

# **Transact Payment Systems, Inc.**

## **White Paper**

### **Financial Services Centre (FSC) Self Service Automation**

#### **Industry overview:**

The traditional bank and credit union transactions have fallen on hard times in the eyes of our Nation's lowest income demographic. "That bank ripped me off!" is a common complaint. Although the fee was in writing somewhere on a document the customer had signed, the penalties are staggering. Bounced check fees; \$35.00 for a \$1.00 loan for 1 day equates to a staggering APR? Financial Service Centers (FSC's) are attracting customers with upfront transaction charges. The fees are clear, proven and understandable for persons who need immediate access to all available cash. One might ask, "why not just open a bank account"? 58% of the people using FSC's have bank accounts and still chose the convenience of FSC's service offerings.

In many FSC's, employees work behind bullet proof glass and offer transactions such as check cashing, bill paying, money orders and transfers along with a long list of other services. Check cashing alone generates 2.6 billion annually. Prepaid Visa and MasterCard's are sold as limited deposit vehicles but cash is still king. *"I wish I would have known about this service before giving my ex-wife a checkbook and credit card!"*

The most controversial, publicized and profitable transaction is the payday loan. Fiscally responsible individuals should try to avoid this transaction! Local legislation in some States limit vendor and customer exposure by using a central database that allows only one loan at a time.

The volume of non-bank transactions is on the rise creating the need for more service locations. 30 million people walk through the doors of non-bank financial service organizations every year. There are 13,000 FSC locations in the US. Wal-Mart and Home Depot are now the only financial institution many Americans have ever used.

#### **Automaton:**

A growing group of service providers have risen to meet the challenge of this industry:

Core processor – teller software  
Check verifiers

ACH Providers  
Cash Transfer Services  
Bill Payment Providers  
Debit Terminal Providers  
Prepaid Visa MasterCard providers  
Automated cash handling, Cash Dispensers – Cash Recyclers  
ATM's

### **Self Service ATM's:**

The ATM's being used at FSC's are the same as in any convenience store ATM and are driven by bank networks offering withdraws, inquiries and transfers. Since the inception of Check 24 (Check Imaging), several attempts have been made and are still being made to automate check cashing transactions at ATM's. Security, availability, and lower cost are the reasons self-service solutions are becoming more popular. The overall effect of these limited ventures has not been very successful. One of the attempts; now out of business, cost investors \$300,000,000.00. Some 7/11 Stores now have "VCom," a fully automated self-service solution complete with telephone and camera that offers most of these transactions. A remote customer service representative helps on the phone to set up the account and approve the transaction set. The full keyboard is a little intimidating, but manages to attract a lot of transactions. These innovations are implemented at an enormous cost and have limited exposure. They are being deployed by one venture group at a time hoping to cash in on the lucrative transaction market. Though awesome, this solution is not quite as friendly or inviting as an actual person who will help you, give advice and complete the transaction for you. Customer service and a perception of privacy are how FSC's attract and retain customers. The overwhelming majority of these transactions are being done in FSC facilities.

The ATM is an expensive piece of equipment that securely delivers cash to customers. "It's my cash inside the ATM, why can't I use it when I cash checks?" The answer is "you can't", the transaction isn't available through bank networks and probably never will be. "Why can't I as a liquor store owner purchase a check cashing ATM?" You can't, unless you are willing to invest millions on the project. The ATM networks that drive these terminals charge transaction fees on every transaction. The software used by the ATM networks is extremely expensive and only offered by a select group of development companies focused on the bank industry.

Imagine a scenario in which the current infrastructure is utilized to solve several problems associated with check cashing in a retail environment. The vendor has a

check scanner and cashes checks out of the cash drawer; a common practice in retail. Let's say the check scanner creates a barcode that can be taken to the ATM to securely pay cash to the individual for the check. That retailer would feel more comfortable letting his children work, or anyone else for that matter, behind the counter without all that cash availability.

Solutions to this problem are now available using teller cash dispensers and cash recyclers, but do not totally separate the vendor from the cash. "I need an ATM for customers, why buy, support and stock 2 dispensers?" Let's treat the ATM like a self-service cash dispenser, add a bar code reader and let the ATM do private and bank transactions. That would do what bank networks can't. Banks are responsible for the cash in the ATM, only offer bank transactions and have a maze of bureaucracy limiting them.

### **Let's try this:**

How about deploying a private ATM Network, allowing ATM machines to be managed locally like cash dispensers passing bank transactions to financial networks like a simple debit terminal. If this can be done without the network switch involved, the cost would be spread over all the customers using the technology and consequently be reasonable. Vendors can then issue their own cards or bar-coded receipts to customer for a specific, reoccurring transaction set. With this system in place, private and bank ATM transaction can occur 24 hours a day.

ATM's can be purchased with bar code readers, check scanners, cash accepters, coin changers, Thumb print ID's, cameras, and more. You don't see a lot of these features in this country.

In the beginning, ATM's were introduced with a lot of skepticism. Virtual ATM's were first placed in banks for training. Sometimes the actual ATM was in the lobby for training before it was deployed. The same scenario is going on now for intelligent check deposit ATM's at banks. Personalized customer service is the key to acceptance. If implemented surgically where users can be trained to do repetitive transactions, then migration to this technology would have a chance. FSC's already have the customers and can cost justify installation based on real numbers. If the deployment is in addition to current customer service offerings; not as an all-in-one transaction service centre the comfort level would grow. History shows a migration to this less expensive, more secure transaction solution will happen without forcing customers to use it.

Transact's ATM network product, EZcash, is a mature tested ATM network application created outside of the bank market. This switch application sits between the ATM and the bank networks with tools allowing the ATM owner to take responsibility for the ATM and the cash inside. EZcash drives the ATM using its native language so the technology offered to banks around the world is available to anyone. Our plan is to offer Application Program Interfaces (API's) to software vendors in the FSC industry. The product would be sold as an add-on to the ATM creating a solution that starts paying for itself day one. A fixed cost solution means more opportunity to entrepreneurs who make money one transaction at a time.

### **EZcash:**

EZcash is a client server application for driving ATM machines. The Server (Service and Middle Tier applications) drive the ATM's and download transaction sets. The MS-SQL backend fits nicely with current infrastructures. EZcash Client graphically monitors the ATM's and service provider connections. It tracks statuses, balances, and transactions with a 3 button intuitive interface. EZcash Wizard provides balancing compliance for cash providers.

### **A little history:**

Transact Payment Systems, Inc partnered with NCR Corporation and separately ArcaTech Systems to develop a customized cash payment solution for scrap metal yards. Rather than relying on their cashiers to manage cash payments, a barcode receipt is issued to customers. The receipt is then scanned at the ATM resulting in a cash payment, separating the cashier from the cash. Transact is now a \$10,000,000.00 company and can offer EZcash and customizations without venture capital. NCR Corporation and ArcaTech have agreed to partner with Transact to offer device driving and switching for Financial Services Centers.

We created EZcash for the Scrap Industry, now many scrap yard owners manage their own ATM network. Transact is going to offer the same outstanding service, support and opportunity to Financial Service Organizations. ATM's will never be the same...

To find out more call 727-568-7070 or visit [www.tranact.com](http://www.tranact.com).

