

Gauging Your Financial Partner's Stability



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How Should We Gauge the Strength of Our Financial Partners?

Who Are Our Financial Partners?



Banks

- > Size & Location
- > Reputation
- > Underwriting Guidelines
- > Agent Bank Considerations
- > Stress Tests
- > Tier 1 Capital Assets



Tier 1 Capital Assets

- > Measures a Bank's Financial Strength & Ability to Absorb Losses
- > Ratio of Core Equity Capital to Total Assets
- > According to Board of Governors of the Federal Reserve System:
 - > Tier 1 Leverage Ratio of 5%
 - > Tier 1 Risk-Based Ratio of 6%
 - > A Total Risk-Based Capital Ratio of 10%



When a Bank Fails to Meet Federal Requirements

- > Rules Change
- > Underwriting Adjustments & Restrictions
- > Bank Acquisition



Third Party Processors

- > Are They Publicly Traded?
- > Security
- > Contract Minimums
- > Applications & Loads Available



Independent Sales Organizations

- > More Difficult to Gauge Financial Stability
- > Do They Have a Funding Partner?
- > Reputation



7 Most Important Factors to Determine Value

- > Financials
- > Growth
- > Attrition
- > Merchant Types
- > Management Team
- > Value Add Products & Services
- > References



Ask The Tough Reference Questions

- > How do they handle pressure situations?
- > Ask for specific problems they have resolved
- > What do they do best?
- > What do they need to improve?
- > How involved are they with day to day operations?



Healthy Company Actions

- > Research
- > Win-Win Arrangements
- > Complimentary Partners
- > Value Add Products
- > Communications
- > Participation
- > Experience



Building A Foundation With Stable Partners

How Will You Evaluate Your Partners?



Thank you!

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