

## State of Alabama brings prepaid to the people

If you thought prepaid was just for gift and mall cards, it's time to broaden your horizons

The range of applications for prepaid cards continues to grow as government and health care sectors explore much more efficient, convenient methods

for the delivery of social benefits. In the area of unemployment benefits, numerous states throughout the U.S. are looking to reduce the costs of delivering critical benefit payments, while offering recipients a much more flexible—and less expensive—alternative to cash and paper checks.

Through a recent partnership with EFD Prepaid Solutions and EFD Government Solutions, the Alabama Department of Industrial Relations is changing the cost structure and convenience level of unemployment benefits. Until recently, the state delivered unemployment benefits through direct deposit or check. With check production and delivery costs running at approximately \$1 to print and mail a single check, the state recognized an opportunity to streamline these costs by delivering benefits on a special MasterCard debit card called AL Vantage. In 2006 alone, the agency issued 833,205 paper checks—most of these costs will be recouped by migrating to the new prepaid program, which was launched on November 7, 2006.

Since the State of Alabama already had a successful relationship with EFD Government Solutions, the decision to combine EFD's EBT expertise with EFD Prepaid Solutions made a great deal of sense.

"As a long-standing EFD customer, we knew we had relationships we could trust and a successful track record we could build on," said Jim Webb, unemployment compensation division director, Alabama department of industrial relations. "With EFD's proven expertise in the prepaid arena, this was a natural move. We could also get the program underway faster and begin to change the

way our recipients think about managing their benefits—from improved access to funds to greater purchase flexibility."

Every unemployed worker in Alabama may still elect to have funds directly deposited into their checking account, but those who do not choose direct deposit will instead receive the MasterCard AL Vantage card. New claimants will now receive their benefits electronically, while existing check recipients will be given the option to switch to the AL Vantage card. Over time, the prepaid program will reduce postage and administrative costs associated with printing checks.

While the lower cost structure is friendly to the state and to tax payers, this more efficient prepaid delivery model is particularly attractive to recipients, who benefit immediately from a reduction in check cashing fees that can typically run anywhere from 1.5 to 3 percent (or higher) of the face value of the check. And, since the MasterCard brand is accepted at virtually every merchant location, these consumers now have a much safer alternative than paying for purchases with cash at the point of sale. To help ensure cost-effectiveness, recipients can make any number of signature debit purchases with no additional fees, and have a generous allocation of free ATM withdrawals and IVR service inquiries.

Another major advantage—the prepaid cards are reloadable, so recipients don't have to wait as long for recurring weekly payments that would normally be mailed by check. A simple website is used to check the status of the prepaid account, monitor balances and review purchase histories.

Recipients without Internet access can also use ATMs to withdraw cash when needed and monitor their account balances.

For many, prepaid offers more than a simple alternative to checks and cash. In the case of the unemployed, many recipients are also underbanked. Receiving benefits through prepaid debit cards offers an opportunity to enter the financial mainstream and develop a higher degree of comfort with electronic payment methods like signature debit. Over time, this can lead to trusted relationships with financial institutions and access to a wider range of financial services.

For Alabama's Department of Industrial Relations, the unemployed and taxpayers, the program has succeeded in changing the way benefits are delivered, accessed and ultimately spent. "The response to the program so far has been positive, and we are continuing to reach out to our recipients to ensure they fully understand the ways that prepaid cards can simplify their lives," concluded Webb. "For the state, prepaid has proven itself." 7

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