MEMBER ACCESS PROCESSING
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The Secret Psychology of Money: How Behaviors Affect Member Spending

Each person's mind works differently, from their genetic disposition to their environmental influences. And that includes the way we think about money. The psychology of money can help us understand the emotions and thinking patterns that drive our financial behaviors. This self-awareness is ultimately a tool for creating healthier financial habits, and achieving financial wellness.

What is the Psychology of Money?

You're standing in the checkout line at the market. Bread, coffee, dog food, candy bar – wait a second. That candy bar wasn't on the list. Oh, and the chips? Those weren't on the list either.

But what's a few extra dollars here and there for a snack? Without giving it much thought, you're suddenly sinking your teeth into a last-minute bite of chocolatey goodness or enjoying the satisfying crunch of potato chips on the ride home from the grocery store.

According to a recent study, 72% of Americans don't mind paying an extra five or ten bucks for the satisfaction of an impulsive purchase at the grocery store. But what if those last-minute purchases added up to over $5,400 a year? Logic tells you this is an outrageous number. But the truth is that you, like most consumers, don't use logic when making

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Psychology of Money

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purchases. In reality, humans are driven by a complex set of emotions and mental shortcuts that psychology has only begun to unravel.

Studying these behaviors, that is, how people behave with their money, is called the psychology of money. It's about understanding the thinking patterns that drive decisions to spend and save.

What really drives financial behaviors? When it comes to money, we like to think of ourselves as rational beings. But the truth is our financial decision-making is far from rational. So if consumers aren't driven by rational decision-making, what drives them to spend, save, borrow, or invest when it comes to personal finances? In the psychology of money, there are the three primary motivators that drive financial behaviors — your mindset, biases, and emotions.

Financial Mindset

Your financial mindset is your overall attitude and beliefs about money. It's the lens through which you view the world of finance. Mindsets are shaped by your experiences, family, culture, and society.

Two of the best known mindsets are the scarcity mindset, coined in Stephen Covey's bestseller The 7 Habits of Highly Effective People, and the abundance mindset. A scarcity mindset is when you perceive wealth, time, and opportunity as limited resources. This thinking can lead to negative emotions and behaviors, such as anxiety, fear, greed, and hoarding. And importantly, a scarcity mindset can cause you to avoid making those critical small changes, since you inherently believe you will never have enough.

On the other hand, an abundance mindset is a belief that money and opportunities are always available. Therefore, you avoid letting your current situation limit your ability to improve your financial situation. This abundance mindset is essential for developing better financial habits because it helps you stay motivated and focused on your goals.

Financial Biases

Financial biases are the judgments you make about investments or purchases that are unsupported by the facts. They can lead you to make assumptions that may not be accurate, and whether you realize it or not, your biases impact your financial decision-making daily. These cognitive biases drive many of our financial decisions, and often dictate your spending habits. Some of these biases include:

- Present bias - the tendency to settle for smaller short-term gains rather than more considerable long-term gains.
- Loss aversion - is when you feel the adverse effects of losing money much more strongly than the positive effects of gaining it. When the expected value of two options is the same, consumers tend to choose not losing over possibly gaining.
- Overconfidence – when we think we're better at things than we actually are. This phenomenon is often seen in investing, as well as in purchasing decisions, where we believe one good stock pick is a predictor of continued good picks.
- Sunk Cost Fallacy: The sunk cost fallacy refers to our tendency to continue investing in things we've already invested in, even if the costs don't outweigh the benefits.

These biases and mental shortcuts collectively influence everything, from how we spend our money to the stocks we buy and sell. But arming yourself with knowledge of these biases sets you up to overcome them.

Personal Emotions

Emotions are a huge driver of our purchasing behaviors. We may think we make informed, rational decisions – such as comparing brands – but the vast majority of those decisions are unconscious. Sensations like fear, joy, or sadness caused by bursts of neurotransmitters like dopamine can lead us to make decisions that we wouldn't otherwise make. As a result, they can significantly impact our financial wellness if they're allowed to rule our spending habits.

Some of the emotions that heavily influence our spending and saving habits include stress, shame, and self-esteem, although how those emotions manifest themselves in our behavior varies from person to person. Financial stress may cause one person to "hunker down" in an attempt to gain control of their situation, and may cause others to increase their spending. Many wealthy people feel shame about their wealth, while some poor people feel their lack of wealth reflects their worth as humans. These and other financial emotions dramatically influence how consumers spend, save, and invest.

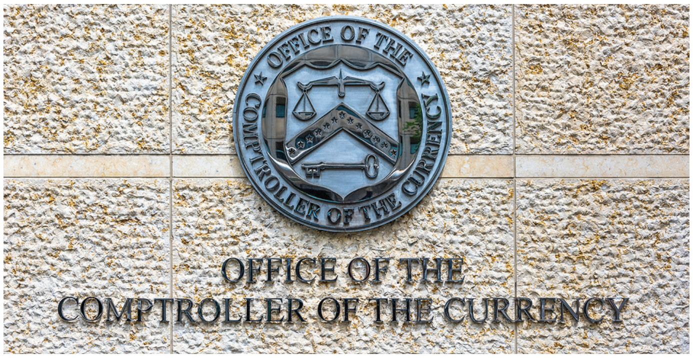
Retrain Your Brain to Make Better Financial Decisions

Julep is a unique financial wellness app that pairs cognitive and behavioral insights with goal-tracking features to help you achieve almost any financial milestone. So whether your goal is to pay off credit card debt, buy a house, or start saving for retirement, your path is customized to fit your exact financial situation.

Knowing what your financial picture looks like isn't enough. We know that lasting behavior changes require more than just knowledge—they need intrinsic motivation and accountability. That's why we combine short, targeted personal finance lessons with psychological insights and goal-tracking features to help you achieve significant financial milestones.

With Julep, everyone has a chance to escape the hamster wheel of debt and learn the same money management tricks that wealthy investors have used for generations. to learn more about Julep financial wellness app, visit www.julep.app.

Comptroller of the Currency warns of coming crisis



The rise of fintech services and digital banking could spur financial risks and even a crisis over the long term, according to the Acting Comptroller of the Currency, Michael Hsu.

"I believe fintechs and big techs are having a large impact and warrant much more of our attention," Hsu said, noting the encroachment of fintech companies into the traditional financial sector, including via partnerships with banks, was creating more complexity and "de-integration" across the banking sector.

"My strong sense is that this process, left to its own devices, is likely to accelerate and expand until there is a severe problem, or even a crisis," Hsu said.

Financial institutions and tech firms are teaming up in ways that make it more difficult for regulators to distinguish between where the bank stops and where the tech firm starts, said Hsu. And with fintech valuations falling as financing costs rise, partnerships with fintechs are increasing, he said.

That could create IT risks around information security and resilience, and also raises customer protection issues, said Hsu.

"I worry increasingly about the 'unknowns' and am concerned that the less familiar risks of this digital transition are unlabeled and thus unseen. As we learned from the 2008 financial crisis, risks that are unseen have a tendency to grow and later to be the source of nasty surprises," said Hsu.

U.S. regulators have been wary of allowing legacy financial institutions to dive into cryptocurrencies, which have slumped in recent months on fears interest rate hikes will end the era of cheap money. Several crypto companies have filed for bankruptcy.

Hsu said that the turmoil had "all of the hallmarks of a classic run" on an interconnected industry that had problems, and cautioned that the market is very "hype-driven."

Industry News

FinTech sector loses $500 Billion in valuation. The once-hot FinTech space is in the midst of a big chill, shedding half a trillion in valuation as the cumulative value of shares of newly-listed firms in the sector dropped $156 billion so far this year. Initial public offerings (IPOs) escalated in the FinTech space since the pandemic took hold in 2020, but now plans for going public are on hold and valuations are slashed while companies scramble to cut costs. The value of IPOs around the world dropped 71%. In the U.S. and Europe, just 157 companies raised $17.9 billion in total in the first five months of 2022, down from 628 companies raising $192 billion in the same period in 2021,

2.3% of online crime is card fraud. Authentication provider Veriff said an analysis of Google search data, a survey of 1,000 U.S. adults, and the FBI's Internet Crime Report 2021 data found that credit card fraud accounted for 2.3% of all reported online crimes. Phishing and its variations had the highest rate of 44.76%.

Amazon launches a digital wallet for sellers. To help sellers more easily manage proceeds from sales on their Amazon stores and expand their business globally, Amazon.com has launched a digital wallet that allows sellers to hold, view, and transfer funds from sales on the marketplace directly to their bank accounts. The wallet is an app sellers can use to market and sell products directly to customers within the Amazon marketplace. When sellers convert and transfer funds, volume-based currency conversion and international transfer fees apply. The wallet, which is free to Amazon sellers, is currently available to select sellers on Amazon.com and will roll out more broadly over the next several months.

Bullish outlook for Back-to-School spending. Despite inflation hitting a 40-year high, consumer spending during the back-to-school season is projected to increase 7.5%, excluding automotive sales, from 2021 levels, according to Mastercard Inc.'s SpendingPulse.. Department stores are expected to be a prime beneficiary of the increased sales, with projected sales to be up 13% over the period, compared to the same period a year ago.

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Dark Web not what it used to be

Stolen credit card data is always a hot item for sale on the Dark Web, particularly if the package includes not just the card number but the expiration date and CVV code. To crack down on fraud, card vendors have long since turned away from stripe-only cards to those with embedded security chips that not only use encryption to secure transactions but are more difficult to clone.

In the recent "Underground Financial Fraud 2022 report" from cyber intelligence provider Cybersixgill, the firm found that more than 4.5 million stolen payment cards were up for sale on the Dark Web during the first half of 2022. Though this number is a significant drop of 68% from the more than 14 million such cards discovered during the last half of 2021, this still represents a substantial amount of fraud.

Almost half (45%) of the cards for sale on underground markets were issued in the United States. One likely reason is because the U.S. is home to more than 1 billion credit cards and U.S. consumers holds four credit cards on average. However, the growth of EMV cards are due to the EMV embedded security chip, which better protects consumers against theft and compromise than cards with just a magnetic strip.

On the other side of the fence, Russian credit cards are much less common on the Dark Web, with only around 5,400 cards seen for sale during the first half of 2022. The reason, says Cybersixgill, is that cybercriminals who operate in Russia often do so without much objection from the Kremlin as long as Russian citizens aren't targeted.

Most of the stolen credit cards seen on the Dark Web during the first half of the year were issued by the four major networks. Some 49% came from Visa cards, 36% from Mastercard, 13% from American Express and 2.5% from Discover. Cards sold with CVV or CVV2 numbers are more lucrative and therefore more common on the Dark Web than are cards sold as dumps, which are electronic copies of the information from the magnetic stripe on the card but without the CVV data. Further, stolen cards with the CVV numbers may also include the user's address, email and other sensitive information that can be used for identity fraud and account takeovers.

Visa 2022 NFL National Promotion

The Visa 2022 NFL National Promotion gives issuers a one-of-a-kind opportunity to translate the emotional power of the Superbowl LVII into increased card usage and cardholder loyalty. The promotion is designed to drive incremental Visa use by capitalizing on the passion and loyalty of National Football League (NFL) fans. It will offer the winner a trip to Arizona for Super Bowl LVII, while delivering on the position of "Wherever you want to be, Visa helps you get there." If the winner is unable to make it to the Super Bowl, they will have the option to choose the alternate prize of $5,000 and an exclusive Visa NFL Gift Box containing NFL merchandise and more.

Cardholders who make eligible purchases with their Visa card between September 1, 2022 and October 31, 2022 will be automatically entered for a chance to win the Super Bowl LVII trip package. The more they use their Visa card, the more chances they'll have to win: 2 round-trip flights to Arizona, 2 tickets to Super Bowl LVII and Hotel accommodation.

MAP makes it easy for your credit union to participate in this turnkey promotion and leverage the benefits of the NFL National Promotion. Order or download market-ready promotional materials that can be customized with your credit union's logo or card artwork. Materials include statement inserts, posters, take ones and tent cards, plus digital marketing materials such as web banners, mobile-optimized email templates and social media posts. All custom pieces must go through the NFL for approval. Please allow at least 12 business days for review. To get started or for more information, contact Karl Kaluza at 866-598-0698 x 1618 or email at karl.kaluza@maprocessing.com.

ATM growth post-Pandemic

ATM traffic worldwide is on the rebound after two years of pandemic, but it will take years for cash withdrawal transactions to return to 2019 levels, according to “Global ATM Markets and Forecasts to 2027,” a report released this week by RBR, a London-based research firm.

ATM activity declined in most markets globally as Covid lockdowns and other pandemic-related factors impacted consumer behavior. But ATM activity also declined because of consumers’ shift to digital payment options, which left them in less need of frequent trips to the ATM for cash, RBR’s report says. Still, while withdrawals are down since 2019, the average withdrawal is getting larger.

RBR’s numbers indicate users around the world performed 68.9 billion cash withdrawals at ATMs last year, an uptick of 0.4% from 2020. But those withdrawals totaled $14.5 trillion, up from $14.2 trillion, a 2.2% rise. “In some sense, 2021 was a good year in terms of ATM withdrawals, as numbers returned to growth and value picked up even more,” noted Rowan Berridge, who led the research for RBR, in a statement.

But it will apparently take about five years for ATM withdrawal values to return to pre-pandemic levels, while the number of withdrawals will stall lag. RBR forecasts total withdrawal value will hit $17.7 trillion by 2027, finally exceeding the $16.8 trillion recorded in 2019. Even then, with the trend toward higher average withdrawals, transactions will total 72.6 billion, well below the 2019 total of 84.7 billion.

Worldwide inflation, too, will have an impact. The biggest increases in withdrawal values, for example, will come in Latin America in a trend “closely linked to high inflation,” RBR says.

Visa News

Visa adjusts its chargeback rules. Friendly fraud has become so problematic, it can account for up to 75% of all chargebacks, according to Visa Inc. As with all disputed card transactions, which include items purchased with stolen card credentials, the merchant must provide proof the transaction was legitimate to avoid a chargeback. To help merchants tame the growing problem of friendly fraud, Visa is altering its chargeback rules to allow merchants to provide additional information to prove a disputed purchase is legitimate. The change, which will go into effect April 15, 2023, will allow merchants to prove the validity of a transaction by providing such information as examples of the customer previously using the same payment credential at their store, a customer’s login credentials, and proof the customer has used the product. The changes were developed in partnership with clients, the Merchant Risk Council, and the Merchant Advisory Group.

Visa expands Visa Ready for BNPL. According to Visa, more than 20 partners are now live on Visa Ready for Buy Now Pay Later (BNPL), including ACI Worldwide Inc., CyberSource Corp., FIS Inc., Marqeta Inc., and TSYS Inc. The Visa Ready for BNPL partner program, which is a vertical within the overall Visa Ready Program, will fast-track implementation and scalability of Visa’s BNPL offering. Expansion of Visa Ready for BNPL comes at a time when BNPL volume is being valued as a $1.6 trillion opportunity globally and is expected to keep growing, according to Canopy Servicing,.

Visa Q3 payments volume grew 136% above pre-pandemic levels. Visa’s results spotlight a boost over pre-pandemic spending levels in key categories — perhaps most notably in travel and entertainment, and even corporate travel is seeing an uptick. The company said that overall payments volume was up 8% in nominal terms to $2.9 trillion. Credit volume was up 16% in nominal terms to $1.5 trillion, and debit gained 1% to $1.4 trillion. Further, cross-border volumes soared by 28%. Total cards in force gained 8% to 3.6 billion, as credit cards increased by 5% and debit gained 9% to 2.5 billion cards. CEO Al Kelly said during the conference call with analysts that total third quarter payments volumes were 136% over levels seen three years ago.

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What is the future of retail banking for credit unions?

The retail banking industry is undergoing tremendous change. A few years ago, it was a fairly straightforward business, but today, technology and innovation, increasing competition, regulatory complexity, embedded finance, consolidation, and evolving customer expectations are placing immense pressure on traditional business models. This intricate and evolving web of trends influences whom consumers trust and how they prefer to conduct their financial lives. It also forces credit union to address the fundamental question of what a financial institution is—and what value it provides.

For credit union leadership teams now is the time to better understand these trends and prepare for a rapidly changing environment. To help, the analysts at PWC developed five hypothetical scenarios for how the future of the sector could play out over the next decade in it's report, "Retail Banking 2025 and Beyond:" front-end revolution, winner takes all, scattered landscape, resurgent regulators, the rise of central bank digital currencies.

Though deliberately exaggerated, all five scenarios represent an urgent call to action for credit unions and point specifically to three priority areas where they should act immediately and proactively to adapt: tech-powered transformation, data-enabled customer focus and broad-based trust. Now is the time to consider radical future-facing scenarios to prepare to build the capabilities and resilience that will be necessary to thrive in tomorrow's far more dynamic environment.

Front-end revolution: New players from outside of traditional finance capture client relationships—the 'front end' of banking—and incorporate financial services into their platforms. These companies are established, cash-rich brands in the technology, media and entertainment sectors, capable of creating an improved user experience and hyper-personalised offerings to aggressively control more of the customer relationship.

Credit unions—generally facing higher regulatory burdens and dealing with outdated technology—compete as the infrastructure backbone of the financial system. They act as utility providers that offer licenced services and products, but no longer have a customer-facing brand.

Winner takes all: A wave of consolidation results in a few mega banks and fintech companies ruling the banking landscape. These massive, tech-enabled institutions generate a competitive advantage through scale. Customers gravitate towards the largest, most personalized and convenient platforms and generally have no concerns about data privacy or the ability to choose. Only the largest banks will be able to make the technological investments necessary to create a differentiated customer experience.

Scattered landscape: Amid deteriorating societal trust, customers grow doubtful of global institutions. The supervisory regime favors smaller and local financial institutions, and sentiment gravitates towards nationalistic protection. Clients and assets flow from global players to more locally focused institutions with smaller balance sheets, deposits, and lending facilities, and to specialised micro-niche players.

Resurgent regulators: Regulators take an active approach to a wave of Big Tech and other non-traditional entrants to ensure a safe and strong financial system. Government antitrust actions push technology players out of the industry and increase barriers to entry; competition comes solely from firms that hold full financial services licences. This degree of regulation opens the door for banks to rebuild trust and reclaim their role as the central provider of financial products and services.

The rise of central bank digital currencies: A steady decrease in the use of cash continues alongside the rollout of central bank digital currencies (CBDCs). Digital currencies gain wide acceptance in B2B, B2C and C2C segments. Incumbent banks lose the basic bank account—which, like customer data, is an anchor of customer relationships that they have long controlled—to central banks. This makes traditional bank business models unviable.

The industry changes that are already underway hold major implications for all players but particularly for credit union which must double down on priorities that have long been important but that have proved elusive for many. These priorities—tech-powered transformation, data-enabled customer focus and broad-based trust—are becoming increasingly urgent. Regardless of how the future unfolds, one thing is certain: the result will be a radically different competitive environment than today's. Retail banking leaders have no time to lose.

Riding mass transit has never been easier, states Visa

The speed, security, and ease of digital payments have helped shift global consumers' payment preferences. Visa's second Future of Urban Mobility Survey found that 91 percent of those surveyed either strongly or somewhat expect contactless payment options to be available on public transit. Nearly half (45 percent) of respondents prefer to pay for transit using contactless payments.

Among employed riders, 62 percent said they take public transit at least three times a week, and 28 percent ride five times a week or more. Just under half (42 percent) of those surveyed plan to use transit more often over the next 12 months. As ridership continues to ramp up, it will be important that paying to ride is secure and seamless.

Increasingly, the consumer, emerging from the public health scare of the pandemic, wants to pay in digital ways, eliminating the friction that stands in the way of getting where one wants to go (after all, if you're fumbling for the right payment method, you miss the bus, literally).

Mobility, in fact, can be likened a bit to commerce itself. We move seamlessly through online and offline channels — actually, only as seamlessly as payments allow. In commerce, Visa has been witnessing a wholesale shift toward contactless payments, and that familiarity is spilling over into all avenues of daily life, including the commute, as we return to the office or finally start taking those leisure trips that we'd put off for so long.

Payment options such as fare capping represent an important opportunity for transit operators to serve as many riders as possible. Fare capping limits how much a rider pays for their total rides in a day, week, or month, eliminating the need to tie up funds on a monthly pass or transit-dedicated card. Among survey respondents, 61 percent said that capped fares would encourage them to take public transit more often than a non-fare capped system.

Industry News

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Issuers balk at CFPB late fees limits. Banks and credit unions are pushing back hard against an effort by the Consumer Financial Protection Bureau to put a halt to a roughly 9% hike next year in credit card late fees pegged to inflation. The issue has been moot for years because inflation has been so low. But with the Consumer Price Index up 9% in the past year, the CFPB is calling into question whether credit card late fees should be tied to inflation, a provision set by the Federal Reserve in 2010. Under the "safe harbor" provision, institutions can raise late fees due to inflation without any cost-benefit analysis as long as the fees being charged are "reasonable and proportional." To receive the safe harbor, credit card issuers can charge $30 for the first late payment and $41 for subsequent late payments within six billing cycles.

Senators ask CFPB for more P2P protections. The Consumer Financial Protection Bureau (CFPB) should use its authority under Regulation E and the Electronic Fund Transfer Act (EFTA) to protect consumers from payment scams on peer-to-peer (P2P) services like Zelle, according to a letter sent to the agency by six U.S. Senators Under the EFTA and the CFPB's Regulation E, a consumer is protected if a fraudster scams them into handing over account information and then initiates a transfer. If a consumer opens an account specifically to transfer monies to a scammer, then the consumer isn't protected, according to the letter. The CFPB could give banks more requirements surrounding fraud when it comes to P2P transactions and force them to refund victims, according to reports in the Wall Street Journal.

CFPB to examine crypto payments and other FinTech payments. The Consumer Financial Protection Bureau (CFPB) plans to scrutinize the use of cryptocurrencies for real-time payments and ramp up oversight of Big Tech companies as they expand into the traditional financial sector, according to a report in Reuters. The CFPB also will publish a report this fall on "buy-now, pay later" or BNPL products, and expects to propose a rule to boost consumer finance competition around early next year. Online companies could drive the widespread adoption of cryptocurrencies for real-time payments, which would be a "heavy" focus for the agency, said CFPB director, Rohit Chopra, adding that the agency is concerned about the risks of hacks, errors and fraud.

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Remembering Dee Hock

Dee Hock, Visa's Founder and CEO Emeritus, is not a household name beyond the world of financial services. Yet, in many ways, his impact and influence surpass that of almost any other leader in the last half century.

Hock, who died in July at 93 at his home in Olympia, Washington, may not have single-handedly founded the modern electronic payments industry, but he came closer than anyone else to claiming that mantle. He is widely credited as the force that harnessed a widely varied collection of banks to start the credit card system that ultimately became Visa. He then ran Visa Inc. from its inception in 1970 until his decision, in May 1984, to not only step down as chief executive but to leave the business world entirely.

Dee would be the first to admit that he didn't invent the credit card. He did, however, apply a combination of vision, drive and no small amount of brinkmanship to forge an organization that has changed the way the world pays over the course of the last 60 years.

Hock started out in banking in 1949, and by 1966 he was vice president and general manager of the BankAmericard department at the Seattle-based National Bank of Commerce, as well as chairman of the National Executive Committee of the BankAmericard issuing banks. As Hock explains on his site, deewhock.com, the National Bank of Commerce had become one of the first six U.S. banks to be licensed by Bank of America to issue what was then the BankAmericard credit card.

When he gathered a hand-picked group of bankers to a hotel in Sausalito in 1969, the task ahead of him seemed all but impossible. Dee was charged with redefining the struggling BankAmericard program that was sinking under the weight of fraud and bad debts.

In 1970 he and a group of other bankers had forged the first part of an organization unlike any that had ever existed before. Hock was appointed its president and chief executive and within two years, operating problems and losses were under control and the business was highly profitable, growing at the rate of 50% compounded annually. By 1975, the organization had assumed the Visa name.

Dee left Visa in 1984 to pursue other endeavors but retained a keen interest in the organization he founded. He wasn't idle. For the next eight years he pursued a path that he himself characterized as one of "ranch owner, recluse, student, and philosopher." By 1992 he had become concerned with what he later characterized as an "epidemic of institutional failure" among businesses and governments. That concern led to his development of a concept of institutional organization he advocated for as a speaker and writer.

Hock may or may not have imagined in those early days that Visa would grow into the giant payments network it is now, and has been for years. For those who worked for or with Dee, he could be charming, brilliant, and mercurial — often in the same interaction. More than another system, network or company, Dee considered cash to be his most potent and intransigent rival. He envisioned a world of frictionless commerce where anyone, anywhere could exchange value "24 hours a day, seven days a week, with absolute reliability…and that it would transcend language, culture, currency."

Dee will be greatly missed by everyone at MAP. More than any other individual, Dee's vision and dogged pursuit of it created the open, global general-purpose bankcard payment system we all today take for granted.

It is only fitting to conclude this article with a reflection of Dee's life in his own words.

"I've had a wonderful life. How many people do you know who've had that kind of a crazy dream, a seemingly impossible dream, and yet lived to see it come into being, see it come to fruition, see it come to maturity, see it go on beyond me, light years beyond me?"

Why buy now, pay later can cost more than a credit card

Buy now, pay later (BNPL) is often touted as a cheaper alternative to credit cards, but new research shows these platforms can actually end up costing more. BNPL platforms such as Afterpay, Klarna, and Affirm have quickly become a mainstream products in recent years, helping consumers pay for everything from groceries to child care.

With the rising costs from inflation, these services may be more tempting than ever. But they don't provide money for free. New research from Curtin University shows BNPL fees are effectively a "quasi-interest rate that can be more costly than credit card interest rates".

The report shows that after making a purchase, a customer can incur late fees or account-keeping fees with an effective interest rate of 28.25 percent with Afterpay or Klarna, much higher than the 22 per cent average rate on a credit card.

BNPL companies promote the fact they don't charge interest rates to win over customers. However, some charge fees for having an account and all of them charge fees for late repayments. A 2021 survey by RFI Global found 18 percent of BNPL users had missed a repayment over the previous 12 months, compared to 17 percent of credit cardholders who missed a credit card repayment.

The less customers owe, the greater the percentage rate they are charged. According to the report, a $10 late fee amounts to just 1 percent of a purchase worth $1000, But for a smaller sum of $40, that late fee is worth 25 percent of what they paid. Meaning consumers using BNPL for smaller amounts will essentially be paying higher rates on their late repayments than they would on a credit card – and these charges can quickly add up if the customer is making multiple small purchases.

While credit card fees apply to your total debt, BNPL late fees apply to each individual transaction. This is bad news for people who are already under financial strain and are using BNPL to pay for separate, cheap essentials without understanding how the late fees can pile up.

While BNPL can provide immediate relief for some financial pressures, using it too much can create problems. A 2020 report found one in five BNPL users had to cut back on, or went without, basic essentials like food to make repayments on time. Despite the benefits and consumer preferences, BNPL is currently exempt from many credit regulations, which services to bypass important consumer protections. The report's findings support the idea that the BNPL sector should face regulations similar to credit cards, something the Consumer Financial Protection Bureau (CFPB) is considering.

Visa News

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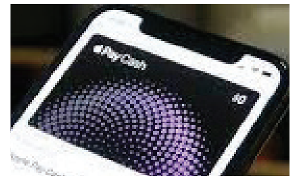
Apple switches to visa for its virtual cash card. Apple is switching its network affiliation for its Apple Pay Cash virtual debit card to Visa after more than four years of issuing the card on the Discover Network. The virtual card allows users of the Apple Pay digital wallet to conduct transactions at merchant locations and sites using the funds they earn and accumulate in the Cash feature of Apple Pay. Apple and Discover announced the network tie-up for the card in December 2017.



Visa Direct launches Preferred Partner. Visa recently launched the Visa Direct Preferred Partner program, a global program designed to help partners of Visa's real-time money movement network accelerate time to market. Through the program, Visa Direct Preferred Partners can access the tools and resources they need to help launch, sell, and grow their real-time payment solutions. The program is currently live in North America, Europe, Asia Pacific, and Latin America, with Central Europe, the Middle East, and Africa expected to follow in the coming months. It supports 25+ partners, including Checkout.com, Commerce for Business, Carat from Fiserv, Moneris, TabaPay, and YellowPepper, A Visa Solution, among others. By joining the program, the preferred partners enjoy Product Training, Sales and Marketing Best Practices, and Solutions and Partner Support.

UK Parliament asks Visa to explain Fees Hike. The Treasury Committee at the U.K. Parliament notified Visa to explain their increases in cross-border interchange fees after the U.K. left the European Union. This inquiry comes after the Payment Systems Regulator (PSR) explained in a letter dated July 4 to U.K. lawmakers about the two market reviews that it is planning to conduct on processing fees and cross-border interchange fees. As a reference, Visa and Mastercard increased cross-border fees in October 2021 from 0.2% to 1.15% for debit cards and 0.3% to 1.50% for credit card transactions.

Visa Considers Stake in Airwallex. Airwallex is the leading financial technology platform for modern businesses growing beyond borders. With one of the world's most powerful payments and banking infrastructure, our technology empowers businesses of all sizes to accept payments, move money globally, and simplify their financial operations, all in one single platform.

Industry News

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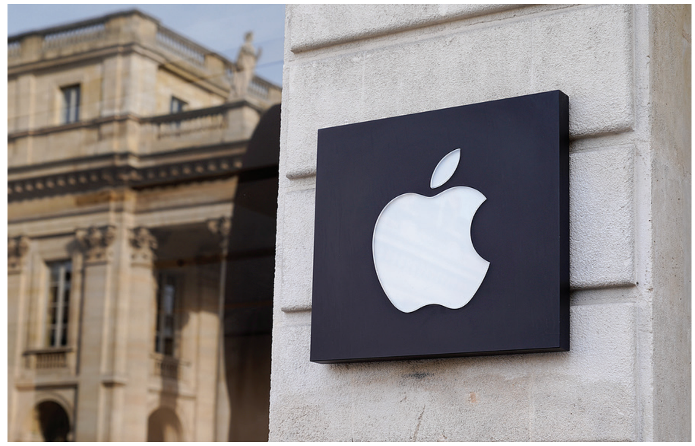
Digital Cross Border Transactions Are Exploding. With digital domestic money transfers expected to exceed 300 billion transactions globally in 2026, up from a projected 207 billion transactions in 2022, a nearly 50% increase, new players are expected to push the envelope by introducing alternative forms of digital cross-border transfers, such as cryptocurrency and central digital bank currencies, according to Juniper Research. One factor driving the growth of global digital money transfers is the emergence of so-called super apps that provide multiple services including payment and financial transaction processing, and in effect serve as a self-contained, online commerce and communication platform.

Mobile Channel Is Driving Fraud Costs. The cost of fraud to U.S. merchants increased 4.2% in 2022, up from \$3.60 to \$3.75 for every dollar lost to fraud. That's the latest from the 2022 edition of the LexisNexis Risk Solutions "True Cost of Fraud Study: Retail and Ecommerce" report released Tuesday. The metric had been \$3.13 pre-pandemic. In Canada, the measure increased from \$2.87 in 2021 to \$3.19, an 11.1% increase since 2020. Among the key findings—698 U.S. and 102 Canadian merchants were canvassed—are that bot attacks particularly affected U.S. retail and e-commerce merchants, with 40% of retailers and 28% of e-commerce merchants declaring an increase in bot attacks in the past 12 months. In Canada, 50% of retailers and 37% of e-commerce merchants reported the same attack volume.

Mobile Payment Use Increases. Consumers making a mobile payment at least once a week increased to 58% in the first half of 2022, compared with 46% in the same period in 2021, according to ACI Worldwide Inc.'s latest 2022 ACI Speedpay Pulse survey.

Tokenized Payments to Hit 1 Trillion. The total volume of tokenized payment transactions worldwide will exceed 1 trillion by 2026, up from 680 billion this year, according to a report released by Juniper Research. The growth will come mostly from click-to-pay options that allow buyers to pay with a single click, using tokenized credentials, the firm says. These options, offered by major card networks like Visa and Mastercard, rely on tokenized cards on file to back up authorizations for payments. The option is growing in popularity because of its convenience, as it allows consumers to fill in details at checkout, and complete payment, with one click. As a result, the number of tokenized transactions online and in mobile commerce will increase 74% between this year and 2026.

Apple 'buy now, pay later' raises antitrust concerns



Apple announcement of a buy now, pay later (BNPL) feature, Apple Pay Later, has drawn the attention of the US consumer finance regulator, the Consumer Financial Protection Bureau (CFPB). CFPB director Rohit Chopra said that Apple Pay Later raised "a host of issues," including antitrust concerns.

Apple's BNPL feature was announced at WWDC. Apple Pay Later will launch as part of iOS 16, allowing US Apple Pay users to make four equal payments over six weeks at no extra cost. Merchants can opt into the scheme without any impact on now or when they are paid. Despite the lack of fees and interest charges, Apple will still make money from the service, and consumers have been warned to use the feature with caution.

Since the announcement, we've learned that Apple is forgoing a bank partner, and will use your Apple ID history as one of its fraud prevention tools. The CFPB has warned that Big Tech's entry into the buy now, pay later lending business risks undermining competition in the nascent sector and raises questions about the use of customer data. In a warning shot to Silicon Valley following Apple's decision to launch its own BNPL service,

Among the issues the agency would consider was "whether it may actually reduce competition and innovation in the market", Chopra said in an interview. In response to a question about the Apple launch, Chopra said Big Tech's entry into short-term lending "raises a host of issues", including how companies would use customer data. The antitrust concern appears to be that Apple potentially has access to a lot of customer data in the form of Apple Pay usage, and could use that data to give itself an unfair advantage over competing BNPL services. Usage of this data also raises privacy questions. The regulator has already asked Apple to explain how the company collects and uses customer data in relation to Apple Pay generally. Similar questions have been put to Amazon, Facebook, Google, and PayPal.

Letter from the CEO

MAP joins the trade associations Credit Union National Association (CUNA), Electronic Payments Coalition (EPC), and National Association of Federally-Insured Credit Unions (NAFCU) in opposing the legislation by Senator Roger Marshall (R-KS) and Senator Dick Durbin (D-IL) that would impose new credit card routing mandates.

In late July, the senators introduced a bill known as the Credit Card Competition Act of 2022. It would require financial institutions with more than $100 billion in assets to offer merchants much more say in how credit card transactions are routed. The bill stipulates that at least two unaffiliated networks must be available—and they can't be Visa and Mastercard (the two largest credit card networks) together.

Cyndie Martini
President/CEO

As the associations stated in a joint statement: "At a time when fraud prevention, cybersecurity, and digital innovation are more critical than ever, this deeply flawed legislation from Senators Marshall and Durbin will undermine the significant safeguards and security that exist today to protect credit card payments. Retail groups want Washington to mandate that banks route credit transactions to the cheapest networks— many of which have underinvested in their platforms with little concern for security innovations— leaving the burden on consumers, small businesses, and financial institutions to clean up when things go wrong."

This legislation would harm consumers in multiple ways. For starters, it would have a devastating effect on credit card rewards programs. Debit card rewards all but disappeared after the Durbin Amendment (part of the Dodd-Frank Act) took effect in 2011. Second, Visa and Mastercard invest billions of dollars into secure, reliable payment networks. This bill would take away many of their economic incentives for doing this important work. And finally, even the smaller financial institutions that would be exempt from these new rules acknowledge that the proposal is a bad idea that could limit Americans' access to credit.

"Over 70 percent of U.S. GDP depends on consumer spending, and credit cards are what drive that," said Dan Berger, president and CEO of the NAFCU. "Efforts to extend new routing requirements to credit cards would create significant disruption to credit-issuing credit unions."

The proposed legislation is a clear attempt to secure yet another windfall for the largest multinational retailers and e-commerce giants at the expense of the security of the payments ecosystem and the financial health of everyday Americans. Consumers will pay the price, while many small issuers will be forced to exit the credit card business altogether. At MAP, we see this legislation as highly disruptive to the market and it would lead to many adverse consequences for all parties. For more information about how MAP can best serve you and your institution, feel free to call me, 1-866-598-0698, ext 1610 or email me at cyndie.martini@maprocessing.com.

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