



How Pay-by-Bank Can Unlock New Revenue Streams for Banks Through Lending at the Point of Sale

The Traditional Credit Card Model: Profitable but Exclusive

For decades, credit card issuance has been a highly profitable business for **Banks**. Issuing Banks earn revenue through interchange fees on every transaction and interest from consumers who carry a balance. However, this market is dominated by fewer than 100 Banks in the U.S., with giants like JPMorgan Chase, Bank of America, and Citibank controlling most of the market.

This leaves thousands of smaller **Banks** with limited access to this lucrative revenue stream.

Now, technology is changing the landscape. **Pay-by-Bank** solutions are giving smaller Banks a way to compete—allowing consumers to spend directly from their **personal lines of credit (PLOCs)** and other lending accounts, just like they would with a credit card.

Expanding Consumer Access to Credit with Pay-by-Bank

Many community and regional Banks already offer personal lines of credit (PLOCs), often at lower interest rates than credit cards. However, the challenge has been making these funds easily accessible at the point of sale (POS). Traditionally, consumers could only use these accounts through paper checks, ACH transfers, or debit cards linked to checking accounts—not their credit lines.

Pay-by-Bank eliminates this friction. Consumers can now pay at checkout using funds from their lending accounts, making PLOCs, **home equity lines of credit (HELOCs)**, and **other lending products** as easy to use as a credit card.

Here's how it works:

1. At checkout, the consumer selects a funding source using a **QR code-based / App-driven Pay-by-Bank** solution.
2. Instead of being limited to their debit account, they can choose their **PLOC, HELOC, or other credit line** as the payment source.
3. The Bank processes the payment in real time, debiting the consumer's credit line—just like a credit card transaction.

This small shift transforms how Banks generate revenue from lending.

How Banks Benefit: Earning Like a Card Issuer—Without the Card

By integrating Pay-by-Bank with lending accounts, Banks—especially community and regional institutions—can unlock new revenue streams and compete more effectively in payments.

1. Increased Lending & Utilization

- Consumers can easily access and spend from their **PLOCs**, increasing usage and outstanding balances.
- Higher utilization means **more interest income** for the Bank.

2. Interest Income Without Card Issuance Costs

- Banks earn interest on outstanding balances **without issuing credit cards** or managing card programs.
- No need for Visa, Mastercard, or interchange fee negotiations and complex card processing systems—**keeping more revenue in-house**.

3. A More Attractive Alternative to Credit Cards

- PLOCs often offer **lower interest rates** than traditional credit cards, making them a better option for consumers.
- With **seamless checkout options**, consumers may prefer these credit lines over high-interest credit cards.

4. Stronger Customer Loyalty & Retention

- Smaller Banks can now offer a **competitive alternative to credit cards**, keeping customers who might otherwise turn to major issuers.
- Community Banks can provide **innovative financial services** tailored to their local market.

A Shift in Payments & Lending Power

For decades, big Banks and Card Networks have controlled consumer payments. **Pay-by-Bank is changing the game** with cutting-edge technology that is easy for Banks to implement. Seamlessly integrated into a Bank's digital core, it provides effortless access to lending and deposit accounts—unlocking new opportunities in payments.

With this technology, **community and regional Banks** can participate in the payments ecosystem **without issuing traditional credit cards**. By enabling PLOCs and other lending accounts to function like a credit card at checkout, Banks can:

- ✓ Increase lending activity
- ✓ Expand consumer access to credit
- ✓ Capture more revenue—without interchange fees or card issuance costs



This shift toward account-to-account payments isn't just a win for consumers—it's a game-changing opportunity for Banks to **redefine their role in payments and lending**, enhance the customer experience, and unlock new revenue streams in the digital era.

Contact us to learn more about how LocalPay can enhance your payment ecosystem.

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