

MEMBER ACCESS PROCESSING

# Payments Report

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**25**  
YEARS  
of Service Excellence  
1998-2023

## Inside this issue . . .

- P.2** – MAP Network Exchange  
– Welcome Steve Bone (continued)
- P.3** – MAP welcomes new Team Members  
– Industry News
- P.4** – The rise of Card Skimming
- P.5** – The Dark Web: More than Card Numbers  
– Visa News
- P.6** – A closer look at FedNow
- P.7** – CFPB proposes Open Banking Rule
- P.8** – Debit has gone digital  
– Consumer to rely more on BNPL
- P.10** – Investigating CU's Federal Tax Exemption
- P.11** – Letter from the CEO



PO Box 88884  
Seattle, Washington 98188

Phone: 1.866.598.0698  
Fax: 206.439.0045  
Email: [info@maprocessing.com](mailto:info@maprocessing.com)

[www.maprocessing.com](http://www.maprocessing.com)

## MAP welcomes Steve Bone as new President and CEO



Member Access Processing (MAP) has much to celebrate in 2023. This year is MAP's 25th year serving credit unions as the premier card processor. In 2023, the company has also welcomed a number of talented new members to the MAP Team. Among them is our new President and CEO, Steve Bone. Throughout the coming year, Steve will be traveling the country to meet MAP clients at their credit unions. In the meantime, Steve has answered a few questions to help us learn more about his background, approach to business, and his ideas about what's ahead for MAP and the credit unions we serve.

***Welcome to MAP, Steve. With your long and impressive career in Financial Services, what was it that interested you in joining MAP?***

- I've been fortunate enough to work in large and small companies, with banks and credit unions, always anchored in technology.
- MAP is really a great mix of all my favorite aspects of a working environment – small and very talented team, a CUSO with a great reputation for service, and a formidable competitor in a tough market.
- It's a lot of fun when you're working with a great team, and with great purpose.

See "Welcome Steve Bone" on page 2

## Helping credit unions grow interchange with the MAP Network Exchange

Today, Interchange revenue is vulnerable to a number of factors. In response, MAP has launched a single Debit, POS, and ATM solution, the MAP Network Exchange, for credit unions. The MAP Network Exchange offers credit unions best-in-class services designed to offer market-leading interchange revenue while reducing risk exposure to cardholders.

“Credit unions are facing a number of competitive headwinds when it comes to debit,” said Dan Ruppe, Senior Vice President of MAP’s Product Services. “Existing POS Networks that offer merchant processing have negotiated special rates with large users that are directly cutting into credit union’s interchange revenue.”

An independent analysis of the MAP Network Exchange compared to a comparable debit network over a recent 13-month period indicated a significant 46% increase in net interchange when using MAP Network Exchange. Further, during that same 13-month period, an analysis that included estimated switch Fees and ATM economics indicated an estimated overall 60% increase in total value available when using MAP Network Exchange.

With the MAP Network Exchange, credit unions can benefit from aggregate pricing exclusive to MAP clients. Through our partnership, MAP Exchange Network with PULSE provides efficient and secure transaction processing seamlessly within the Visa DPS processing platform, helping credit unions streamline their operations and reduce costs associated with payment processing.



↑ 46%  
Increase in net interchange  
with MAP Network Exchange

↑ 60%  
Increase in TOTAL VALUE AVAILABLE  
with MAP Network Exchange

## Welcome Steve Bone

*Continued from page 1*

### **What are you most excited about that you are working on now?**

- At heart I'm a bit of a technology and gadget geek, and I love all of the transformation going on in our space, and in general around digital.
- My mother in law is 80 and is using her phone and laptop making payments!
- My teenage sons are convinced they don't really need their debit card because everywhere they go, they can use their debit card on their phone, everywhere!
- We've reached a level of adoption where MAP can add value to credit union members, making the payment experience more convenient, enjoyable and safe, with the best people, processes and technology in the market.

### **Can you share a little about your vision for MAP in the near-term and the long-term?**

- Near term the vision is simple – let's build on our first 25 years as a best in class CUSO, and reemphasize our identity as leaders in the end to end payment experience. Payments are such a critical aspect of how a credit union serves its members, so focusing on how MAP tailors and delivers services to each of our credit union customers, and their field of membership, is our passion and our focus.

- Longer term, the vision is to grow our capabilities in full service credit and a few other strategic areas our credit union clients have told us would add the most value to our relationship with them if we can solve. We're also trying to build on our best in class service model to see how we can be of service to smaller credit unions. The economics over the past few years have made it really cost prohibitive for smaller credit unions to afford anything but a commoditized service model, particularly with card-based payments. We're challenging ourselves and working with partners to try and build a solution.

### **What three things do you want people to know about you as MAP's President/CEO.**

- I care
- I'm accountable
- I'm passionate – about the credit union mission, the role of CUSOs, and servant leadership!

Steve has been an executive in financial services technology for 31 years and he brings deep technology experience to his new position at MAP. Most recently, he served as the chief operations officer at Trellance focusing on mergers and acquisitions, and partnerships. Following Trellance's acquisition of Ongoing Operations (OGO), he managed the transition of the OGO business line and developed new services in the talent business line. Before that, Bone served in executive roles with FIS, CAPCO, Q2, and First Entertainment Credit Union.

# New Team Members join MAP in Sales and IT

This past summer MAP welcomed three new members to its Team. **Todd Gengenbach**, as Chief Information Officer, will lead MAP's Information Technology and Security moving forward. **Carrie Gautsche** has joined as Sales Director and she will head up MAP's new business development and sales in the Southeast region. MAP also welcomes **Nicki Lirot** as Relationship Manager.

"We are thrilled to announce the addition of Todd, Carrie, and Nicki to our team," said Steve Bone, CEO of MAP. "With their considerable experience and deep commitment to our shared values, we know they will bring extensive value and success to our client credit unions."

**Todd Gengenbach** has over 30 years of experience in IT leadership and consulting. Todd holds a Bachelor of Business Administration with a minor in Computer Science from the University of Nebraska – Lincoln as well as a Master of Business Administration with an emphasis in Technology Leadership from Bellevue University. He has spent the majority of his career leading a variety of technology functions for financial services organizations but also has experience leading the IT teams for mid to large-sized retail, medical, and agriculture-related companies. Most recently, Todd created and led a multi-national managed Microsoft 365/Azure practice for one of the largest managed IT service providers in the world.

**Carrie Gautsche** is a proven sales professional with over 30 years of experience maximizing an organization's growth and profitability. She has 18 years of experience in payment and fintech sales where she has an innate ability to connect and quickly build relationships that create new partnerships. Most recently with Fidelity Information Services (FIS), Carrie worked within the credit union division to help new accounts improve efficiency, and technology and maximize income. By utilizing a consultative sales approach, she provides consistent outcomes in a highly competitive market. Carrie's earlier employers include Worldpay/Vantiv and American Express.

**Nicki Lirot** has 22 years of experience in Banking, Card Processing, and Financial Technology. Nicki started her career as a Teller while working through college, was a Financial Center Manager at a Regional bank for 8 years, then moved into the Payments industry as a Conversion Manager and most recently spent the last 10 years in Account Management. Nicki is a Credit Union advocate and builds long-term, trusted relationships with our partners. She specializes in helping our clients with growth strategies, and payment technology, and creating positive member experiences within their debit and credit card portfolios. She resides in St. George, Utah with her husband and enjoys hiking National Parks, watching football games, mentoring in the community, and traveling with friends.

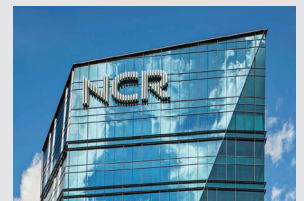
## Industry News

**Fed cuts debit interchange fees by 30%.** The Federal Reserve Board has recommended the most significant overhaul of debit card interchange fees in more than a decade. The changes would cut the "base component" of the interchange fee cap to 14.4 cents from 21 cents and reduce the ad valorem component to 0.04% from the current 0.05%. Alternatively, the fraud-prevention fees would rise to 1.3 cents from the penny-per-transaction fee that is in place now. The fee cap applies to debit issuing financial institutions with \$10 billion or more in assets. The rule is finalized following the mandatory 90-day public comment period.

**CCCA will 'kill' reward programs.** The top executives of Delta Airlines and United Airlines are warning that legislation pending in Congress would devastate popular loyalty programs. The Credit Card Competition Act of 2023 (CCCA) aims to save consumers money by forcing more competition in the lucrative credit card payments processing business. If enacted, it would result in "unbelievable" consumer backlash from its effect on rewards programs, Delta CEO Ed Bastian contends. "This would kill rewards programs," United CEO Scott Kirby said.



**NCR completes split into two companies.** NCR Corp. completed its separation into two companies, NCR Atleos and NCR Voyix, which will focus on ATMs and digital commerce, respectively. Atleos will offer ATM-as-a-service for outsourcing ATM fleets while providing a retail surcharge-free network for customers. It features more than 80,000 ATM locations and supports 140 countries.



**BNPL sees growth on multiple fronts.** The number of US consumers who used buy now, pay later may have doubled since 2021, per a YouGov report, yet still only account for 8% of shoppers. Will BNPL grow and remain profitable with margins at just 1.01% in 2021, per the CFPB.



Many providers have never operated in a world without easy money and ultra-low interest rates. Many BNPL programs are still interest-free, and BNPL purchases are particularly prone to returns: 13.7% of individual loans involved a partial or full return in 2021.

*Continued on page 7*

## Credit unions combat the rise of Card Skimming

Card skimming, which is when criminals put small card-reading devices into payment terminals to steal card information, is getting worse. Criminals are ever more sophisticated in stealing card information from unsuspecting Americans. In fact, the number of reported incidents increased by 20% during the first half of 2023 compared to the same period in 2022. And 2022 was one of the worst years yet, according to the credit data firm FICO. Card skimming grew by 368% from 2021 to 2022, and affected more than 161,000 cards and 3,000 financial institutions. The report also found that most of the skimming events happened in a short time frame, making it difficult to detect and stop them.

Historically, compromises were distributed roughly at an 80%/20% ratio, with only 20% occurring at bank locations and the majority taking place at non-bank ATMs like those found in convenience stores and gas stations. However, this year, FICO observed a shift in this distribution, with bank ATMs now accounting for approximately 33% of compromise locations.

Geographically, there are also notable changes in skimming trends. States such as Virginia, Texas, New Jersey, Florida, and Colorado have experienced increases of 50% or more in compromises compared to the previous year. In fact, Virginia and Texas have now entered the top five states with the highest number of compromises. Conversely, California, Washington, and Maryland have seen a decline of 50% or more in compromise incidents.

In recent years, one significant shift has been fraudsters targeting consumers directly, resulting in authorized user fraud or scams. This is also known as authorized push payment fraud (APP fraud) in the UK and elsewhere. Scams have resulted in billions of dollars in direct losses to consumers, with the Federal Trade Commission (FTC) reporting a 30% increase in US consumer losses to scams, reaching \$8.8 billion in 2022 compared to 2021.

To counter skimming, credit unions can adopt proactive measures to reduce the risk of compromised cards. A range of solutions were showcased at Diebold Nixdorf's annual Intersect conference, including an education panel featuring Shanna Palmer, payments manager at TwinStar Credit Union. Palmer addressed the increasing physical ATM attacks. One of the credit union ATMs was pulled through a branch wall into a parking lot using a chain, leaving the ATM in the middle of the street. Another ATM was robbed by thieves using a blowtorch to destroy the bolts holding the machine in place.



In response, TwinStar installed burglar alarms on all publicly accessible ATMs and even installed gates around ATMs.

Credit unions are calling on stricter criminal penalties and support legislation that increases penalties for ATM attacks. ATM attacks are regarded by the government as property crimes and are not regarded as felonies in many states. The proposed legislation would make ATM attacks a federal crime and carry penalties of up to 20 years in jail.



**A panel of ATM experts at Diebold Nixdorf's annual conference discuss ways combat ATM attacks. (L to R) Ken Justice, PNC Bank, Nilesh Shah of Citibanamex, Shanna Palmer of TwinStar CU and Ryan Kelley of Diebold Nixdorf Inc.**

While financial institutions can employ monitoring and notification technology to identify vulnerable cards, members also need to be vigilant to protect themselves when using card reader PIN pads, payment terminals, and ATMs, and by watching for any suspicious activity. Instead of swiping their credit or debit cards and exposing the magnetic strip, consumers can opt for more secure methods like chip-and-PIN or contactless technology. Credit unions need to act in real-time to threats and tailor their intervention strategies to

help consumers pause and consider before sending funds to potential fraudsters. Using automated, two-way communications through the customer's preferred channel is another effective tool for introducing sensible safeguards into the payment process.

In conclusion, while no single solution can address all the inventive tactics employed by thieves in various fraud scenarios, adopting a strategic, layered approach can safeguard both customers and banks while enhancing operational efficiency.

## Dark web: More than just stolen card numbers



A recent report by NordVPN unveiled that 51.5% of card numbers on the dark web included corresponding addresses, 39.8% had associated phone numbers, and 28.7% were linked to an email address. Furthermore, 2.5% of these compromised cards featured date of birth details, and 1.8% even included Social Security numbers. NordVPN's analysis encompassed six million stolen cards listed on the dark web, a notorious marketplace for illicit credentials.

In a broader perspective, 62.8% of the cards arrived with some form of supplementary information, indicative of a more sophisticated hacking approach, while up to 37.2% were acquired through brute-force attacks. This suggests that the majority of stolen card data was acquired through advanced methods like phishing and malware, as opposed to traditional brute-force tactics, according to NordVPN.

Out of the scrutinized cards, 58.1% (equating to 3.5 million cards) belonged to American individuals, rendering the United States the most affected country globally. American card details on the dark web commanded an average price of \$6.86 per card, compared to the overall average of \$7.01 per stolen card. It's worth noting that many cards were available for free. Furthermore, two million cards on sale contained American cardholders' home addresses and telephone numbers, while one million cards came with email addresses, and approximately 100,000 included their owners' date of birth and even Social Security numbers. NordVPN's card fraud risk index ranked the United States at 0.79 on a scale from 0 to 1.

The study revealed that approximately 2.5 million cards were traded on dark web marketplaces. If these six million analyzed cards were to be sold, NordVPN estimated potential earnings exceeding \$18.5 million for the criminals involved. In evaluating the risks posed by credit card theft and associated cyberattacks in 98 countries, NordVPN's risk index identified Malta, Australia, and New Zealand as the most vulnerable, with the United States ranking fifth. On the other end of the spectrum, Russia was identified as having the lowest risk score, while China ranked third from the bottom.

## Visa News

### Visa launches \$100 million Generative AI Initiative.

Visa plans to invest in the next generation of companies focused on developing generative AI technologies and applications that will impact the future of commerce and payments.

As a pioneer of AI use in payments since 1993, Visa considers this initiative an extension of Visa's leadership in using AI to drive innovation in payments, create value for partners and clients, and enable and empower global commerce. Generative AI is an emerging subset of AI that is built on Large Language Models (LLMs) to develop artificial general intelligence capable of generating text, images, or other content from large sets of existing data when given prompts. This initiative will be led by Visa Ventures, the global corporate investment arm of Visa. Visa Ventures has been investing in and partnering with companies driving innovation in payments and commerce since 2007.



**Visa earnings up in Q4.** Visa reported card spending climbed with earnings higher than predicted during the recent earnings call. CEO Ryan McInerney announced a new \$25 billion stock-repurchase plan. Visa reported a 9% rise in payment volume on its network and a 10% rise in the number of transactions. Consumers spent \$3.196 trillion on Visa's network globally last quarter, with the company posting a healthy 6% growth in spending in the U.S., the company's largest market. Visa disclosed that U.S. debit and credit volumes were each up 5% in the first three weeks of October, marking a sequential drop attributed to a "days-mix" impact in September and falling October gas prices.

### Visa launches program to combat friendly fraud losses.

Visa announced new changes to its dispute rules and processes to give small businesses more tools to fight fraud with the possibility of saving small businesses over \$1 billion globally over the next five years.

Visa spotlighted the evolution of its dispute program, making it easier for merchants to fight first-party misuse, also known as friendly fraud or first-party fraud, for card-not-present transactions. The rule change gives merchants more ways to show a disputed charge is valid and authorized, helping business owners keep money that is rightfully theirs while protecting legitimate cardholder activity.



*Continued on page 9*

# A Closer Look at FedNow: Changing the Game for Real-Time Payments

When FedNow launched on July 20, the Federal Reserve announced that 35 financial institutions and 16 service providers would participate. That number has expanded to more than 100, but the volume of payments moving over FedNow is still small, according to Michael Barr, the Fed's vice chair for supervision. "We have provided the rails," he said. "Innovation by private depository institutions will determine whether these services reach a broad range of households and businesses."

The FedNow service holds great promise, delivering payments in 20 seconds or less via bank channels with the potential to speed up not only bill payments but also business-to-business transactions. Yet adoption continues to be anemic. Just 13% of banks and credit unions have joined or are planning to join. Core processors, such as FIS, Jack Henry, and Fiserv, state they are ready to assist from a technical standpoint. With the infrastructure now in place, there is no definitive answer to why the FedNow adoption is so slow, but some possible factors are:

- **Too Early to Adopt.** It's too early for financial institutions to fully understand its benefits and features. According to the Federal Reserve, FedNow is a "minimum viable product" that will evolve over time based on feedback and demand.
- **Competition.** The Clearing House's Real-Time Payment (RTP) network has been operating since 2017 and claims to reach over 60% of U.S. demand deposit accounts. Some credit unions prefer to use RTP or other existing platforms rather than switch to FedNow or use both simultaneously.
- **Startup Costs.** The investment in technology and infrastructure upgrades, as well as complying with regulatory and operational standards, pose challenges and costs for some institutions. According to a survey by Volante Technologies, 40% of financial institutions cited integration with existing systems as the biggest challenge for adopting real-time payments.
- **Risk Concerns.** There are significant hurdles in financial crime prevention and compliance efforts that are slowing the implementation of FedNow according to a survey from Fenergo of U.S. risk and compliance officers.
- **Optional.** FedNow may not have a strong value proposition for some customers, especially if they are already satisfied with their current payment options. According to a report by Mastercard, 28% of U.S. consumers said they do not use real-time payments because they are happy with their current methods, while 24% said they do not know what real-time payments are.



The promise of FedNow will come in a number of forms. Some of the use cases for FedNow are:

- **Account-to-Account (A2A) transfers:** Individuals can instantly transfer money between accounts or even cards at different financial institutions, such as funding a newly opened account, reloading prepaid cards, funding or cashing out mobile wallets or moving funds from their financial institution to their brokerage account.
- **Consumer-to-Business (C2B) bill pay:** Individuals and businesses can pay bills such as loans, utilities, and more and feel confident their payment is posted to the biller's account immediately. This can help people and companies avoid late fees and better manage cash flow. Billers can also send a request for payment to their customers through the FedNow Service.
- **Business-to-business (B2B) payments:** Businesses can make instant payments to their suppliers, vendors, contractors, or employees, reducing the need for costly intermediaries or manual processes. Businesses can also benefit from improved liquidity management and cash flow forecasting.
- **Disbursements:** Businesses, governments, or other entities can instantly disburse funds to individuals or businesses, such as insurance claims, tax refunds, rebates, rewards, or payroll.

Visa offers FedNow as an additional network on the Debit Processing Service (DPS) platform. As a DPS-supported network, MAP can support daily settlement and select risk management tools for credit unions looking to adopt FedNow. For more information about FedNow offered by MAP/Visa, contact your Relationship Manager.

## CFPB proposes Open Banking rule



On October 19, 2023, the Consumer Financial Protection Bureau (CFPB) issued its long-awaited proposed rule to facilitate what it views as open banking. The proposed rule would implement Dodd-Frank Act Section 1033 (12 U.S.C. § 5533), imposing new requirements on financial institutions to provide certain customers (and their authorized third parties) with electronic access to account information.

With the proposed rule, the United States is set to join the European Union, Hong Kong, and Australia in using regulation to push the market toward open banking and to encourage the development of open banking products and services.

In a press release, the CFPB doubled down on this messaging, indicating that the proposed rule is intended to “supercharge competition, improve financial products and services, and discourage junk fees.” In prepared remarks, Director Chopra noted that the proposed rule “would require that financial firms offering transaction accounts – like checking accounts, prepaid cards, credit cards, and digital wallets – give you access to your personal financial data, so you can share or transfer the data to another provider.”

As drafted, the proposed rule would apply to any “covered financial product or service,” which would be defined as any “account” as defined in Regulation E § 1005.2(b) and any “credit card” as defined in Regulation Z § 1026.2(a) (15)(ii).

The proposed rule would require financial institutions that provide covered products and services (defined as “covered data providers”) to make available to consumers (or authorized third parties) data that relates to the consumer’s covered account(s).

The proposed rule is the next step in the CFPB’s rulemaking process that began with the CFPB’s October 2020 advance notice of proposed rulemaking. Comments on the proposed rule will be due by December 29, 2023. Director Chopra indicated that, after reviewing comments received, the CFPB “will look to finalize the rule by next fall.”

## Industry News

*Continued from page 3*

**Australia to be ‘functionally cashless’ by 2025.** Reserve Bank of Australia (RBA) figures show the majority of transactions in Australia are now made using electronic payment methods rather than cash, and checks are now “rarely used”. A recent survey of nearly 1100 people by comparison website Finder found 55% of Australians use cash less than once per week, 14% only a few times a year and 13% never use it at all. Australia is rapidly heading towards becoming a “cashless society” as banks crack down on withdrawals, close ATMs and branches and ban cash altogether.

**Digital-only banks fail to rebound after the pandemic.** Account openings at digital-only banks will likely never fully rebound to their 2019–2021 levels due to economic uncertainty and competition from other fintech challengers. In 2023, 92.3% of the 5.2 million accounts opened digitally will be with incumbent banks, as digital-only banks fall victim to economic uncertainty and intense fintech competition. Even Gen Zers—the main source of account opening growth—will largely opt for trusted institutions. Neobanks will be left in the dust, especially as fintechs and Big Tech siphon away customers.



### Boomers barely use BNPL compared to other generations.

The share of baby boomers and seniors who use buy now, pay later (BNPL) options barely makes a blip. For those born before 1964, only 6% used BNPL in the 90 days prior to being surveyed. One reason for this disparity is the cohort’s reliance on credit cards. Baby boomers’ and seniors’ higher savings cushions suggest that this age could be paying their balances in full. When baby boomers and seniors do use BNPL, they do so for much higher costing average purchases than they use their credit cards.

### U.S. online sales growth slows.

U.S. ecommerce sales in the second quarter of 2023 reached \$277.6 billion. That is a 7.7% increase compared with the year prior, according to U.S. Department of Commerce figures. Non-ecommerce sales grew 2.1% over Q2 2022. Retail spending surged in July thanks to the release of the “Barbie” movie and a succession of sold-out Taylor Swift concerts across the country, reported CNN. Ecommerce penetration increased just 0.9% year over year.



*Continued on page 10*

# Debit has gone digital . . . and it's more popular than ever.

The realm of debit card transactions has evolved significantly, driven by cutting-edge digital technology and the burgeoning presence of fintech companies. Debit cards, once primarily used for ATM cash withdrawals, have now transformed into a versatile payment method, encompassing virtually every consumer payment need. Central to this transformation is technology solutions designed to offer payment convenience, ease of use, and enhanced security throughout the entire payment journey.

Consumers worldwide, especially younger demographics, are swiftly adopting innovative transaction methods as fintech firms create them. Whether it's instantaneous peer-to-peer payments, smartphone-based digital wallets with biometric security, or the seamless integration of financial services, consumers are embracing debit cards for their adaptability in making these modes of payment a reality.

It is likely no surprise that younger consumers are leading the way in debit card e-commerce transactions. One survey showed that close to half of Gen Z and Millennial consumers use their debit cards in digital channels. Between ages 25 and 40, Millennials are hitting their prime purchasing power. Gen Z, ages 11 to 26, are just starting to enter the workforce. As these groups age, their purchasing power and use of digital payment options will increase.

Because of the above demographics, merchants should expect digital payment options to continue growing. Additionally, Gen Z and Millennials will continue to push digital payment innovations, which translates to more spending (i.e., CapEx and marketing) in this category if merchants are going to keep up.

This surge in debit card usage owes much to the development of digital payment capabilities, often in collaboration with card networks like Discover Global Network. Research indicates that an impressive 98% of fintechs are either currently partnering (70%) with payment networks or see the potential for such partnerships (28%). As a result, fintech companies and debit issuers are capitalizing on these opportunities by offering digital payment alternatives that leverage the trust consumers place in their financial institutions to safeguard their payments.

The surge of consumer debit transactions within the marketplace witnessed significant growth during the pandemic. In 2022, 55% of consumers reported using debit significantly or somewhat more than in the previous year. This trend demonstrates a consumer preference for seamless, convenient, flexible, and secure transactions, with debit cards now integral to a wide range of payment options. They have become a preferred method for digital wallets, P2P payments, e-commerce, recurring payments, and small in-store purchases.

Digital wallets, in particular, are driving this growth, with 66% of consumers



designating their debit card as the default payment option in their digital wallets. This trend is likely to continue, as global e-commerce digital wallet volume is projected to reach \$4 trillion by 2025.

The collaboration between fintechs and payment apps has amplified customer preferences. A growing number of consumers now make payments using one or more fintech-provided financial service apps on their smartphones. This collaborative approach allows fintechs and banks to deliver mobile financial experiences that resonate with consumers, focusing on security, which is a top priority for users. The rapid adoption of digital payments shows no signs of receding. A recent survey revealed that 74% of digital payment users began using this method within the last three years. Digital wallets continue to gain momentum, with more than half of consumers using them in the past 90 days.

Debit card usage for e-commerce purchases is on the rise across all demographics, with younger consumers leading the way. Nearly half of Gen Z and millennial consumers use debit in digital channels, and this trend is expected to persist as their buying power increases.

As new technologies and applications converge with changing demographics, the future of debit card usage is set to expand further. Consumers across all age groups express a growing interest in faster, open, and integrated financial experiences. To facilitate this, partnerships among fintechs, financial institutions, and payment networks will be crucial in delivering new products and services that meet the expectations of today's digital-first consumers. As one 451 Research study pointed out, "Financial institutions and payment networks will play an essential role in bringing trust and scale to new fintech use cases."



# Consumers will rely more on BNPL this Holiday Season



U.S. holiday shopping sales are expected to reach \$221.8 billion this year, a 4.8% year-over-year growth, according to recent data from Adobe. The growth in holiday spending is attributable to increased availability of discounts and the surging popularity of “buy now, pay later” (BNPL) payment methods. In a climate of inflation leading to increased costs across various goods and services, consumers are expected to continue seeking discounts or the flexibility to split their purchases into smaller installments to maximize their budgets.

Patrick Brown, Vice President of Growth Marketing at Adobe, stated, “Despite an unpredictable economic environment, where consumers face several challenges including rising interest rates, we expect strong e-commerce growth this season on account of record discounts and flexible payment methods.” Brown emphasized that BNPL has become increasingly mainstream, making it easier for shoppers to make purchases, especially on mobile devices, where more than half of online spending is anticipated to occur.

Retailers are attuned to the fact that consumers are more mindful of their spending habits. In response, they are offering substantial discounts to entice shoppers. Adobe’s data indicates that electronics, clothing, and toys are poised to see some of the most significant deals, with electronics discounts expected to reach 30% this year compared to 25% in 2022. The most substantial discounts are projected to be available during Cyber Week, making it an ideal period for bargain hunters. For instance, Black Friday will provide the best deals on televisions, while Cyber Monday will feature the most attractive discounts for electronics and furniture.

In anticipation of heightened holiday spending, Adobe also foresees that BNPL payment methods will set new records this year, driving \$16 billion in online spending, representing a 16.9% year-over-year increase and \$2.5 billion more than the previous year. The BNPL trend has gained considerable traction, with users spending \$46.7 billion this year, marking a 14.7% year-over-year increase.

## Visa News

*Continued from page 5*

### Block sues Visa and Mastercard over interchange fees.

Block, the parent company of Square merchant processor, is accusing payment-card networks and their member banks of charging inflated fees and using their market power to sustain anti-competitive practices. Block alleges in a lawsuit filed in July that member financial institutions involved with each network colluded to sustain network fees, called interchange, at a level above what would be tolerated in a competitive market. Square, which charges users fees for payments passed over its platform, directly pays the interchange charges levied by the card schemes. Block has also complained about separate charges applied by Visa and Mastercard that are determined by merchant locations and size, arguing that the fee is “highly complex, difficult to calculate, and unavoidable”.



### Visa Direct transactions increased by 20%.

Visa’s fiscal third-quarter results show Visa Direct, transactions grow by 20% to 1.8 billion. Visa Direct’s growth is being underpinned by domestic P2P transactions in countries such as Mexico and with B2B cross-border payments that help improve supplier payments.



During the quarter Visa succeeded in selling more than 300 new issuing services, 600 new acceptance services, and almost 500 new risk and identity services according to Visa CEO Ryan McInerney.

### Visa partners with Expel to help clients manage cybersecurity risk.

Through the referral partnership, Visa and Expel, a leading security operations provider, are working to make it easier for clients to anticipate and protect against cyber threats. Companies are dealing with a large number of issues related to cybersecurity, including an ever-expanding threat landscape, a constant stream of cybersecurity alerts and events, and challenges in hiring and retaining cybersecurity talent. The fraud and payment security market is large and growing faster than card payments, and a strong foundation of cyber protection is required to enhance fraud defenses. This partnership is helping Visa build on its advanced internal cybersecurity capabilities to help create a more secure ecosystem. Our Risk and Identity Solutions, support the security and integrity of the Visa network and help keep our clients and partners secure. Visa will begin offering Expel’s solution to Visa clients within the United States and Canada



## Industry News

Continued from page 7

### Credit cards support Americans struggling with Inflation.

With the worldwide spike in inflation in its second year, Americans are learning to live with inflation, according to PYMNTS. The latest official data on consumer expectations as to where we are and what inflation might look like showed that expectations for inflation will be north of 3% in the months ahead, a strong decline from the peak of 9% seen a year ago. Seventy-two percent of consumers said their income has not kept up with inflation — or at best has barely kept up with it. As many as 4 in 10 employed consumers said their current salary does not meet their expectations. Thirty-three percent of card holders, on average, increased their reliance on credit cards in the last six months, and 15%, on average, decreased that spending, according to Credit Card Use During Economic Turbulence,”



### Data breach volumes have reached unprecedented levels.

During the first half of 2023, the number of U.S. data compromises is higher than the total compromises for every full year between 2005 and 2020, except for 2017, says the Identity Theft Resource Center in its “H1 2023 Data Breach Report.”



### 24 central banks to offer digital currencies by 2030.

Some two dozen central banks across emerging and advanced economies are expected to have digital currencies in circulation by the end of the decade, the Bank for International Settlements (BIS) found. Most of the new Central Bank Digital Currencies (CBDCs) will emerge in the retail space, where eleven central banks could join peers in the Bahamas, the Eastern Caribbean, Jamaica and Nigeria which already run live digital retail currencies, the BIS found in its survey of 86 central banks conducted late 2022.

**Digital Gift Cards to reach \$1 Trillion by 2032.** The global digital gift card market is projected to reach \$1.2 trillion in 2032, up from \$310.1 billion in 2022, according to a report from market research firm Custom Market Insights (CMI). In 2023, CMI projects sales of digital gift cards will total \$399 billion, a more than 28% year-over-year increase. Digital gift cards are gift cards that are bought online or through mobile apps and sent to consumers via email or digital messaging apps. Driving the growth in digital cards are such factors as consumers' increasing use of mobile wallets and e-commerce sites for making purchases.

## ABA wants Congress to investigate credit union's federal tax exemption



U.S. consumers are generally unaware of the differences between banks and credit unions and believe credit unions should be held to the same standards as the banks they compete with for customers everyday, according to a new survey conducted by Morning Consult on behalf of the American Bankers Association.

A wide majority of respondents (62%) said that Congress should examine whether credit unions are providing enough community benefit to warrant their existing tax exemption, while only 14% opposed such an examination, according to the poll. Morning Consult polled a national sample of 2,211 adults online.

“Credit unions do not misuse their tax-exempt status,” stated CUNA President/CEO Jim Nussle and NAFCU President/CEO Dan Berger in a joint response. “In fact, the numbers show it is one of the best public policy investments the government can make. Credit union members saw more than \$14 billion in economic benefits alone in 2022, and non-members received billions more in benefits due to credit unions' presence in the marketplace.

“This frivolous tactic by banks is an attempt to stifle competition, and it ignores the fact that a significant number of banks are Subchapter S corporations that do not pay corporate income taxes.”

“Credit unions deserve the same ability as banks to evolve with technology and consumer trends. Calling for hearings and government-funded studies of credit unions is just another attempt to knee-cap credit unions. And waste taxpayer dollars,” Berger and Nussle said.

## Letter from the CEO

Member Access Processing (MAP) has a long tradition of providing best-in-class service and solutions to our client credit unions. MAP's tradition of excellence is rooted in its talented and dedicated team members. I have enjoyed working with everyone at MAP, and I am learning daily why our clients are so loyal.

Our team possesses the right mix of expertise in payments, passion for what they do, and dedication to helping our client credit unions succeed. In my short time here, it has become obvious to me why MAP has a Net Promoter Score of 85. MAP's services and solutions exemplify the level of quality anyone could ideally hope for from a service provider.

MAP sets the standard. The combination of our "high-touch" service combined with Visa's feature-rich, flexible Debit Processing Service (DPS) platform is unrivaled in the industry. The concerns we hear about our competitors – unbearably slow response times, malfunctioning platforms, lack of follow-through, even lost tickets – are issues our clients don't experience.

Moreover, what I hear from CEOs and card managers alike is that MAP team members consistently "go the extra mile" for our clients. The dedication of our team is visible in their everyday perseverance to overcome obstacles and get to "yes" for credit unions and their members. Whether it's during a conversion, a product implementation, or a member issue, MAP is always delivering that "yes" experience to our clients.

In this issue of Payments Report, you will see both the challenges and opportunities confronting credit unions. MAP is excited to offer the **MAP Exchange Network**. This Durbin-compliant debit network will offer our client some of the most competitive interchange rates in the market and we are eager to help you realize this new revenue opportunity. Also, the **FedNow** solution offered through DPS promises to be the most comprehensive solution available to credit unions currently. DPS has solved many of the barriers to processing FedNow transactions, including core connectivity, settlement, and risk management.

Equally, credit unions continue to face a highly disruptive and competitive payment environment, from legislative and compliance challenges to fraud and financial crimes. That's why having a dependable advocate like MAP is crucial. In the coming months, I will be traveling the country to meet and listen to our clients, learning how MAP can best support your institutions and members. Understanding your concerns from member service to compliance will help the Team and me pilot a prosperous future at MAP.

For over a quarter century, MAP has been an essential partner for credit unions seeking cost-effective, best-in-class payment solutions. We have been successful by keenly listening to our clients and responding to their concerns in equal measure. That will not change. I am eager to hear from you about how MAP can best serve you and your credit union. Feel free to call me, 1-866-598-0698, ext 1610, or email me at [steve.bone@map.llc](mailto:steve.bone@map.llc).



**Steve Bone**  
President/CEO



PRSRT STD  
US POSTAGE  
**PAID**  
SEATTLE, WA  
PERMIT #1445



PO Box 88884  
Seattle, Washington 98188

Phone: 1.866.598.0698  
Fax: 206.439.0045  
Email: [info@maprocessing.com](mailto:info@maprocessing.com)