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Debit cards increase in popularity as form of payroll

Premium content from Tampa Bay Business Journal by Margaret Cashill, Staff Writer

Date: Friday, January 20, 2012, 6:00am EST

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TAMPA — Bank teller lines are shorter on Fridays now that direct deposit has gained popularity and paper checks have become scarce. Direct deposit offers convenience and security both for companies and employees, but for employees without bank accounts it's not an option.

Prepaid debit cards have answered the call for those employees without bank accounts, and card providers have found avenues for growth.

One such provider is Dominion Payroll Services of Florida LLC, a full-service payroll company based in Tampa.

Use of Dominion's debit card is most common among clients with large numbers of part-time employees and younger employees, said President and Owner [Dennis Gallagher](#).

The option is popular in the restaurant, hospitality, construction and manufacturing industries. Employees can use the debit card anywhere Visa is accepted and draw cash from an ATM.

"People don't want paper reports, live checks or live check stubs," Gallagher said.

For Excelsior Defense Inc., a St. Petersburg security provider, the debit cards help consolidate payroll for employees in eight states.

Excelsior employees can choose to have their salary deposited into their bank accounts or to load payment onto a card of their choice, including cards provided by Dominion, Excelsior's payroll company.

"We've done away completely with paper checks for a year now," said Administrative Assistant Beth Malcomb. "In the event of something happening, in the electronic age, we have the capability to backtrack."

Malcomb said the only drawback with the card is that some people are wary of technology and reluctant to rely on the cards for payment.

The cards have many benefits but they are also another item to manage on behalf of an employee, said Richard Cangemi, chief executive officer of **Mangrove Employer Services Inc.**, an HR Management, payroll and benefits administration company in Tampa that offers clients the debit card as a form of payment to replace a physical check.

An effective prepaid debit card program requires 100 percent participation from "un-banked" employees. Otherwise the company still has to manage live checks in addition to cards and direct deposit.

"If you have 700 employees you're offering checks to, but you can only get 450 to convert, it's not great," Cangemi said. "The program, to work well, has to be an all-or-nothing."

Mangrove also offers a debit card for flexible spending accounts, health savings accounts and health reimbursement accounts.

One of Mangrove's clients using the cards is **Sypris Electronics**, a provider of electronic manufacturing and engineering services for government clients and defense contractors.

For Sypris employees — which number about 300 in Tampa — the greatest advantage of the card is the reduction of paperwork, said Sue Sirak, principal HR representative.

"Prior to the card, people were turned off with the amount of paperwork you had to maintain," she said.

Employees responded favorably, she said. When the company introduced the cards, enrollment in FSA went up.

Commercial use

Prepaid debit cards, not only as a form of payment, but for general commercial use, are on the rise, said Charlie Stutts, partner in the financial services group of **Holland & Knight**.

Stutts represents the money services business — previously known as the check cashing companies and more recently as "payday lenders" — to develop contractual agreements with issuers, which most commonly are banks, as well as to develop compliance programs.

For Florida's "un-banked" or "underbanked" populations, not having a banking card can create numerous obstacles. Accessing a rental car or booking a flight, for example, can be difficult.

These cards are growing in popularity for other uses, such as a gift from parents to children away from home for the first time.

"I saw the promise of the cards a long time ago and worked with the clients to establish relationships," Stutts said.

The field for providers of the cards is competitive, said Ian Andrew MacKechnie, executive vice president of **Amscot**, which has offered prepaid debit cards since late 2005. The launch of the prepaid debit card has allowed Amscot — a provider of check cashing and cash advances — to continue relationships.

"People were moving from paper to plastic," he said. "If we wanted to maintain the relationship with customers, we needed that offering."

Green Dot Corp., based in Monrovia, Calif., and **NetSpend**, based in Austin, Texas, are two national leaders in the prepaid debit card business.

It's a "rapidly growing space" MacKechnie said.

For Amscot's prepaid debit card program, funds are held in a **Federal Deposit Insurance Corp.**-insured account. Amscot partners with an issuing bank, rather than holding the funds.

"It's a great way to control spending," he said. "You can only spend what's on the card."

Technological shift

The emergence of prepaid debit cards as a form of payment reflects a larger trend of digitization among companies.

Using a debit card can help an employer "go paperless" and save them the costs associated with producing checks, said Kevin Kenoyer, Southeast vice president of sales for payroll processing and human resources management firm Paycor.

The debit card eliminates the need for check reconciliation by drafting funds out of employers' accounts on payday. It also decreases the incidence of fraud that can occur with live checks.

For an employee without a bank account, prepaid debit cards provide the option to be paid right away.

"It keeps the employee from having to leave work to cash their check," Kenoyer said. "For companies that are looking to be efficient and do more with less, this is another means to do that."

— Margaret Cashill

Margaret Cashill's beats include tourism, hospitality, marketing and media.