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Short-Term Card by CompuCredit

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Purpose Solutions LLC, a unit of the subprime issuer CompuCredit Corp., is marketing a card that extends short-term credit to **underbanked** customers of grocery and convenience stores to tide them over until payday.

When the customers' paychecks are deposited, the amounts due on their cards are automatically debited from their checking accounts.

Dennis H. James, the president of Purpose Solutions, said the Purpose Advantage card is one of several the year-old Atlanta unit plans to offer to the **underbanked**. The next will be a reloadable, prepaid debit MasterCard that KeyCorp will start issuing this week, he said.

CompuCredit, also of Atlanta, "decided to start diversifying," Mr. James said in an interview. He compared the Purpose Advantage card to the credit lines that merchant commonly offered years ago. "With the prevalence of bounced checks and high fees, it is a great value proposition."

An estimated 48 million people bounce more than 13 checks a year, Mr. James said. They may have credit cards but typically live paycheck to paycheck, and they sometimes write checks they know will bounce to cover necessities, he said.

Purpose Solutions started officially offering its new card Monday. It has been testing the product for about four months at two convenience store chains with more than 160 locations in the Carolinas; 5,000 to 10,000 customers have signed up.

Customers can use the card at Spinx Co. Inc.'s 78 convenience store/gas stations or L'il Cricket Food Stores Inc.'s roughly 90 outlets. The card is good only at the chain where it was obtained. Credit limits typically start at \$25 to \$50, and Mr. James said they may eventually rise to around \$100. When they get the card, customers pay a fee of \$3 to \$6 that also covers processing for the first purchase. They pay another \$3 to \$6 for each subsequent purchase.

Credit is granted immediately as long as a customer has identification, a checking account, and a job, he said; the customer's credit score is not a factor. The card can be used to buy food or gas, but not for lottery tickets or cash advances.

Mr. James called the card a cheaper alternative to bounced checks. A spokeswoman for Purpose Solutions said that around 65% of the people who have signed up so far have been women, a group that does not typically use convenience stores much.

Mr. James said the fact that merchants pay nothing for the transactions has been a big selling point. A Purpose Solutions survey found that the program would increase customer loyalty in part by saving customers embarrassment when they are short of cash, he said. The card is now available nationally.

James Zuber, a vice president at L'il Cricket, said that around 4,000 of his chain's customers have signed up for the card, and that cardholders tend to spend around \$14 per visit, versus \$8 for other customers. The most common items bought by cardholders: milk, bread, gas, beer, and cigarettes. Purpose Solutions has developed a proprietary network to process the transactions.

The KeyBank MasterCard program, which Purpose Solutions began testing in February, will run on MasterCard's network and will be offered through check-cashing outlets and grocery and convenience stores.