

Special Report — EFT: Credit/Debit/ATMs

Gaining Confidence

Allpoint Expects Increasing Sign Up Pace to Quiet Skeptics



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BETHESDA, Md. – Ben Psillas, president of ATM National anticipates that the firm's recent addition of \$1.1 billion State Employees Federal Credit Union of Albany New York to the list of participants in its Allpoint network will continue to prove to critics that the network's pricing structure is viable for larger credit unions.

"We are aware of the talk out there, but we expect that success will address a lot of those doubts," Psillas said.

In early April, the Bethesda, Maryland based network reported signing up its first three credit union card issuing participants, including the over \$5 billion Pentagon Federal Credit Union based in Vienna, Virginia. More recent credit union additions have included five more credit union participants, including the \$1.1 billion State Employees FCU; the \$386 million Telhio Credit Union in Columbus, Ohio; the \$124 million Meadows Credit Union in Arlington Heights, Illinois; the \$90 million AFL-CIO Employees Federal Credit Union in Washington, D.C. and the \$8.1 million Interchange Federal Credit Union in LaVergne, Tennessee.

Under Allpoint's original fee arrangements, financial institutions and other card issuers, such as payroll service companies, pay a monthly fee based on the numbers of enrolled cards they have to ATM National. ATM National keeps a portion of that fee as a revenue stream, but passes the majority of it on to the ATM deployers according to an arranged schedule.

In exchange for that financial institution fee, the ATM deployers make their machines fee-free to the cardholders. The deployers also collect interchange income from the withdrawals from their machines that Allpoint members make and usually see an increase in volume as the card

issuers advertise the fee-free nature of their transactions.

Currently, ATM National has two ATM deployers, Cardtronics and E*Trade. This gives Allpoint 24,000 machines this month Psillas said, adding that ATM National expects to announce the addition of two more significantly sized deploying networks soon.

Proving People Wrong



PSILLAS



CATELLANA

Skeptics of Allpoint's announced pricing scheme have wondered about its viability for larger credit unions, pointing out that the larger credit unions would pay a significant fee for enrolling a card base that might not be fully used. The lack of usage and the flat fee could make Allpoint transactions much more expensive than other transactions on a per-transaction basis, the skeptics have pointed out.

But Michael Castellana, COO of SEFCU, reported that the numbers made sense from his credit union's point of view. Castellana confirmed that SEFCU is paying a fee for its card enrollment in Allpoint, but he cautioned that outside observers would be incorrect to assume the credit union's arrangement used the same pricing structure as Allpoint has previously announced. The credit union has 118,000 members, Castellana reported, and virtually all of them have ATM cards.

"Our goal of providing SEFCU members with superior service and convenient access to their funds extends beyond our branch locations," Castellana said. "Our partnership with Allpoint allows us to give our credit union owners the convenience of surcharge-free ATMs around

town and across the country at a cost that makes good sense for us as a financial cooperative."

The bottom line, he added, is that this is a service to the credit union members that supports other credit union products such as checking accounts.

SEFCU has a fleet of approximately 50 ATMs, mostly concentrated in the Albany, Syracuse and Binghamton areas where a majority of the credit union members have been located. "But we have members in every state across the country," Castellana said, adding that the credit union had no ATM presence in the New York City area. "Membership in Allpoint gives our members real statewide access to fee-free ATM services," Castellana added.

Castellana said the credit union would use its standard marketing channels to alert members to the expansion of surcharge-free ATMs and that the credit union would monitor its members' use of the system to determine how well it was being accepted. "We monitor almost everything," Castellana said, chuckling. "We will evaluate our participation in Allpoint at the point."

Psillas expected that Allpoint's growth would only increase as credit unions, other financial institutions and deployers saw that the network continued to sign up new issuers and deployers. "Our recent attention has been focused a lot on credit unions," he said, "but we have been having some strong success with banks as well. We expect making an announcement of new bank issuers presently," he added.

He noted that the company had recently drawn some of its strongest votes of confidence from members of the public at large in the Washington D.C. and Baltimore, Maryland, area. Investors from those regions had recently invested another \$1.1 million in ATM National. People have confidence in where they place their money, Psillas observed.

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