



CFSI Underbanked Forum

June 10, 2008

Who is Meta?

- Federal thrift
- Largest prepaid card issuer globally
- 63 million cards issued over 4+ years
- 1100 programs
- GPR, gift, teen, rebate, tax refund, agent bank prepaid cards
- Clients include: Jackson Hewitt, AAA, Cingular/AT&T, Lowes, Marriott, Radio Shack, H&R Block, Simon Malls, and many more



iAdvance™

What is iAdvance?

- Small line of credit available to Meta-issued prepaid cardholders with payroll direct deposited to card
- Advances available instantly via a prepaid card
- Repayment automatically on payday
- Reports to all three credit bureaus
- Partners include Jackson Hewitt, Greyhound, AccountNow, and others
- myiadvance.com



Simple, Sensible Credit™

Deliberate, Simple, Controlled, and Convenient

- Conscious decision to apply and advance
- Simple terms put customers at greater ease
- Knowledgeable customers feel in greater control
- Knowledge and control drive loyalty and performance
- Convenience is key
- Graduation should be simple, trackable, and attainable – frequent flyer miles



Early Observations

What We've Learned

- Demand is insatiable and not price sensitive
- Simplicity and convenience override everything
- Reporting to credit bureaus nearly as important
- Portfolio performance almost inverse of traditional subprime credit
- First pay defaults manageable (we already knew the customer)
- Risk is wearing out the customer to point they give up – those who turn iAdvance into the paycheck much higher risk of default



Unique Technology and Use of Nontraditional Data

Managing Credit Risk

- Supplement traditional credit data with relationship data – prepaid card as checkless checking account
- Mini-borrowing base at the account level – rebuilding customer's personal cashflow
- Value of analyzing personal cash flow, in addition to credit attributes as part of decisioning, line assignment, and collections



Managing Credit Risk

Knowing Payday and Being First in Line

- Critical
- Missed expected payday requires immediate intervention – contact customer

Responsible Credit Line Management

- Balancing insatiable demand with risk of wearing out the customer
- Fit in cash flow and ability to repay
- Freezing credit lines based on abnormal behavior and usage

Flexibility and Patience

- Working down the FICO band and simultaneously trying to cut prevailing nonbank lending rates by 50-85% can only be a work in progress
- Could require at least three more years of data analysis and champion/challenger testing
- New data sources require extensive validation
- OTS has understood the pioneering approach and the longer term vision



Our Response: iA2

Next Generation

- Released late summer
- Partnering with Fiserv and TransUnion
- Installment credit with manageable payments but with aggressive principle reduction
- Giving people time to repay: fitting repayment into the cash flow
- Preserve convenience and simplicity
- Include as part of Simplexus™ solution for 600+ Meta partner banks nationwide



Contact

Trent Sorbe
SVP, Chief Credit Officer
605.782.0775
tsorbe@metapay.com