

# T H E T E X A S Independent Banker

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## **Discover® Debit Helps Oklahoma Bank Revitalize Debit Program**

*New Signature Debit Offering From Discover® Network  
Helps Bank Reduce Debit Card Fraud, Transaction Disputes*

By Anne Rhodes, PULSE EFT Association

In the fall of 2006, Central National Bank & Trust Co. of Enid, Okla., introduced a new Discover® Debit signature debit card program. The new debit card offering was part of a larger effort designed to increase account acquisitions and debit card usage, as well as improve certain aspects of the bank's debit card program such as fraud losses and customer service.

Central National Bank of Enid elected to offer the Discover Debit card alongside its existing signature debit product, rather than replace its entire debit card base. But the bank – a self-processed institution with a direct connection to the PULSE® network – took its new signature debit program a step further. The bank operates a “co-bank” program, serving as processor for more than 20 small financial institutions, and it wanted to be able to easily and efficiently offer these banks the same benefits it envisioned as a new Discover Debit issuer.

How have the bank's customers responded to the new product, and was the bank successful in offering Discover Debit to its co-banks? We talked with CEO R.S. Baker and Senior Vice President Dennis Gerhard to find out more.

### **Deciding Factors**

Central National Bank of Enid has been a participant in the PULSE network since 2001. When PULSE and its parent company, Discover Financial Services, introduced the Discover Debit signature debit program in 2006, the bank was not in the market for a new signature debit brand. But the bank found the product's features and benefits intriguing.

“Discover Debit's operating regulations and dispute rules allocate risk fairly between the parties to a transaction,” said Baker. “In addition, the product's 100 percent authorization standard means it operates in a more interactive, online mode.”

These factors were a significant draw for the bank, which also found the product's limited international acceptance ap-

pealing from a fraud perspective. Discover Debit is accepted at more than 4 million participating merchant and cash access locations throughout North America, and acceptance is growing daily.

Central National Bank of Enid also saw benefits in the product's cardholder security features, which include Zero Liability, Identity Theft Defense, Lowest Purchase Price Guarantee, Card and Document Registration Services and Travel Assurance Services.

“It was a definite plus to be able to make these services available to cardholders automatically, at no cost to the bank or cardholder,” said Gerhard, who heads up the bank's electronic payments program.

As a result of what the bank saw as a wide variety of potential benefits, they introduced a Discover Debit program in the fall of 2006. Implementation of the program was easy, said Gerhard.

“The Discover Debit manual is only about an inch thick,” he said. “And it was quick and easy to establish routing through PULSE and complete certification.”

Discover provided training on adjustments and disputes, which the bank has hardly had to use since launching the program.

### **A Unique Introduction**

Rather than replacing its signature debit cards, Central National Bank of Enid decided to take the innovative approach of issuing a second debit card to all of its signature debit cardholders, and offer new account holders a choice between the two card brands. About a month before the 2006 holiday season, the bank mailed new Discover Debit cards to its existing signature debit cardholders and offered them an incentive for using the card during the month of December. In addition to being signature-enabled, the

cards also have PIN/ATM capability through the PULSE network.

“We told our account holders about the features of the card and offered them 10 cents for every PIN or signature-based transaction they conducted using the new card during December,” said Gerhard.

Some cardholders responded immediately and began using the cards, but others – to the bank’s surprise – did not use the cards at all in December but began using them later, after the promotional offer had expired.

Offering two card brands side by side enables the bank to reap some of the security benefits of Discover Debit while continuing to serve cardholders’ individual needs. Those who travel internationally, or simply want to stick with the bank’s original signature debit brand, can opt to do so. And those who prefer the card’s special features, are concerned about fraud or just want to try something new can opt for Discover Debit.

Since introducing the program last year, the bank has issued more than 10,000 Discover Debit cards.

### **Program Results**

Central National Bank of Enid’s new signature debit card program has achieved the results the bank desired at the outset, and had some unexpected effects as well.

“As we expected, there has been a lot less fraud on the new signature debit cards,” said Gerhard. “In addition, there have been fewer debit-initiated overdrafts and virtually no disputed transactions.”

Gerhard thinks overdrafts have declined because all Discover Debit transactions are authorized, eliminating the delay that can sometimes occur with off-line debit transactions. He also believes Discover’s 100 percent authorization standard makes it easier on account holders who keep low balances or don’t balance their checkbooks regularly.

The bank is also pleased with the interchange income they receive on point-of-sale transactions with Discover Debit.

“The actual transaction income is slightly less than with our other signature debit product, but because the fees are lower, the net income is the same or a little higher with Discover Debit,” said Gerhard.

The bank has seen a modest increase in transaction volumes since introducing the program. This is likely at least partly due to the promotional incentive and advertising the bank conducted when it introduced the new card, as well as the higher interest rate the bank is now offering on deposits. However, the increase shows how introducing a new signature debit brand can help a bank revitalize its debit program and refocus its attention on card activation and usage.

Cardholder response to the new product has been gener-

ally positive. “There were some acceptance gaps initially – particularly at sole-proprietor merchants in our area – but Discover and PULSE have worked with us to close those where possible.”

### **Additional Programs**

In addition to traditional signature debit cards, Central National Bank of Enid now offers Discover Debit gift cards, as well as a Discover Debit payroll card. One of its co-banks has introduced a Discover Debit gift card program as well.

Another co-bank has launched a traditional Discover Debit signature debit card, opting to replace account holders’ existing signature cards rather than having dual issuance like Central National Bank. Another small co-bank has begun issuing Discover Debit, and a third will do so in the near future.

Central National Bank is also looking at the new *Perks Everyday*<sup>SM</sup> rewards program offered by Discover Network and PULSE, and may offer the program to cardholders next year.

“We like the Discover Debit program as an institution,” said Gerhard. “It is performing well, and the reception has been positive.”

In addition, says Baker, “Discover has been very flexible and easy to do business with.”

Financial institutions wishing to learn more about Discover Debit can visit [www.debit.discovernetwork.com](http://www.debit.discovernetwork.com), contact John Fuller with PULSE at 469-384-9363, or call the Discover Debit helpline at 877-433-3248.