Best Practices in the Worst of Times

Issuing emergency payments using the U.S. Debit Card

U.S. Debit Card Agency Forum
March 2, 2006

Agenda

- U.S. Debit Card overview
- Debit cards in the Fed
- Debit cards in industry
- Best practices
- Questions and answers
- Putting it all in perspective

U.S. DEBIT CARD OVERVIEW

Brian Feehely
JPMorgan Chase

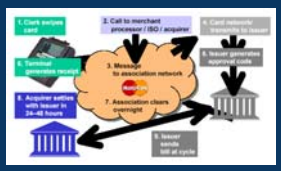
Brett Smith
U.S. Department of the Treasury
Financial Management Service

What is a debit card?

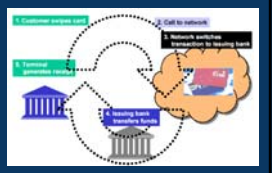
- Offline "signature" debit
  - Runs on major card association networks, dual message transaction clears overnight
- Online "PIN" debit
  - Uses the electronic funds transfer (EFT) switches as its transaction backbone through the ATM network, adds a level of security
- Magnetic stripe
- Debit cards are pre-funded and not attached to a Demand Deposit Account (DDA)

Source: The US Debit Revolution: How It Happened and What It Means, TowerGroup, published June 2002

How debit cards work



Typical **Signature-based** Debit Card Transaction Flow

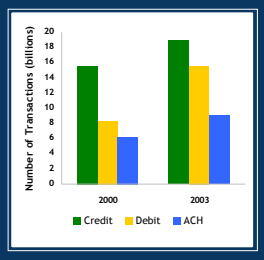


Typical **PIN-based** Debit Card Transaction Flow

Source: The US Debit Revolution: How It Happened and What It Means, TowerGroup, published June 2002

Why disburse payments via a debit card?

- Best alternative for "cash based" recipients without bank accounts
- No significant information technology resources or upfront costs required
- Operational efficiencies and cost savings realized immediately
- It's popular! Debit card usage has grown at an annual rate of 23.5 percent.



Source: The 2004 Federal Reserve Payments Study — Analysis of Noncash Payments Trends in the United States: 2000-2003, published December 2004

Background of the U.S. Debit Card

- Started in 1998 as a U.S. Treasury pilot and launched as a full program in 2005
- JPMorgan Chase provides the following services: cards, training, operations, and customer service
- 24 deployments by 20 agencies
- Delivers recurring or nonrecurring payments to individuals
- Versatile, widely accepted financial product (specific or general use)
- Not a credit card

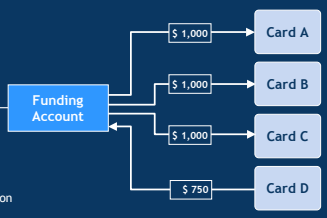
Key features of the U.S. Debit Card

- Web-based platform that enables agencies to:
  - Assign various roles
  - Activate and deactivate cards
  - Fund cards
  - Track card usage (optional)
  - Access online reporting
- Immediate in person or mail distribution
- Cards can be activated on-the-spot or by batch file
- 24 x 7 surcharge-free access to funds through Chase and AllPoint ATM networks
- Access to customer service online or via toll free number

Funding the U.S. Debit Card

Simplified Card Funding

Card can be funded before or after it is physically issued to the cardholder



Program Administration
- Online access to system
- Moves dollars from funding account to cards

Pull funds back into the funding account as needed

What are agencies saying?

- "I can maintain accounts and assign user-based access online."
- "I can fund cards worldwide from one central location."
- "I was able to eliminate imprest balances and avoid having to keep 'cash on hand'."
- "It eliminated barriers to check cashing arrangements."
- "I like the reduced check fraud and increased security due to the PIN and audit trail."
- "It gave me more control and bolstered my agency's mission."
- "I was able to reduce paper."
- "The implementation and customer service staff is best-in-class."

What are cardholders saying?

- "I don't need to carry cash anymore."
- "It provides convenient access to funds."
- "It's easy to use at ATMs and MasterCard locations."
- "It saves me time by avoiding check cashing lines."
- "It's more secure than carrying cash."
- "I like having zero liability on unauthorized purchases."
- "The 24x7 customer service is great and includes things like emergency services on lost and stolen cards, help with replacement cards, and an ATM locator."

How has the card been used?

- Department of Agriculture
  - Foreign Agriculture Service
  - Forest Service
  - National Agricultural Statistics Service
- Department of Commerce, U.S. Census Bureau
- Department of Defense, U.S. Southern Command
- Department of Energy, Bonneville Power
- Department of Health & Human Services, National Institute of Health
- Department of Homeland Security
  - Citizenship and Immigration Services
  - Immigration and Customs Enforcement
  - Transportation Security Administration
- Department of Interior, Office of International Affairs
- Department of Justice, U.S. Marshals Service
- Federal Trade Commission
- International Boundary and Water Commission
- Peace Corps
- Holocaust Museum

How is it used for emergency payments?

- Immediate access to funds
- Distributed on the spot or from your accounts payable system
- Universal access and familiar to merchants
- One-time or recurring payments
- Known or unknown card holders
- Types
  - Employee reimbursements
  - Part of duties
  - Compensation
  - Benefits

DEBIT CARDS IN THE FED

Kurt Snyder
U.S. Department of Homeland Security
Transportation Security Administration

Brett Smith
U.S. Department of the Treasury
Financial Management Service

Brian Feehely
JPMorgan Chase

At one end of the spectrum…

- Challenge
  - Provide TSA airport staff with funds in the event of an emergency without relying on imprest funds.
- Solution
  - Utilized Treasury's U.S. Debit Card program.
- Result
  - Airports were provided with debit cards in advance of hurricanes and were able to purchase emergency supplies and continue operations.

Future use

- Expand program to all hub airports.
- Utilize for covert operations.
- Utilize debit cards as means of issuing travel advances.

The Peace Corps experience

- Challenge
  - Evacuate 133 volunteers to nearby Ghana. Payments totaled approximately $210,000.
- Solution
  - On Thursday evening, October 3, the Peace Corps contacted the U.S. Treasury. Cards were deployed to Ghana in just 6 days instead of the normal four week implementation.
- Result
  - The volunteers received their cards on Wednesday, October 9 and began using them immediately.

Department of Defense NonCombatant Evacuation and Repatriation Operations

- Challenge
  - Provide emergency relief and financial assistance to noncombants during repatriation.
- Solution
  - Cards issued on-the-spot and can be used immediately
  - Cards personalized to evacuees using internet to access database
  - Funds and accounting based on existing forms and systems
  - Subsequent funding automatically deposited into card account
- Expected Results
  - Utilize U.S. Debit Card to replace cash handed out today.

At the other end of the spectrum…

- Challenge
  - Deliver emergency financial assistance to individuals and families displaced by a catastrophic hurricane.
- Solution
  - Utilized Treasury's U.S. Debit Card program to issue debit cards onsite.
- Result
  - Over 10,000 individuals and families were issued a debit card on-the-spot.

Headquarters perspective

- Communication
  - Occurred several times a day with those 'on the ground' in the affected areas
- Card logistics
  - Card issuance was monitored
- 'War room'
  - Included all stakeholders involved in the deployment, including Treasury

Field perspective

- Card distribution
  - The agency validated recipient eligibility and authorized JPMorgan Chase to distribute card.
- Cardholder education
  - Distributed cardholder notification and answered any questions about how to use the debit card

DEBIT CARDS IN INDUSTRY

The State Experience

Brian Claire
JPMorgan Chase

Government's role

- Define service and policies
- Qualify recipient for payments
- Determine amount of payment
- Disburse all payments (ACH)

Contractor's role

- Card issuance and training
- Transaction processing
- Customer service
- ATM/retailer access and settlement

Government programs have varied needs

Needs	Unemployment Insurance	Child Support	Disaster Services	Social Security	Payroll
Support high-turnover population					
Process infrequent payme					
Make rapid, controlled pa remotely or on-site					
Provide instant funds acc					
Ensure payments comply / policies					
Mainstream "cash-based"					
Support ACH payment con					
Improve MIS and control o					
Streamline administrative processes					
Serve an international payee population					
Provide universal access to bank account services					

Social Security

Disaster services — unemployment insurance

Key Service Features

- Speed of implementation
- Flexibility for JPMorgan Chase to waive fees
- ACH access for "cash-based" population
- Access to cash (free ATM access)
- Wide acceptance at retail POS

DEBIT CARDS IN INDUSTRY

The American Red Cross Experience

The Client Assistance Card Program

During Hurricane Season 2005

Michael Brackney

American Red Cross

What is the American Red Cross?

- Humanitarian organization
- Guided by congressional charter and international Red Cross movement
- Provides preparedness and relief to victims of disasters
- Non-governmental organization
- Funding primarily from private donations

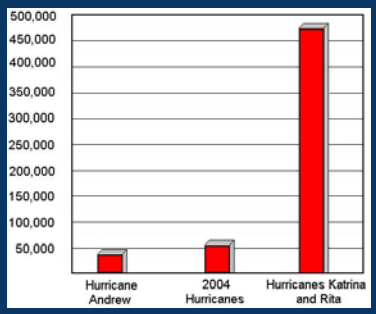
American Red Cross – Core Services

- Local disasters - mass care for primary needs
  - Food, clothing, shelter
  - Supported 70,000 local disasters in 2005
- Large-scale disasters – two pronged approach
  - Short term – immediate basic needs (prior to government resources) provided by American Red Cross
  - Long term – government provided financial relief and long term housing

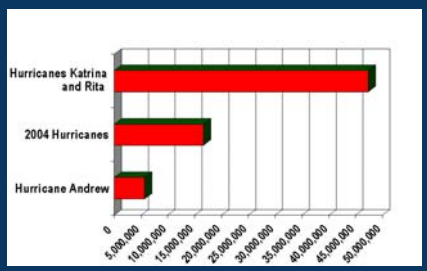
Prepaid card relief – why it works

- Chase prepaid debit card provides victims immediate access to financial relief
- MasterCard brand
  - Allows for broad-based access to obtain basic resources
- Empowers victims to make own decisions
  - Can purchase what they need, incorporating their tastes
  - Supports victims taking control of their lives/recovery
- Channels money back into local economy

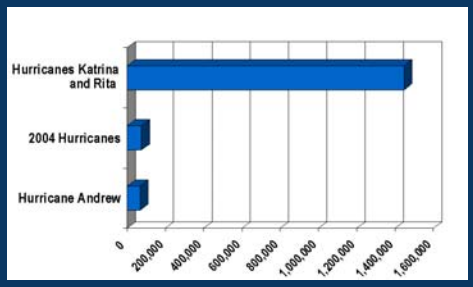
Sheltered population



Meals and snacks



Individual assistance cases



Prepaid card for financial relief

- Biggest change in financial relief in 90 years
- Change not easily accepted
  - All parties going through a dramatic experience
  - Fundamental need to keep it simple
- Required smooth program rollout/support
- Partnered with JPMorgan Chase for card expertise, scale and longstanding, trusted advisor relationship

JPMorgan Chase prepaid card program

- JPMorgan partnered to develop a program to meet American Red Cross' special needs
- Worked with local chapters to replace voucher programs
  - Vouchers were limiting in where they could be used
  - They didn't fully address victims needs
  - The client experience was not always positive
- Rolled out on a national level with Hurricane Isabel in 2003
  - Overwhelmingly positive response
- Over 250 local chapters now enrolled
  - High interest among other chapters to participate

JPMorgan Chase support

- Expedited card production in time of need
  - Produced 1.4 million cards in half the time
  - Flew 30,000 "early impact" cards by Corporate Jet to HQ
- Provided on-site staff to ARC HQ for 4 weeks
- Coordinated with Retail branch network to ensure ATMs funded in areas of card distribution
- Worked with MasterCard to ensure merchant acceptance support and access to holograms

Constituents and needs

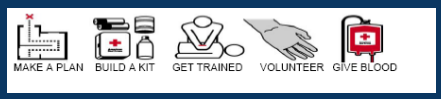
- Clients - Liked the flexibility afforded by cards
  - Cards – Client could purchase what, where and when
  - Vouchers - limited to specific items from a specific store
- Staff – Less paperwork, more control
- Donors – Effective assistance distribution
  - Helped support the 4 star rating from Charity Navigator
  - Helped maintain low overhead - 91% of all donations go to victim assistance programs
- Public – Allowed for greater reporting ability in local markets
- Partners – Supported electronic referrals to support agencies

Lessons learned

- Bring contingency plans into a first-action phase
- The Client Assistance Card program enabled us to scale our response during a catastrophe
- A strong bank partner who has the scale and resources to support the program
- We need to be prepared, at any time, for a catastrophe the size of Katrina, or larger…
  - Pre-Katrina, 70,000 cards were in stock
  - Post-Katrina, 1,000,000+ cards are in stock

Be prepared

- Have a disaster plan for:
  - Your family
  - Your workplace



DEBIT CARDS IN INDUSTRY

The Role of MasterCard

Hemant Baijal
MasterCard

MasterCard = brand consistency

- Consistent cardholder experience
  - "….something not available through cash, checks or vouchers"
- Protection of cardholder rights
  - Zero liability on unauthorized purchases
  - Emergency Services on lost and stolen cards, replacement cards, ATM locator, and other applicable benefits
- Safety
  - Safer to carry than cash
  - Fraud prevention guidelines
- Convenience
  - Hassle free customer experience
  - More flexible than vouchers or checks

MasterCard = merchant acceptance

- Current status
  - Worldwide acceptance
    - The MasterCard brand is accepted at 23 million merchant locations worldwide
    - The Maestro brand is accepted at 9 million merchant locations worldwide
  - MasterCard Debit Card
    - Over 420,000 locations within USA
    - 100% acceptance in the US (accepted at all ATM machines)
- Future plans
  - Expand surcharge-free ATM network (with over 25,000 surcharge free ATMs in the US) for emergency payment cards
  - Streamlined acceptance at car rentals and hotels to improve cardholder experience

MasterCard = technology solutions

- Key lessons from 2005 hurricane season
  - Use of funds
  - Number of card declines at POS
  - Process for tax exemption in qualified states
- Future plans (to improve cardholder experience and program administration)
  - Program specific merchant and spending controls
  - Automated tax-exempt purchases in qualified states
  - Split tender processing for partial approvals
  - 100% online authorization in the US for fraud reduction
  - Enhanced merchant and socio-economic data

MasterCard = educational materials

- Key lessons from 2005 hurricane season
  - Cardholder collateral, inserts, brochures, etc.
  - Deployment of emergency payment cards
- Future plans (in partnership with JPMorgan Chase and U.S. Treasury)
  - Develop cardholder collateral, inserts and other education materials that provides
    - Simple instructions on card activation and usage
    - Information on balance inquiries, cardholder rights, merchant acceptance
  - Develop education materials and deployment plans for agency staff and volunteers assisting with card distribution

BEST PRACTICES

Brett Smith
U.S. Department of the Treasury
Financial Management Service

Best practices

- ✓ Begin preparation and planning TODAY.
- ✓ Review how emergency payments are made today and determine where the debit card would fit.
- ✓ Document various scenarios where the debit card would be needed and 'play out' each scenario.
- ✓ Involve public affairs and accounting in planning process.
- ✓ Conduct a mock test.
- ✓ Determine how to involve local resources, when possible.

Best practices

- ✓ Plan now for your implementation
  - ✓ Determine which, if any, merchant category codes to block.
  - ✓ Determine customer service scripts and coordinate with the bank.
  - ✓ Determine card distribution channels.
  - ✓ Identify primary and secondary means of accessing U.S. Debit Card internet platform.
  - ✓ Determine cardholder notification and training needs.
  - ✓ Determine reporting needs.

QUESTIONS AND ANSWERS

PUTTING IT ALL IN PERSPECTIVE

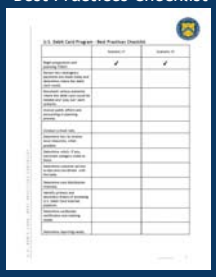
Gary Grippo
U.S. Department of the Treasury
Financial Management Service

Why is it important?

- Financial tools are evolving
  - Checks and cash are being displaced by debit cards
  - Disaster relief must evolve also
- A standard Treasury offering
  - No longer a pilot
  - Strategic initiative to increase EFT
  - Expanding agency financial tools and options
  - Government cost savings
- Promotes electronic government
  - Supports President's Management Agenda

Tools to help you get started

Best Practices Checklist



Frequently Asked Questions

51

Call to action

- Use the checklist to start thinking how you can implement the U.S. Debit Card within your agency.
- Join us later this month for a 'hands on' session and mock test. Sign up at the registration desk.
- Meet with a FMS and JPMorgan Chase representative today.

U.S. Debit Card Agency Forum, March 2, 2006
52

Thank You for Attending

U.S. Debit Card Agency Forum
March 2, 2006

Speaker biographies

Gary Grippo

Assistant Commissioner, Federal Finance
U.S. Department of the Treasury, Financial Management Service

Gary Grippo is the Assistant Commissioner for Federal Finance, at the Financial Management Service (FMS), U.S. Department of the Treasury. He is responsible for administering the Federal Government's revenue collection systems, supporting a cash flow of over $2.7 trillion annually, as well as the Government's depositary relationships with commercial financial institutions. He oversees the lockboxes, card acquiring services, POS infrastructure, ACH processing, funds transfers, and other transaction services used by over 200 Federal agencies to processes collections for all types of Government fees, fines, sales, leases, loan repayments, donations, duties, and taxes. He is also responsible for a variety of card payment proucts, including the U.S. Debit Card and the stored value cards used globally by the military. Mr. Grippo has worked at FMS for 14 years, filling a variety of management positions. His previous assignments include the Chief Architect, Electronic Commerce, the Director, Applied Technology Division, the Director, Card Technology Division. Mr. Grippo has been designated a Certified Government Financial Manager (CGFM) by the Association of Government Accountants and a Certified Treasury Professional (CTP) by the Association for Finance Professionals. He studied at Harvard University and the London School of Economics.

Speaker biographies

Brett Smith

Program Manager
U.S. Department of the Treasury

Brett has been with the US Treasury's Financial Management Service bureau for 13 years. His experience in government fiscal operations, financial management, technology, and policy have led him to his current position, Program Manager for Agency Enterprise Solutions Division. He has managed several emerging technology programs since 1996 including smart cards, electronic checks, digital cash, paper check conversion, and internet credit card collections. He also managed the acquiring of plastic cards for the Government, the Plastic Card Network. Today, he manages the Internet Payment Platform (IPP.GOV) and the U.S. Debit Card. (USDebitCard.gov). He is a certified Project Management Professional (PMP) and graduated Phi Beta Kappa with a Business degree from Mary Washington College in Fredericksburg, VA.

Kurt Snyder

Accountant
U.S. Department of the Homeland Security

Kurt is responsible for overseeing accounts receivable, payroll accounting, and the debit card program at DHS' Transportation Security Administration's Office of Financial Management. Prior to TSA, he was Chief of the Travel Management Branch in the Office of Financial Management at Immigration and Customs Enforcement. Kurt holds a bachelor's degree in Commerce from the University of Virginia and Masters degree in Business Administration from George Mason University. He is also a Certified Public Accountant (CPA).

Speaker biographies

Michael Brackney

Manager Client Services
Program Development
American Red Cross

Michael leads the development and implementation of new programs and processes for serving people affected by a disaster, from concept to business practice adoption. The Red Cross responds to 70,000 disasters a year, from single-family house fires to the millions affected by Hurricanes Katrina/Rita, and programs developed by his team must adapt to each type. Michael is the recipient of the Tiffany Award, the highest honor which can be bestowed upon a Red Cross employee, in part for his work in response to the terrorist attacks of 9/11.

Hemant Baijal

Vice President
MasterCard Public Sector
Prepaid Products

Hemant has the overall responsibility of working closely with federal, state and local government agencies, and member banks, to develop and manage prepaid applications relevant to the public sector. Prior to joining MasterCard, he was employed at Bank One and Citibank, where he managed and developed various information products supporting Purchase, Corporate, and Fleet Card programs for GSA and corporate customers.

Speaker biographies

Brian Claire

Senior Vice President
JPMorgan Chase

Brian has overall responsibility for development of new Government Solutions in the Public Sector (primarily EBT, WIC, Debit Card services and new products) for the Americas. His responsibilities also include product sales support and Proposal Management for Public Sector initiatives, along with representation of JPMorgan Chase in industry associations. Brian holds a bachelor's degree in Marketing and Masters degree in Communications from the University of Illinois.

Brian Feehely

Vice President
JPMorgan Chase

Brian is responsible for Relationship Management in JPMorgan Chase's Public Sector Treasury Services group and is focused on serving the needs of Federal Government clients. Brian has 25 years of banking experience most of which has focused upon the financial services needs of the Federal Government. He received his Bachelor's degree in Finance from Mount Saint Mary's College, and a Master of Business Administration from New York's Pace University. He is also a Certified Cash Manager (CCM).

FOR MORE INFORMATION

Brett Smith
U.S. Department of the Treasury
Financial Management Service
202-874-6666

Brian Feehely
JPMorgan Chase
917-593-5193