't let the recession get you down. To Train or Not to Train; Is That the Question? Find out how product training can benefit you and your organization.

Internet Banking Clients
Check out the top five courses your coworkers are taking:

1. Internet Banking 101
2. FXIM Overview
3. Internet Banking Reports
4. The Customer Experience
5. Processing Customer Applications

Visit the Client Support Site for more information.

2. Leverage Intelligence in Every Transaction

Make data-driven decisions across the entire customer life cycle — helping to ensure faster time to profit, higher lifetime value, greater loyalty and reduced costs to serve.

Penetration – Understand demographics, risk and usage profiles to target the right customer
Activation – Drive consumer card activation quickly
Usage – Understand payment behaviors and take steps to make your card "top of wallet" with your best customers

Customer Analytics & Decision Management tools can help.

3. Mitigate Fraud

Implement fraud scoring and comprehensive fraud solutions that remain in place for the life of the account.

Identify potentially fraudulent debit card transactions early and help minimize your fraud loss by using advanced detections methods with our Fraud Risk Identification Service (FRIS). Recent analysis on accounts with and without our FRIS and Auth Decisioning tools demonstrated significant **quantifiable benefits that far offset the cost of the services.**

4. Optimize Collection Efficiency

Improve your overall collection efficiency by reducing the cost to collect on delinquent and charged-off accounts. Segment and contact debtors faster and more effectively, while reducing the risk of accepting insufficient payments and increasing the speed of payment clearing. First Data uses unique recovery expertise to track down credit and checking account funds that were previously unrecoverable. Check out First Data's Collections and Risk Solutions and TeleCheck's TRS DDA Collection Service to learn more.

Economic Climate Shifting Client Focus From Marketing to Risk Management and Operating Efficiencies

The TransUnion Credit Risk Index increased 7.10 points from 118.83 in the first quarter of 2008 to 127.26 in the first quarter of 2009—**the largest increase for that time period in this decade**.

"The Credit Risk Index is a true barometer of today's economy, and the first quarter of 2009 indicates that the inherent level of credit risk within the U.S. is now 27.26 percent higher than the level reflected in TransUnion's consumer credit database at the conclusion of 1998," said Chet Wiermanski, global chief scientist at TransUnion. "Credit Risk Index data suggest that the growth in consumer credit risk has slowed during the past quarter, a positive note. However, the index remains at an all-time historical high, indicating that delinquencies and foreclosures will continue to rise in the coming months."

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Mitigating the Risk

First Data believes there are ways to **minimize losses in the short term and position card issuers for growth as the economy turns**. We created a financial model to demonstrate the negative impacts of overcorrecting the credit policies of the past decade versus taking a more analytical approach to customer risk management. Our white paper, *One-to-One Customer Risk Management*, demonstrates **how financial institutions can effectively mitigate risk by using a "back to basics—but better" approach across the credit life cycle**.

Industry Regulation—Reform Is on the Horizon

The Credit CARD Act of 2009

The intent of the Credit CARD Act of 2009 is to provide more robust credit card lending consumer protections. In brief, the new law will impose new restrictions on card issuers in a number of ways, as listed below.

→ Rate Increases/Fees
→ Payments
→ Periodic Statements
→ Subprime Cards
→ Prepaid Cards
→ Age Restrictions

Except where noted, the **law will be effective February 2010**. It also authorizes various federal agencies, such as the Federal Trade Commission, and banking regulators, such as the Federal Reserve Board, to develop additional regulations implementing certain provisions in the new law.

First Data created Credit Regulatory Solutions—a comprehensive set of strategies to help your financial institution plan for the operational and fiscal impact of the new regulatory requirements. Not a First Data client? Click here to request a copy.

HR 627 – The Credit CARD Act of 2009. Read the full legislative text.

Consumer Financial Protection Agency (CFPA)

One of the more controversial components of the Obama Administration's plan to reform the regulatory structure for the nation's financial services industry is the creation of a Consumer Financial Protection Agency (CFPA). The CFPA would be an independent federal agency designed to protect consumers of financial products and services.

As currently drafted, the CFPA would be given broad authority to create and enforce regulations for consumer financial products ranging from mortgages to credit card terms and fees. Learn more.