

Every so often a prospective client will come to us and tell us that their bank will offer them payroll debit cards free of charge, so why would they choose to go with our program? There is an old, but often true saying, “*There is no free lunch.*” We respectfully suggest that your decision makers ask themselves if this is true in this situation or not. When a for-profit company offers to give you something for nothing, you might want to ask yourselves the following important questions when told that the product and/or service is “free of charge.”

How are they going to make any money on that product?

If they lose money on that product how will they make up that shortfall?

If they don’t try to make up for this lost-leader, how good can the service associated with that product be?

If they are losing money on a product, what will be the likelihood they will work to keep your business for that product? Or are they more likely to offer poor or no service at all so that the product will not be well received, enrollment in the program will be minimal, and their loss diminished as the program fades away?

Lost-leaders often start with attractive come-ons that quickly turn into chargeable profit centers. Dialogue in the industry surmises that this is what many banks are planning on doing. The other strategy employed by many large banks that have your business is to not charge for the cards directly but to make up their costs (with a mark up) by charging the company through other banking products offered to that company.

In addition, please find an attached list of questions to ask any vendor offering a payroll debit card product. These questions will reveal information that might not otherwise be presented to you during the sales process.

We recommend asking these questions of any prospective vendor. The answers could greatly impact your liability, cost savings, total cost of ownership of the program, and potential for success based on employee acceptance of the program. Now is the time to ask the hard questions. If you don’t receive acceptable answers at this point, the situation could very well worsen with time. Remember, every company is in business to make money; ***there is no free lunch.***

We sincerely hope that these questions and the responses you receive will be of assistance in making the decision process a more informed and productive one for you. Kindly contact me if there are any questions or issues that I may help resolve.

Craig Wolters
President

QUESTIONS TO ASK PAYCARD VENDORS RECOMMENDED LIST*

- 1. *Is the program based on a stored-value or checkless checking account platform?***
- 2. *What financial responsibility or liability is incurred by the company?***
Review contract agreement for the answer
- 3. *Is the account insured and if so, what is the comprehensive coverage?***
If the program is a stored-value platform, ordinarily the entire aggregate account is FDIC-insured for up to \$100K whereas in a checkless checking account program, ***each*** account is individually insured for up to \$100K
- 4. *What policies and procedures exist for ex-employees use of paycards to access previous account balances and final pays?***
If the program is on a stored-value platform, your company owns the program and the cards. Consequently, when an employee leaves your employ, if there are funds left on the card, you are responsible for escheatment the same as when you issue a paper paycheck. If the program is on a checkless checking account platform, the employee owns the bank account and therefore escheatment is eliminated.
- 5. *Does the program provide card-to-card transfer functionality?***
This is a function where the employee may purchase and distribute additional cards to family members domestically or internationally. They may transfer funds from their card to a relative's card in real time anywhere around the world simply by making a toll-free call all for a nominal fee.
- 6. *Does the program offer electronic or telephony paperless paystubbing?***
- 7. *What marketing/training assistance is offered during implementation?***
- 8. *Is there a balance held in each of the accounts to protect against loss of offline transactions?***
Some programs hold back access to a fixed amount (Ex. \$25) until the account is closed at which time the employee may access those reserve funds.
- 9. *Typically there is a withdrawal limit. What is the maximum dollar withdrawal limit at a POS terminal?***
- 10. *Is there a load fee to load the payroll funds onto the cards?***
- 11. *Is there a cost to the employee if they call Customer Service?***
- 12. *Are there a minimum number of cards required to implement a program?***

*Compiled by CR Wolters Financial Access Systems

PAYCARD PROGRAM RESPONSIBILITIES, ROLES, AND RULES CHECKLIST*

1. How will employees enroll in the paycard program?
2. What enrollment documents must employees review and sign to participate in the paycard program, and who will design them?
3. Are paycard enrollment documents universal for all states?
4. How long will it take for an employee to receive and activate his or her paycard?
5. Can the employee request additional paycards for family members? If so, who pays for them?
6. How will employees establish their paycard PIN?
7. How and where can employees access their pay?
8. Are wages deposited by the employer into a paycard account(s) FDIC insured?
9. Are there consumer protections associated with the use of paycards by employees?
10. What exactly are the fees associated with the paycard program and who pays them?
11. Are there any requirements to provide monthly paycard account statements to employees? Or will a typical pay statement suffice?
12. Will pay statements be provided electronically?
13. When an employee has a problem with using their paycard, who do they call for resolution and what is the expected response time?
14. If an employee's paycard is lost or stolen, what is the re-issuance procedure?
15. Who is liable for any paycard program system failures?
16. What is the procedure for an employee who wishes to cancel his or her paycard program enrollment?
17. What policies and procedures for ex-employee use of Paycards to access previous account balances and final pays?

*List compiled by the American Payroll Association. May obtain from the APA's Paycard Portal via the APA members-only website