



## Payroll deduction card builds up employees' credit

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A new voluntary employee benefit aimed at helping Americans better manage their finances is bringing new meaning to the term corporate card. Launched in July by Blue Bell, Pa.-based firm E-Duction and MasterCard International, the "Clear" card is a payroll deduction card that extends employees a credit line based on their annual salary.

For a \$29 annual fee, employees that sign up for Clear may make purchases at the more than 24 million locations MasterCard is accepted. Employees earning \$20,000 to \$75,000 are extended a credit line of 2.5% of the annual gross, giving an employee earning \$40,000 a \$1,000 credit line. Incomes \$75,000 and above are given a 4% credit line.

All purchases are interest-free and are paid through four installment paycheck deductions over two months, allowing consumers to avoid high interest charges and late fees associated with traditional cards.

"Americans paid \$65 billion in interest last year on credit cards," notes E-Duction CEO Kirk Watkins. "Clear eliminates those charges and late fees as well because you can't be late."

### Establishing credit

Saving themselves from such nuisance charges is not the only advantage of Clear for employees, Watkins says. Individuals are eligible for Clear regardless of credit score or past credit history, making it an attractive benefit for employers with a significant number of lower-income, "un-banked" or foreign workers.

"You maintain a perfect credit score with Clear because you always pay on time, which is great for poorer workers who may be trying to rebuild credit," Watkins says. "Also, for foreign workers, it can be a hassle to establish credit in the United States, and Clear can help them do that."

Even for more established workers, budgeting can be difficult to manage, especially when life's inevitable events occur - the car needs brakes, the kids need back-to-school clothes. The readily available funds Clear provides can give employees a better cushion to cope with unexpected emergencies. "It's amazing how many employees have said they could never have afforded certain expenses otherwise, and how much the card really helped them out," Watkins says, adding that Clear can be used to manage

monthly bills as well. "Regular bills like cable, phone and electric can be billed to a Clear card so you never have to worry about them."

But the card can help consumers with leisure purchases as well. IBM and Carnival are on Clear's preferred merchants list; meaning purchases for computers and cruises can be repaid over six months rather than the usual two.

Lastly, Watkins believes that Clear's readily available funds and ease of repayment could eliminate the need for employees to take 401(k) loans. "Most of the loans people take out for 401(k) s are small - to buy things like furniture or go on vacations," he says. "Clear provides the added benefit of protecting those assets for retirement only."

About 10 E-Duction representatives work to sell Clear to large employers nationwide, and Watkins says the company is "overjoyed" with the response Clear is getting. At no risk or cost to companies to offer Clear as part of their voluntary benefits package, employers don't appear to be complaining either.

Western Union achieved 10% participation in the first four weeks of a year-long pilot program with Clear. "We've had a good response," says Kim Mitchell, Western Union senior vice president of human resources. "We even had employees who weren't part of the pilot program come ask about it, so word of mouth has been very powerful."

Western Union employees were concerned, however, about the privacy of their information. "Some were worried that their names and information were being sold to other companies, but that is not an issue," Mitchell says. "Also, no one with the company sees what employees purchase. We only see what deductions come from individual paychecks. They get their own statements, and can view purchases online on a secured site with password protection. It's no different than any other credit card."

Mitchell's highest praise of E-Duction was the ease with which Clear was implemented. "They did everything for us - loading it into our payroll system, employee communications. It was very simple - much easier than annual enrollment!"