

MASTER YOUR CARD

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PREPAID CARDS: A SINGLE SOLUTION FOR BETTER SERVICES



State and local governments around America are saving dollars and making sense as they eliminate checks in favor of electronic payments via prepaid cards. Driving this trend is the growing recognition that prepaid cards are a single solution that works for multiple government needs while better serving all beneficiaries.

FLEXIBLE, RELIABLE AND EASY TO USE

Electronic payments are being used for:

- public assistance programs, such as Child Support, Unemployment Insurance, and Temporary Assistance for Needy Families (TANF);
- pensions;
- tax refunds;
- emergency assistance programs for disaster relief; and
- virtually any check payment.

How prepaid cards work:

- Upon verification of eligibility, government agencies issue cards to benefit recipients.
- Benefit payments are directly deposited to card accounts each payment cycle.
- Prepaid cards are reloadable, making it easy to deliver ongoing assistance and load benefits from different programs onto a single payment card. Agencies can reload the same card whenever additional benefits become available.
- Beneficiaries use prepaid cards in the same way and in the same places consumers use their debit and credit cards. They can withdraw cash at ATMs, make purchases at retail locations and get cash back with purchases. Cardholders can also use the card to pay bills and shop online or over the phone.
- If beneficiaries don't receive a monthly statement, they can check their balances by phone or online to confirm that benefits have been deposited.
- Prepaid cards come with the same security, fraud and protection features as traditional consumer payment cards. The funds are FDIC-insured for beneficiaries.
- Prepaid cards eliminate the risk of loss and theft associated with carrying cash and reduce the time and money spent getting cash from ATMs and banks. If lost or stolen, funds on prepaid cards can be frozen and transferred to a new prepaid card.

REDUCE COSTS & IMPROVE SERVICES

Switching from check processing to electronic payments via prepaid cards helps governments save money, improve efficiency, and improve control while reducing waste, fraud and abuse.

Reduce disbursement costs. Delivering benefits via prepaid cards eliminates check printing, postage and processing costs—savings have been estimated to be \$0.89 per transaction. Consider the potential savings for the U.S. Treasury, which in 2008 launched Direct Express®. The program initially targeted four million unbanked Social Security check recipients to receive their benefits via a prepaid government benefits card. The U.S. Treasury generates about \$42 million dollars annually in potential savings from this conversion. The same market forces operate for state agencies.

Improve operational efficiency. Disbursement managers at government agencies are familiar with the cumbersome, time-consuming process of producing and distributing checks. Government prepaid cards are issued quickly, helping to streamline the claims process and reduce inefficiencies associated with administrative paperwork. Disbursements from multiple programs can be loaded onto a single card to further enhance efficiency and reduce costs.

Increase control. Government agencies have total control of the electronic disbursement process through the variety of financial tools and management features that accompany access to the electronic payment network. Administrators can enroll benefits recipients, maintain and update cardholder information, and change card status instantly. Card accounts can easily be funded individually or as a group.

Increase transparency. Through strict management controls and comprehensive reporting built into prepaid products, agencies can confirm correct and timely loading and reloading of cards via a reliable audit trail and can view information about individual cards to see if they are inactive, lost or stolen.

Safer than cash. Prepaid cards come with the same security, fraud prevention and protection features as traditional consumer payment cards. The funds stored on prepaid cards are FDIC-insured for beneficiaries and when a card is lost recipients typically can obtain protection for fraud losses.

BENEFICIARIES GAIN CONVENIENCE, SAFETY AND FINANCIAL INCLUSION

Government beneficiaries often face significant economic and social challenges. Prepaid cards help them overcome barriers and save them time and money—through their inclusion in the financial system, beneficiaries are on equal footing to participate in the modern economy with other consumers.

Instant financial inclusion. Prepaid cards give all consumers access to the electronic payment networks that open the doors to both local and online commerce at the same time. Individuals avoid the stigma and the time demands of using vouchers or cashing assistance checks. Government prepaid cards allow beneficiaries to be on equal footing in terms of services and competition for their dollar, provide security against fraud and abuse and deliver financial controls that help them manage their money.

Save time and money. Benefits are automatically available, eliminating the need to wait for a check in the mail—an invaluable difference in times of poor health, housing disruption or extended stays away from home. Receiving prepaid cards means beneficiaries no longer spend their time and money translating their benefits into a form they can use.

Go beyond adversity. Prepaid cards help beneficiaries overcome the isolation of poverty, emergency, poor health or dislocation. Prepaid cards give beneficiaries access to goods and services online and outside of their neighborhoods. A cash and money order economy means consumers must physically travel to merchant locations; an electronic payment economy means that funds, goods and services can come to them via online and mobile payments. Prepaid cards allow those who are dislocated due to emergencies or natural disasters to seek shelter and stability elsewhere rather than waiting around to receive a check in the mail or at a relief center. People can move toward opportunities instead of waiting in place for their payments.

Improve financial literacy. Prepaid cards are a technological solution for improving financial literacy among at-risk populations. The unbanked can use government prepaid cards as an introduction to the workings of the financial system. The cards can be accompanied by easy to use and understandable financial management tools, many of which are available online and accessible through mobile phones.

How we can help

Governments and beneficiaries have a trusted, state-of-the-art partner in the technology companies who build and run electronic payment networks—we can help everyone with the transition from cash to card. To get started today, contact Rich Santoro, Vice President, MasterCard Worldwide (202-414-8011 or Richard_Santoro@mastercard.com).