

Principal Vs. Associate/Affiliate Membership



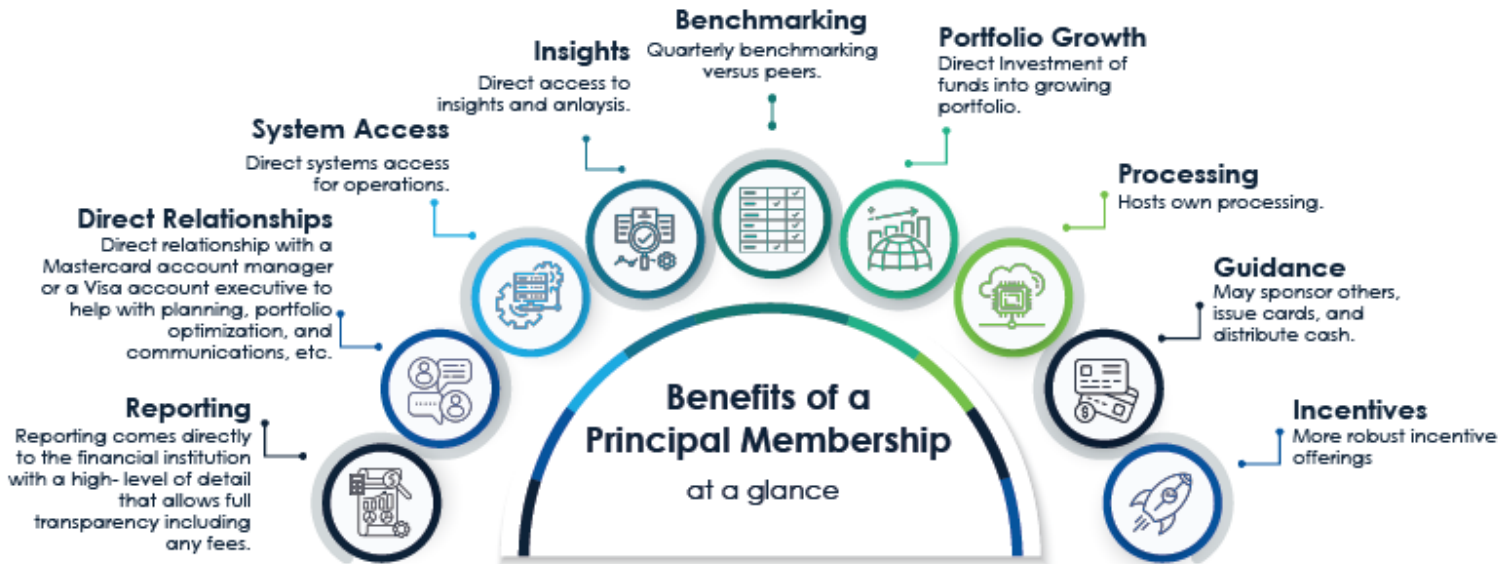
How Do You Know What's Best For Your Financial Institution?

To become a licensed Visa or Mastercard issuer, certain requirements must be met by the financial institution. First things first, understanding the available options and the differences between the two is paramount to making an informed choice. Visa and Mastercard offer two types of licensing programs: a Principal membership and an Associate/Affiliate membership. Both were developed to accommodate different banking needs, and each has different sets of pros and cons to be considered in the decision-making process.

Principal Members

Principal membership often includes large institutions that participate in risk underwriting, credit management, billing customers, and collecting payments. Further, a principal member has a direct relationship and agreement in place with Visa or Mastercard that allows it to issue cards, acquire members, and provide authorization services, to name a few.

With principal membership, the financial institution takes on greater responsibilities, but also enjoys additional benefits, including more flexibility within the partnership. Principal members have direct contact with Visa or Mastercard for their product and marketing needs and collaborate more fully with a point of contact who understands the nuances of each market segment.



Responsibilities of Principal Membership



Associate/Affiliate Members

Associate or Affiliate members can include large and small financial institutions. However, membership historically consists of those with around \$75 million a year or less in combined credit and debit signature volume and/or limited staffing. Additionally, it is not always about the number of assets or personnel the financial institution has. Associate members can include those who decide they want to operate with the assistance of their processor for certain aspects, such as settlement, reporting, and fee payment.



Responsibilities of Associate/Affiliate Membership



Determine What Matters Most

There are many reasons a financial institution may choose to move forward with a principal or associate/affiliate membership. However, the decision should be made with an understanding of each option. If resources are tight, an associate membership might be the best fit. Alternatively, if the reporting requirement is discouraging the financial institution from a principal membership, it may be less of a concern than anticipated.

As a principal member, it behooves the bank or credit union to foster and grow the relationship with its processor. The most successful financial institutions are those that leverage the best parts of the relationship with both their processor and Visa or Mastercard. Speaking with a payments advisor can help shed light on becoming a licensed issuer and which option is appropriate for the institution in question.



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