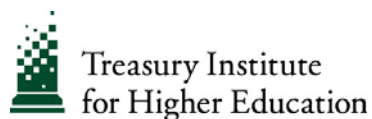


PIN-less Debit A Low Cost Payment Option

**Presented by
Marsha Lovell
Director, Student
Financial Services, UCLA**



Background of UCLA

- ◆ **Mission: Teaching, Research, Service**
- ◆ **Most 'applied for' campus in US**
- ◆ **38,000+ students; 28,000+ employees**
- ◆ **5,000+ research projects at any time**
- ◆ **9 National Medals of Science, 6 Presidential Medals of Freedom, 5 Nobel Prizes**
- ◆ **Best Hospital in the West – US News & World Report**



Background of UCLA

- ◆ **\$821 million in research grants**
- ◆ **83.5% graduation rates**
- ◆ **Institute for Stem Cell Biology and Medicine launched in 2005**
- ◆ **Best Hospital in The West - US World and News Report**

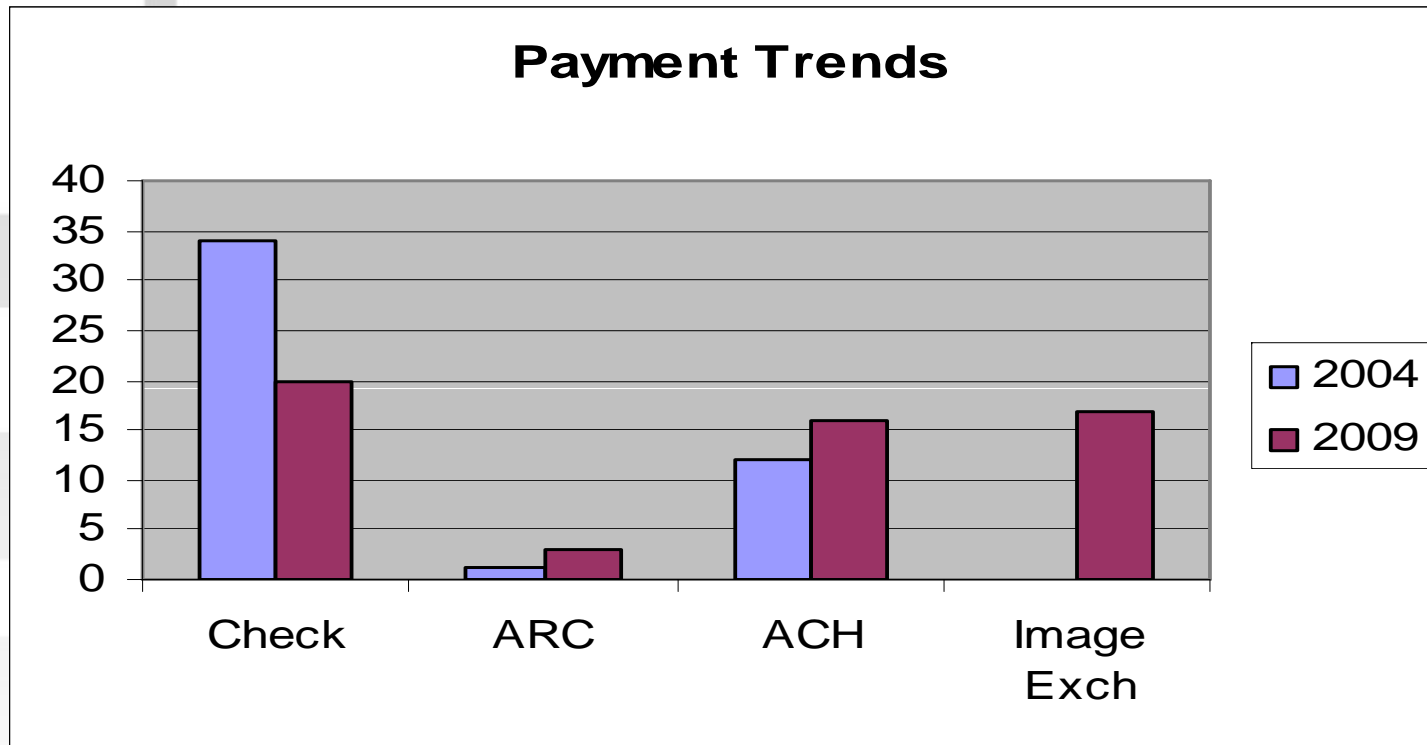


Payment Evolution

- ◆ Shared ATM Networks (access) created mid 70s
- ◆ Switching systems and operating rules developed to create consistent standards for network participants
- ◆ Point of Sale added in late 80s, PIN secured



Payment Shift



Cash is down

Check volume is dropping

Credit and Debit card usage has increased

Other payment types are also up

Pin-less Debit Overview

- Card not present transactions between Low Risk relationships with no Pin, limited biller categories.
- Available via a telephone Voice Response Unit (VRU) system (late 90s), Internet (early 01), Call Center (05).
- Not all debit networks allow Pin-less transactions.
- Merchant assumes liability (no Pin) and is responsible for authentication.
- Piloting recurring payment channels.
- Largest payment transactions increase between 03-04.

Who is eligible ?

Utilities – late 90s

Insurance

Lenders

Education

Government

**Pilots: Student Loans,
Credit Card Lenders,
Approved Creditors**

How it works...

- Accept credit/debit cards for payment through VRU or online. Debit cards are a subset of this population (approximately 50% to 70%).
- When debit cards are processed through the debit networks (as a PIN-Less transaction) it costs a fraction of the credit card cost.
- In a face-to-face environment, the Pin allows a lower rate. Now, online and VRU allow debit cards to be processed at the lower rate.
- The merchant compares the account number to a list of acceptable BINs and routes the transaction as a PIN-Less debit transaction, saving a substantial amount in interchange.

Merchant Benefits



- ◆ Immediate confirmation of funds
- ◆ Next day settlement if approved
- ◆ Real time provides better customer service
- ◆ Additional payment options help meet customer needs
- ◆ Reduced staff due to ACH returns or bad checks
- ◆ Low cost option

Bill Payment Preferences

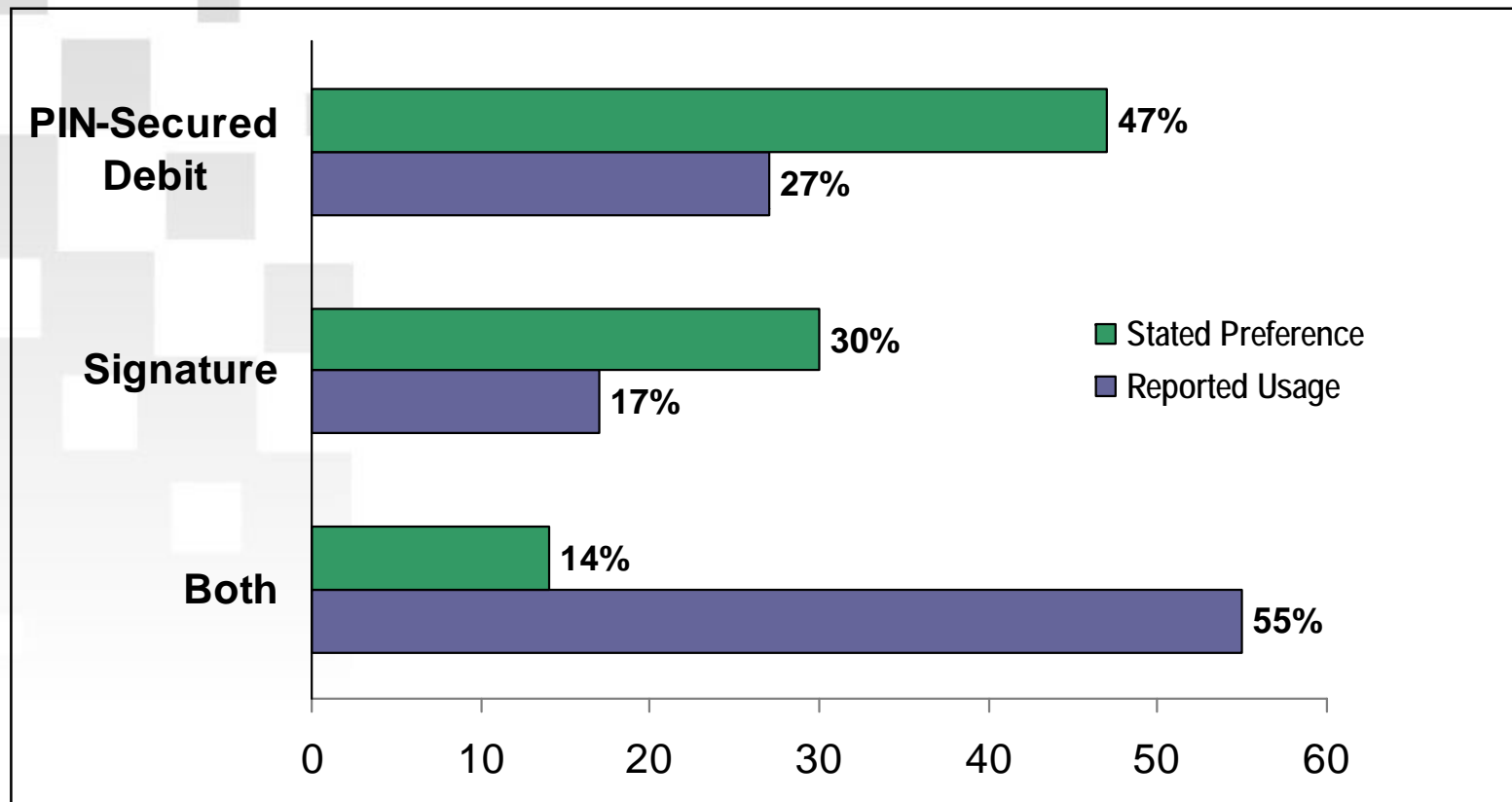
METHOD OF ELECTRONIC BILL PAYMENT					
	2001	2002	2003	2004	2005
Pay online	18%	22%	28%	32%	40%
Pay via phone	18%	21%	21%	20%	21%

TYPE OF ONLINE BILL PAYMENT USED	
Financial Institution's Bill Payment Service	57%
Directly with the biller	45%
Third party payment system (AOL, Checkfree)	5%
Other	1%

◆ More consumers are paying directly with the biller (37% in 2004)

Debit preferences

% of POS Users That Prefer/Use Each Method



Source: 2004 STAR Consumer Payments Usage Study



Treasury Institute
for Higher Education

www.treasuryinstitute.org

What are the requirements?

- ◆ Revise website to meet debit and credit card expectations to allow choice
- ◆ Post logos of all credit and debit networks accepted, Visa, Star, MasterCard, Nyce, etc.
- ◆ Program modifications to allow BIN lookup (up to first 12 digits which identify which debit or credit network)
- ◆ Expand card number field for possible 19 character debit numbers

Was it worth it?

- ◆ Went live January 2005
- ◆ 16.1% count; 8.3% amount acceptance

12 month information

Gross Sales		\$ 21,000,000	
Total Transactions		60,000	
PLD Cost	\$ 42,040	Credit Card Cost	\$ 423,440
<u>Savings</u>		<u>\$ 381,400</u>	



Questions & Comments...

Thank you!!

Marsha Lovell

310-206-6034

mlovell@finance.ucla.edu