

The Acquiring Mind

Issue 3
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Marketing pCI

Selling PCI to merchants is a constant struggle for our sales force. Merchants already pay so much for processing and the margins for sales people are getting more and more lean.

Though some PCI companies are better than others, they all offer the same basic services. What if you could package a full security and compliance solution which addresses the merchant's requirements for the latest

provisions of FACTA and other federal and state laws in addition to PCI without adding anything to the cost?

Any business collecting personal information or consumer reports on customers or employees will be required to comply with FACTA by November of this year.

FACTA is the Fair and Accurate Credit Transaction Act. Even if your merchants do not collect consumer data,

if they have employees, they are storing someone's personal information and must be in compliance with FACTA.

If you are already working with a PCI vendor, this program can be combined with any PCI vendor already in place. It is simply a value added service which will allow you to add revenue to your portfolio through new and existing merchants.

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Epayware has a new risk monitoring system on the market

TCB often gets questions concerning what risk monitoring systems are on the market. We recently discovered ePayware's new risk system. The system has been on the market for less than a year, but the functionality is really flexible and very well thought through. It was designed by taking the input of various ISOs and MSPs.

The system can be housed and managed in house or by ePayware. Implementation time is typically between 30 and 60 days and they will make changes to the product according to specific needs.

Pricing is affordable even for the smaller portfolios and the

service levels we have witnessed have been excellent.

The system parameters allow for all of the standard alerts, prioritization, opt out features, and various filtering features by alert code.

ePayware actually offers an entire MSP in a box. The MSP piece has been in production for several years. It is a slick little system as they offer each module an MSP needs to properly manage a business. The system can be purchased all together or by module. The nice thing about this company is that their systems can be easily adjusted to individual needs and they have a structure already in

place. Most ISOs end up spending thousands reinventing the wheel. The whole MSP in a Box approach really cuts down on cost. ePayware claims many of the top MSPs and ISOs as their current customers and is looking to bring their web-based offering to smaller and midsize customers.

The modules offered encompass all facets of operations including telemarketing, lead management and online merchant application, merchant enrollment and underwriting, front and back end boarding, inventory and

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Special points of interest:

- **Monitoring Portfolios for Bankruptcy and Out of Business Losses**
- **Canada's Push to Chip and Pin will Increase US Fraud—What can you do to shore up your risk system and procedures?**
- **RFID Security Flaws in US Passports**
- **High Fuel Prices Are Causing Law Enforcement to Cut Training Budgets**
- **Reducing Data Entry Errors Effecting Revenue**
- **2008 Gulf Coast IAFCI Conference September 18 and 19**

Monitoring Future service merchant Accounts



On a properly fraud monitored portfolio, bankruptcies can still cause massive losses. The fact is, most ISOs are experiencing higher out of business/bankruptcy losses than fraud losses.

With the economy turning, these types of losses are going to be even higher than what we are currently seeing.

Do you know the indicators of a failing business?

- What steps do you have in place to monitor for out of business?
- How do you identify merchants taking future and custom orders?
- Do your underwriting guidelines accommodate for merchants taking future and custom orders?
- Are your underwriting guidelines so tight that you don't allow any merchants taking future orders?

If you are monitoring retrievals as your only check for out of business, you are looking at some huge loss potential. Retrieval monitoring should be treated as a safety net after all else fails. Once you

see the first retrieval, you are exposed for the full amount of orders over whatever the merchant's fulfillment time may be.

Spend some time identifying merchants who are taking future or custom orders. Search for words like custom, flooring, and furniture then look for MCC/SIC codes typically associated with future delivery of service.

Underwriting has traditionally taken place around Mail Order and retail when in reality future delivery of service is the true issue at hand. Most non face to face technology has limited the amount of fraud that takes place in this environment. True exposure occurs between when the card is charged and the cardholder receives the merchandise.

Underwriting and monitoring should focus on this issue. First you should determine what kind of loss your portfolio can sustain as a worst case scenario. Then ask yourself, what kind of loss are you going to be ok with. This will give you some benchmarks to work with to help determine where underwriting and monitoring guidelines should be adjusted.

Once you have determined what is an

acceptable level of pain, you can begin setting thresholds. On the average, if a business fails, you are looking at losses equal to 2 months of processing. Remember, this is an average. It can be much worse.

Compare your threshold of pain to volume based upon 2 months average losses and use that to draw lines in your portfolio. Determine what volumes you will need to underwrite every month, every quarter, every six months, or annually.

Every company struggles with manpower issues, however monitoring future service accounts will save you in losses more than what you are spending on manpower.

If you do not have a staff member with experience in setting up this process, have a consulting firm review your portfolio, underwriting, and monitoring guidelines and make recommendations as to the frequency underwriting should take place. Some, like TCB, will even underwrite for you.

How ever you accommodate this potential issue, it should be a priority especially during economic slumps.

Epayware con't.

shipping management, risk and fraud monitoring, residual and commissions portal, and merchant transactions portal.

The system with some modifications would also be a good start for a cash advance company looking for a system.

All of the applications are web based and your sales force and merchants can access systems online. The online merchant piece can be used as a revenue stream. Below is a brief description of what each piece does. All interact with each other or work as a stand alone system.

EZ Telemarket is a powerful sales tool which allows an ISO to import data electronically from lists which can be sorted in several ways (by industry, region, etc.). Its features include autodialing, scripting, and disposition assignment. EZ Telemarket assigns appointments and assignments based on a rule set. It will locate agents by location, time of day, and skill set. It also measures productivity.

EZ Leads is a lead management system. It

captures, qualifies, and routes leads through the appropriate channels.

EZ App allows the sales force to input new applications online.

EZ Enrollment houses the underwriting workflow. The system allows users to pull credit reports and the system interacts with the major credit bureaus. It imports the details of the CBR directly into the system.

EZ Boarding is a communication piece which allows the ISO to data enter into the database and then the system sends the data to the various front ends and back ends (including American Express and Discover) cutting down on multiple points of data entry.

EZ POS automates the building of terminal downloads. It is user friendly for the sales force and creates a piece of automation which allows for a quicker turnaround.

EZ Ship tracks an ISO's internal inventory. It logs serial numbers and details on

multiple pieces of equipment. It also allows an ISO to use bar coding for less data entry errors.

EZ Risk is the risk monitoring piece. See below for a couple of screen shots from the Risk piece.

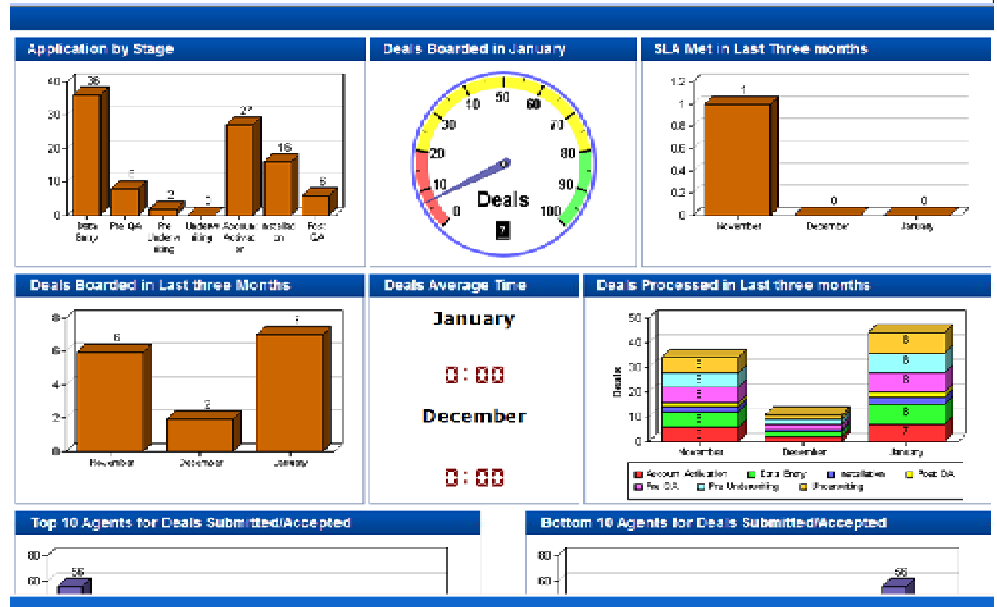
EZ CSR is a complete call center tool. It allows an ISO to create and refer trouble tickets for issues, replace manuals with an online tool, and provides spectacular reporting to showcase areas of improvement in client retention.

EZ Merchant Portal allows merchants to access their accounts online.

EZ Agent Portal allows agents to review information concerning residuals and merchants online.

For more information concerning products by ePayware, you can visit their website at <http://www.epayware.net> call Ray Somani (ray@epayware.net) at 408-417-0123 for an online demo.

EZ Enrollment



Flag Name	Parameter Value	Count	Priority	Status	Description
Contract Batch Credit	2500	115	Medium	Active	A merchant presents a high value batch then approved batch
Contract Batch Debit	5000	115	Low	Active	A merchant presents a high value Debit batch then approved batch
Credit Rule	500	1	Medium	Active	A merchant processes a batch with credit transaction(s) exceeding parameter value.
Credits	1000		High	Active	A merchant processed a batch in which total credit transactions is higher than parameter value.
Credits With Same Card		3	Medium	Active	A merchant processed a batch with multiple credits on same card.
Duplicate Bin	6	4	Medium	Active	Multiple Transactions Same Bin # Creditmaster Example Creditmaster #56789123xxxxxx
Multiple Transactions Same Bin # Creditmaster	4	1	Low	Active	Multiple Transactions Same Bin # Creditmaster

Edit Flag

Flag Name: ContractBatchCredit Parameter Value: 2500 Description: A merchant processes a high value batch then approved batch

Count: 115 Active: Priority: Medium

Only Apply to Card Type: Visa MasterCard Discover AMEX Diners EBT Debit Card

MCC Codes: Apply To Do Not Apply To

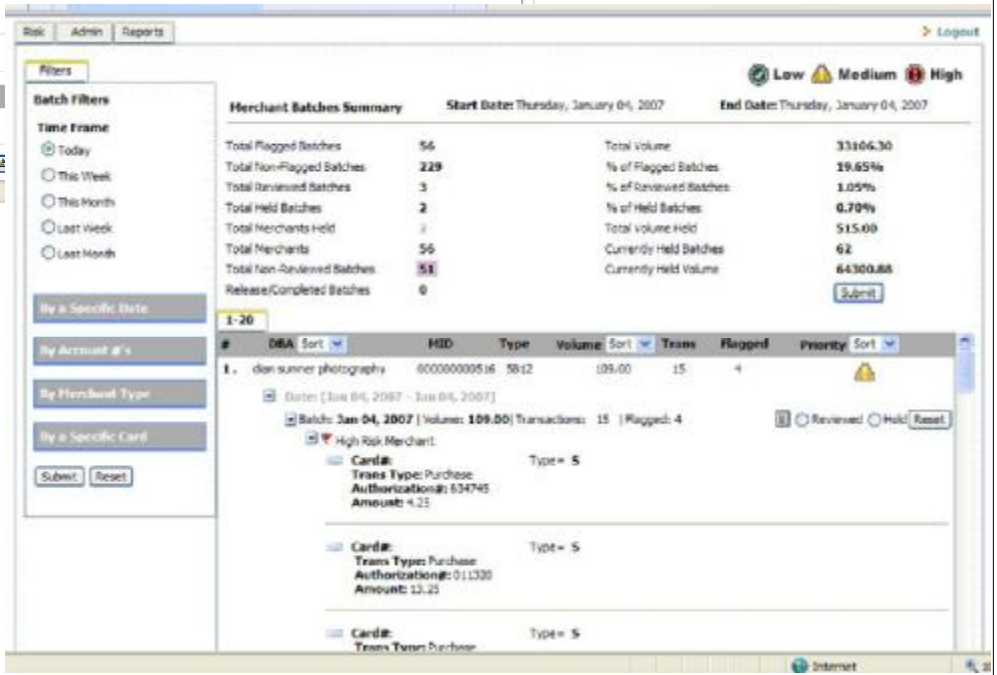
MCC Code

5511 5912 5944

MIDs: Apply To Do Not Apply To

MID

EZ Risk



Canada goes to chip...fraudsters will move south...are you ready?

Canada's push toward chip is a reality. The first rounds of testing have been completed with overall positive results. It is a fact that when chip goes in, the fraud losses goes down—or do they?

The fraudsters really just move on to someone easier to target. Canada's target date for 100% conversion to chip is the end of 2015. With no sign the US will go toward chip, the fraud will most definitely move our way.

Fraudsters are lazy. They target the easier victims. What are some preventative measures an ISO can take to prepare for an increase in fraud?

First and foremost, always file your Suspicious Activity Reports and report all criminal activity to the feds or the local police. It is a lot of work prepping a case for law enforcement, but if you have a standard template to follow, it is not as much work as you might think. The bad guys do not like to mess with processors who call the police. If you get some

arrests, they will leave you alone and move on to someone else.

Now is the time shore up your risk system. Many systems were written long ago and may philosophies and fraud trends have changed. Fraud changes constantly. If your risk system does not allow for additional rules and alerts to be added on the fly, your risk system will be obsolete very quickly.

One of the most under-monitored items is card numbers. The fact is usually the bad guys have a limited number of credit card numbers to work with. If your monitoring system is not equipped to allow you to tag card numbers known to be used in fraudulent activity on your own portfolio, you need to think about updating your system. Nothing is worse than getting hit with a fraud and then 3 months later getting hit again with the same card numbers. We see it all the time.

As soon as a fraud has been detected, Investigators should be running card

searches. Once the searches have been run, the fraudsters can strike again. Known fraud cards should be a flag in your risk system.



Authorization monitoring is huge and it is amazing as to how many processors and ISOs still do not monitor for excessive declines. Excessive declines is the most important fraud detection tool. Usually programmers/developers simply do not want to or do not understand how to decode the authorization files. This should not be an excuse. Authorization files can be decoded and monitored properly.

Last but not least, train your call center people on the basics of risk. They are your first line of defense and properly trained CSRs can be a huge asset in detecting fraud. Let's face it, Risk is the sexiest job in the company. Everyone loves to hear the stories. Set up brown bag lunches and tell your stories. You will find a trained CSR will alert you to suspicious activity concerning statements, downloads, etc. Risk can't possibly talk to every merchant and losses are everyone's responsibility! Use your front line warriors!

Rfid is under attack

We are seeing more and more attacks on RFID due to the number of compromises happening. Most of this audience has probably read tons of reports on relatively low tech snooping devices with the ability to grab information off of RFID cards at close range. Did you know that better devices can snoop up to 50 meters away?

Having credit card information stolen is worrisome, however the more disturbing issue we have seen has centered around the new US passports. Components are manufactured in foreign countries. Data is "protected" with one of the lowest forms of encryption. Data on the RFID is all of the data on the passport.

Open demos for snooping, hacking, and altering passports was released last August at Defcon (the largest hackers conference in the US).

Though warnings and controversy had surrounded the implementation of the RFID chips in passports as early as 2004, the US government went ahead and implemented. Now they are scrambling to pass another bill to try and fix the major security flaws.



Visit our FREE Investigators Research Page!

WWW.TCBCConsultingOnline.com

Click on Investigators Links!

Take Charge Business Consulting, LLC has collected a number of investigative sites which we update upon request. The site is maintained and is accessible to all investigators!



Data entry errors are direct losses to the bottom line

Did you know that on an average, portfolios are losing approximately one dollar per account per month on data entry errors alone?

Losses are not just caused by the bad guys and bankruptcies. Data entry errors directly impact your bottom line.

Data entry losses can be attacked effectively in a couple of ways. Automation of the boarding process is a great way to prevent errors up front.

This is not feasible for every ISO as they are limited to the system provided by the back end. In addition, there are so many scenarios for residuals, it is difficult to automate everything. Automate too much and you limit your sales force's potential. Not automating enough leaves big gaps detecting human error.

TCB has seen scenarios where applications go through 4 people for quality assurance checks and data entry errors are still missed. There can be a balance between upfront automation, a reasonable

amount of quality assurance, and keeping your sales guys happy.

An system and workflow evaluation can be done to determine where an ISO needs to focus.

Another effective method of detecting data entry errors are automated error checks on residual reports by a third party. This is a less intrusive method which requires no programming.

The only manpower involved for the ISO is in correcting the data entry errors once they are detected. This process is simple and one month's worth of error corrections usually more than pays for the service.



The bottom line is there is a ton of money ISOs are missing out on. Are you losing money that is rightfully your own?

Marketing PCI Con't

Our sales forces can now present an Affirmative Defense Response SystemSM for FACTA packaged along with PCI allowing small business owners to offer an affordable benefit to their employees, AND generate revenue for portfolios. An added solution without the added cost!

The compensation for this voluntary benefit is very generous. There are multiple ways to be compensated including advanced commissions, renewal income, override advances, bonuses and incentives to name a few. Why not leverage your



additional income while offering merchants valuable information, solutions and services. The beauty is that it is at no direct cost to the merchant.

You can set your security standards at a higher level and be compensated for it.

For more information and details on how this plan will work and how to roll this out to your merchants call (281) 703-4777 or (832) 236-0154.

High Fuel Prices are impacting law enforcement training

The high fuel prices plaguing the US are impacting more than groceries and vacations. Law enforcement agencies are cutting back on their training budgets to make up for what they are spending in gas. I have helped coordinate several conferences over the years, but I have never heard such an uproar as to how many law enforcement agencies are cutting training budgets. The rate is alarming.



The Postal Inspection Service is one of the most active and most effective agencies in investigating and prosecuting credit card fraud. They are probably the most impacted by the rising fuel costs. As of now, the Postal Inspectors have no training budget.

As industry professionals, we need to understand that the feet on the street law enforcement and federal agents are crucial to the prevention and prosecution of fraud within our industry. During tough times, we all need to step up and do what we can to help sponsor law enforcement training. There are great advertising opportunities for your company available which will also allow you to help send a cop to school.

Payments professionals should be supportive of their local International Association for Financial Crimes Investigators aka "the IAFCI" chapter. The organization has chapters nationwide and many hold local monthly meetings. Several chapters even hold local conferences which can offer valuable state certification credit hours.

Contributions to these chapters and conferences can include door prizes, giveaways, sponsorships for ad space, and many offer vendor booth space. Contributions to the IAFCI are considered a necessary business expense by the IRS, so companies can use them as a deduction.

Some upcoming sponsorship opportunities are...



The international conference will be held in Hollywood, California August 25-29. This conference draws attendees from all over the world. The conference committee is still looking for sponsors, vendors, and door prizes. If you would like to contribute, please contact admin@iafci.org.



The Gulf Coast Chapter is also looking for sponsors for their local conference to be held on September 18 and 19. Their conference will be held at the Moody Gardens Hotel in Galveston, Texas. If you would like to contribute, please contact dsellens@tcbconsultingonline.com.

For more information as to how to join or become a sponsor to the IAFCI, visit their website at www.iafci.org.



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results!*

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GULF COAST IAFCI
CONFERENCE
SEPTEMBER 18-19, 2008
NOW TAKING REGISTRATIONS!

The Gulf Coast Chapter of the IAFCI will be holding a conference at the Moody Gardens in Galveston, TX on September 18-19.

This seminar will include:

- Comprehensive 2 Day Seminar
- Complementary hospitality suite Wednesday & Thursday evenings
- Continental Breakfast and Lunch on Thursday and Friday
- A networking social on Thursday evening
- 12 Hours TECLOSE credit for Texas law enforcement officers

Early Bird Registration through July 20th (Fees go up after 7/20)

Law Enforcement: \$130.00, Private Sector: \$145.00, and Private Sector Non-Members: \$160.00

Conference topics include: Credit Card and Check Fraud, Mortgage Fraud, Healthcare Fraud, Data Security, and much more!

For more information, email dsellens@tcbconsultingonline.com.

Take Charge Business Consulting works to help companies reduce losses while maintaining or increasing application counts. We accomplish this through analyzing processes and systems and providing a road map to best practices in staffing, training, underwriting, monitoring, and target markets. Our staff remains leaders in the industry by making education and networking a priority. Understanding the trends and keeping up with the industry changes is the key factor in our business.