One-Card 101: Wachovia Hits the Pit and Becomes the Partner Bank of the UNC One Card

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I. INTRODUCTION: THE ONE-CARD WONDER

A “one-card” is a multifunction identification card issued by an institution designed to combine that institution’s various card-related functions onto a single plastic card.¹ In the United States, the one-card has found its greatest success in academia, primarily because universities are self-contained closed systems with captive audiences highly dependent on identification cards.² Industry experts estimate that out of the 3,500 four-year colleges and universities in North America, approximately 1,300 have some type of campus one-card program.³ Universities implement one-card programs to take advantage of the administrative efficiency inherent in combining identification, library, security, building, and food service access onto a single plastic card.⁴ Additionally, one-cards provide convenience to students by consolidating various identification and debit products into a single card.⁵ One of the most popular features universities are incorporating into

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1. This article will hyphenate the general term “one-card,” though it should be noted that the term is often used as one word or two separate words. However, the name “UNC One Card” will not be hyphenated.
2. See Carol Power, Taking Smart Cards to School, AM. BANKER, May 20, 1997, at 4A. A geographically compact campus is easily networked with a system of card readers, which are essential to administering a successful one-card program. See id.
4. See id.
their one-card mix is a stored-value function. Eager to reap the benefits of non-cash payment systems, many universities have found that adding a debit feature has freed them from the burden of handling small change. Often, these systems will realize significant administrative savings for the university, sometimes even generating a modest source of income. However, since the university system, including its one-card program, is a closed system, use of the debit feature was primarily restricted to on-campus points-of-sale.

Once students began to modify their spending habits by routinely using their one-cards for on-campus purchases, many students began lobbying their universities to expand the range of their one-cards to include off-campus merchants. Unfortunately, in some states, off-campus expansion meant that universities would have to comply with standard regulatory and administrative hurdles faced by financial institutions issuing similar debit cards. Indeed, in order to expand a one-card system off-campus, these universities would essentially have to assume the role of a bank. Reluctant to assume any such role, many universities turned to traditional financial institutions, which, eager to tap into the student market, have been increasingly willing to lend a helping hand.

By forging cooperative partnerships with financial institutions, universities are able to offer a convenient new service

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6. "Stored value" is a system whereby a person transfers a set amount of money onto their card. Interview with Mike Freeman, UNC Card Services Director, in Chapel Hill, N.C. (Sept. 30, 1999) [hereinafter Freeman Interview]. The cardholder can then spend that money at any point-of-sale (POS) equipped with a card reader. See id. When the value is used up, the cardholder must transfer more money onto their card. "Debit" systems, on the other hand, access the cardholder's bank account and deduct the appropriate amount of funds. See id. A debit card has no "stored value," relying on a separate account for funds. See id.

7. See infra text accompanying note 159.
8. See infra note 223.
9. See infra Part III.
10. See infra text accompanying note 120.
11. See infra text accompanying notes 124-127.
12. See id.
13. See Rah Bickley, UNC ID Cards Now Linked to Wachovia, NEWS & OBSERVER (Raleigh), Aug. 27, 1999, at 1D.
to students and faculty, which the university would otherwise not be able to implement on its own.14 Typically, the financial institution will also compensate the university for the exclusive right to directly access the students and faculty.15 Financial institutions are interested in expanding into the university market for two reasons. First, the student population at a college or university, which is typically among the most upwardly mobile segments of society, represents a largely untapped market of potential long-term customers.16 By promoting their names and products, financial institutions hope to instill brand loyalty in financially unattached young adults.17 Villanova University, which partnered its one-card program with First Union in 1998, serves as an example.18 Villanova enlisted the help of First Union to streamline its one-

14. See infra Part III.
15. See infra Part III.D.
16. See infra Part IV. In 1993, Northwestern University's one-card was used as an ATM card by 4,000 students out of a total population of 16,000. See On-Line Campuses, POS News, June 1, 1994, available in 1994 WL 2546462. At that time Northwestern partnered with Northern Trust Bank. Since they have found upperclassmen and employees reluctant to part company with their present banks, Northwestern and Northern Trust focus on new students who have not established banking relationships. See id.
17. Wachovia has cited a statistic claiming that ninety-four percent of UNC students remain with their primary bank after graduation. See Bickley, supra note 13, at 6D. Another method by which financial institutions promote their brands to the youth market is the student credit card. A MasterCard survey indicated that 41% of all college students have credit cards. See Collegiate CUs Challenge Credit-Card Giants, Am. Banker's Wash. Watch, Aug. 15, 1994, available in 1994 WL 3742053. More importantly, since 67% of consumers still have their first card and use that card for more than half of their total spending, reaching potential customers early is at a premium. See id.
18. As part of the deal, First Union offers students its Collegiate Express checking account and Cyberbanking service, which are linked to the student's one-card. See Drew Clark, Smart Cards: To Win New Customers, 1st Union Tying Villanova Smart Cards to Accounts, Am. Banker, July 1, 1998, at 8. Parents who also have First Union accounts can transfer funds via the Internet into their child's one-card account. See id. First Union also agreed to maintain five automatic teller machines (ATMs) on campus and has established an on-campus branch. See id. Gemplus Group manufactures the cards, and Cybermark provides the card technology. See First Union Lands Villanova Deal, Retail Delivery News, July 8, 1998, available in 1998 WL 9076923. The deal is similar to First Union's deal at Guilford College. First Union also has a card program at the Philadelphia College of Osteopathic Medicine. See Bickley, supra note 13, at 6D.
card debit processing functions. Echoing a sentiment common among universities, Villanova explained that it wanted to "get out of the money business." First Union sought the Villanova partnership in order to help it establish primary banking relationships with students, in the hopes that once it secures an initial relationship, First Union can then offer the student-customer other, more profitable products and services. The second reason financial institutions are interested in the university is because the university, due to its nature as a self-contained "closed system," is seen as an ideal testing ground for card system technology because universities provide one of the best examples of a truly multifunctional application of card technology. It is in these types of closed environments that financial institutions seek to test the potential viability of their card technology for mass-market applications.

19. First Union will help develop Villanova's electronic infrastructure in order to allow the university to automate its treasury processes. "We know the challenges universities face with payment and transaction processing," First Union commented, "and we think there is an opportunity to leverage the Internet to address these issues." First Union Lands Villanova Deal, supra note 18 (quoting Mike Love, vice president of First Union relationship access products).

20. See First Union Lands Villanova Deal, supra note 18 (quoting Karen Steinbrenner, executive director of the Villanova Information Technology Unit).

21. See Clark, supra note 18, at 8 (quoting Mike Love, Vice President of First Union Relationship Access Products). When asked why universities seek to partner their one-card programs with banks, Love explained that "[c]olleges feel like surrogate parents with a responsibility to their students. They want to make sure that the whole banking function- including student loans, checking accounts, ATMs, point of sale cards, and maybe installment loans - is a good experience." Id.

22. See Power, supra note 2. "Colleges epitomize the self-contained communities, or 'closed systems,' where smart cards have long been expected to take root in advance of mass-market, open environments." Id.

23. In September of 1996, Duquesne University, total population of 12,000, partnered with PNC Bank. See Duquesne University and PNC Bank Cooperate to Offer Students, Faculty and Staff High-Tech 'ID' That Doubles as Cash, Sept. 4, 1996, available in LEXIS, Banking Library, PRNEWS File. In addition to the normal stored debit functions, the "DU Card" can be linked to a PNC checking account and can be used as a debit card on campus and at participating merchants. See id. Parents can transfer funds to their child's student account as long as they have co-signed the account. See id. James E. Rohr, president of PNC, remarked that Duquesne is "making it easier for Duquesne students, faculty and staff to do business with us... [t]he DU Card exemplifies the ways PNC Bank is responding to the increasing demand for convenience among today's consumers." Id.
This article will explore the deal between the University of North Carolina at Chapel Hill and Wachovia Bank, whereby Wachovia will become the partner bank of the UNC One Card. To better situate the reader, this article will begin by providing an overview of the one-card with an emphasis on explaining the difference between the two primary types of one-card systems, offering notable examples where appropriate. Next, this article will explore the history, interests, and motivations of the University of North Carolina in seeking to partner with a financial institution, as well as outline the specifics of the UNC-Wachovia deal and how the University stands to benefit. Following that, this article will present Wachovia’s opinion on the UNC deal as well as comment on Wachovia’s commitment to the one-card market. This article will then highlight the recent controversy surrounding the UNC-Wachovia deal and the backlash against Wachovia. Finally, this article will conclude by commenting on what the university one-card means for financial institutions, how they can benefit, and what the future holds for this niche market.

II. MAGNETIC STRIPE VS. SMART CHIP: ONE-CARD, TWO FORMS

There are two types of university one-card systems currently in use. The first is the magnetic stripe, or “mag-stripe,” technology found on the back of all credit and debit cards. Approximately sixty-percent of United States checking account customers possess debit cards based on mag-stripe technology. The second type of university one-card system

24. See infra Part II.
25. See infra Part III.
26. See infra Part IV.
27. See infra Part V, VI.
29. See Miriam Kreinin Souccar, Debit-Card Problems Take a Back Seat to Rapid Growth, AM. BANKER, Sept. 14, 1999, at 6A. It is important to note that although many consumers possess debit cards, especially since many banks automatically issue a debit card when a customer opens a checking account, usage of debit cards lags. See id. For example, PNC Bank reports that though 75% of their checking account customers have a debit card, only 45% actively use their debit cards. See id.
is based on "smart chip" technology, which implants a mini-
ture microchip into the card. 30 Many smart cards often feature
a mag-stripe in addition to the smart chip. 31

A. The Old School: Mag-Stripe Cards

1. Mag-Stripe Technology

A mag-stripe, also referred to as a "debit stripe," is the
shiny dark colored bar running across the back of a typical
debit card. 32 The stripe contains a limited amount of read-only
data, such as the cardholder's account number. 33 Since the
mag-stripe is not capable of performing any computations, the
card must be swiped into a card reader, such as a cash register
or automatic teller machine, which must be attached to a host
computer. 34 The host computer uses the account number to
access the account, then performs the transaction requested,
typically involving a debit to the cardholder's account. 35

There are two types of mag-stripe debit systems: on-line
and off-line. 36 On-line systems are directly linked to a com-
puter network, which allows instant access to a cardholder's
account. 37 To complete a transaction using an on-line debit
card, the cardholder must enter a personal identification num-

(quoting Martin Hurbi, vice president and manager of PNC's debit card depart-
ment).

31. See Clark, supra note 18, at 8.
32. See Freeman Interview, supra note 6.
33. If a storage device is "read-only" it means that once the information is ini-
tially transferred onto the device, it becomes "sealed" in that it is no longer capable
of being altered. See id. Computers will only read the information contained
within, and will not change or add to the data. See id.
34. See id.
35. See id.
36. Usage of off-line debit products is growing faster than its on-line counter-
part. See Souccar, supra note 29, at 6A. Transaction volume for off-line debit cards
grew 49% in 1998 to $111 billion. See id. The number of off-line debit cards in-
creased 24% to 100 million. See id. On-line debit sales, however, only increased
37% to $1.9 billion.
37. See id.
ber, or “PIN” for short, as a security verification of the transaction. On-line transactions are faster and less expensive to execute, but do require a direct connection to a financial network. Off-line debit is similar to a credit card transaction, since the transaction experiences a delayed clearing time. An off-line debit transaction does not require the cardholder to enter a PIN, but he or she must sign a receipt.

2. Mag-Stripe Universities

Small universities and liberal arts colleges are generally unable to afford expensive smart chip technology. Fortunately, due to the compact nature of their campuses, small colleges are better able to network their point of sale systems, such as vending machines and the campus cafeteria. Accordingly, these institutions have often found mag-stripe systems to be an ideal entry platform. One such example is Bates University.

38. See id.
39. According to Visa, a $40 transaction with an off-line debit card would cost a merchant 47 to 50 cents; the same transaction with a Visa Check 2 card would cost 25 to 27 cents. See Souccar, supra note 29, at 7A. With an on-line card routed through regional networks, the cost would be about 10 cents. See id. Walmart, for example, trains their clerks to process all customer debit transactions on-line in order to save money on transaction fees. See id.
40. See id.
41. According to a Nilson Report, 66% of all debit card transactions were on Visa’s and Mastercard’s off-line products. See Souccar, supra note 29, at 7A. Visa reports that one out of every four of its transactions occurs on their debit products. See id. Cassandra McKinney, senior vice president of debit card business management at Bank of America predicts a shift in the market towards greater use of off-line debit cards. See id. Further, in 1998 Visa introduced the “Check Card 2” which can operate either on or off-line. See Souccar, supra note 29, at 6A. Though off to a slow start, Visa expects the product to be picked up by financial institutions in the year 2000. See id.
42. See infra Part II.B.1.
43. See Freeman Interview, supra note 6.
44. Kent State University in Ohio, which has issued 30,000 mag-stripe cards, remains committed to the mag-stripe system and suggests that wiring the vending machines is a cheaper alternative to converting to smart chip cards. See More Universities Are Getting Smart With Mag-Stripe Campus ID Cards, DEBIT CARD NEWS, Apr. 15, 1999, available in LEXIS, Banking Library, FGDCNW File. Kent State, however, has left open the possibility of adding a chip to its existing card at some point in the future. See id.
College in Lewiston, Maine, a liberal arts institution with approximately 1,500 students. Bates partnered its one-card program with People’s Heritage Bank, a local Maine-based bank, in 1997. Unlike other colleges, the Bates One-Card actually features two mag-stripes. The second stripe, referred to as the “junk stripe,” is used exclusively for on-campus debit transactions. Another small institution, Fort Hays University in Kansas, adopted a mag-stripe card in 1995 and partnered with Commerce Bank of Kansas City, Missouri. Approximately thirty percent of the 4,500 Fort Hays students use their card as an ATM card.

Xavier University in Cincinnati, Ohio, with a student population of 7,000, partnered with Fifth Third Bank in 1994. Xavier, like other institutions, implemented the system in response to student pressure and sought to transfer fund management to a bank since a bank can handle such transactions better than can a university.

Troy State University's mag-stripe one-card program, begun in 1991, includes a debit function, which the university manages itself. Troy State's one-cards are capable of being used at thirteen off-campus merchants in a town of 13,000 inhabitants. In the 1996-1997 school year, food purchases accounted for 53.5% of all purchases, and gas for 44.5%. Over that two year period, Troy State students spent $300,755 with an average transaction of $1.56. Roughly $6,700 was spent

45. Email Interview with Lawrence Johnson, Director of Security and Campus Safety, Bates College, Lewiston Me. (Dec. 7, 1999) [hereinafter Bates Interview].
46. See id.
47. See id.
48. See id.
49. Power, supra note 2.
50. See id.
51. See Multi-Purpose Card, POS News, June 1, 1994, available in 1994 WL 2546460. Before graduation, Fifth Third Bank offered students the chance to sign up with its Xavier affinity credit card. See id.
52. See Colleges Merge ID Cards With POS Debit and Call It Convenient, POS News, June 1, 1994, available in 1994 WL 2546461.
53. See Frank, supra note 3.
54. See id.
55. See id.
56. See id.
off-campus each month.\textsuperscript{57} The average transaction takes seventeen seconds to complete, and the university receives a percentage of the amount spent.\textsuperscript{58} Each Monday the university tallies up the amounts spent then distributes a check to the respective merchant, minus the university's commission.\textsuperscript{59}

B. \textit{New Kid on the Block: Smart Cards}

1. How Smart Are They?

A "smart card" is a traditional plastic card containing an imbedded ultra-thin microchip.\textsuperscript{60} The chip on a smart card typically holds one thousand bytes of data, in comparison to a mag-stripe card, which usually has three sub-tracks holding 226 bytes total.\textsuperscript{61} The major difference between the two technologies is that smart chips can actually process data, such as separating and designating funds for certain purposes or calculating points earned in loyalty programs.\textsuperscript{62} The increased memory of a chip also allows for greater encryption to prevent fraud.\textsuperscript{63} This technology comes at a price, however, as there is a pronounced price difference between smart cards and mag-stripe cards.\textsuperscript{64} Whereas the most recent generation smart card with an eight-kilobyte chip generally costs between $5 and $15 and the typical one-kilobyte card costs under $4, a mag-stripe card usually costs less than fifty-cents.\textsuperscript{65} This price difference significantly deters most universities from using smart cards because they find it difficult to justify the added cost of smart

\textsuperscript{57} See id.
\textsuperscript{58} See id.
\textsuperscript{59} See id.
\textsuperscript{61} One thousand bytes is equal to one "kilobyte" of data. \textsuperscript{See id.}
\textsuperscript{62} See id. The ability to perform computations is why the chips are referred to as "smart." \textsuperscript{See id.}
\textsuperscript{63} See id.
\textsuperscript{64} See id.
\textsuperscript{65} See id.
card systems. For many universities, the cost of upgrading their infrastructure to accommodate for a mag-stripe system is less than the benefits realized by switching to a smart chip system. Since smart cards do not have any particular application-specific advantage over mag-stripes, the transition to smart card technology is slow. Only about thirty of the 1,200 colleges and universities issuing stored-value cards currently use smart card technology. However, the number is rapidly expanding considering that only fourteen universities had smart card systems in 1997.

Merchants are interested in smart cards mostly for their potential for integrating loyalty programs. Merchants are not, however, as receptive to the idea of using smart cards to

66. See id.
67. See id.
68. See Power, supra note 2 (citing an interview with Kevin Mullen of the National Association of Campus Card Users). Mr. Mullen believes that “once technical and pricing difficulties have been overcome, [the] mag-stripe will be replaced” by chip technology. Id. An impediment to widespread adoption lies in the fact that smart card technology is not fool-proof. See id. At Washington University, 15% of the smart cards have been lost or stolen and 5% have malfunctioned. See Frank, supra note 3. Whereas mag-stripe cards can be easily and cheaply replaced, smart chip cards are expensive to replace. See id.
69. Among the schools offering smart cards are: the University of Pennsylvania, Middlebury College, Memorial University (Newfoundland, Can.). See More Universities Are Getting Smart With Mag-Stripe Campus ID Cards, supra note 44. Pennsylvania State University offers a combination smart card mag-stripe, and the University of Colorado is considering adding a chip to its current mag-stripe cards. See id.
70. Of the major players in this market, Cybermark manages approximately nineteen smart card campuses, and Schlumberger-Danyl has approximately twelve. See Orla O'Sullivan, Cash It Ain't, But That's Not All, U.S. BANKER, Mar. 1999 at 42, 51. To clarify, using smart card technology does not imply abandonment of the magnetic stripe. In fact, most universities offer a combination of the two technologies, since the mag-stripe allows a card to serve as an ATM or commercial debit card. See id. Huber predicts that “[a]dding a chip to a mag-stripe card is the direction schools will go. I don’t see schools getting rid of their mag-stripe systems yet.” More Universities Are Getting Smart With Mag-Stripe Campus ID Cards, supra note 44 (quoting Robert Huber, president of Robert Huber Associates, a campus card consulting firm).
71. See O'Sullivan, supra note 70, at 46. For example, a smart chip could award one point for every ten dollars spent and, after a certain required number of points are accumulated, the cardholder could redeem his points - using the points stored on his card - for free merchandise. See id.
replace cash. Cash is convenient for merchants, since it does not burden the merchant with transaction fees or any delayed funding associated with card payment systems. Another important consideration, revealed during the 1996 Summer Olympics smart card program in Atlanta, is that cash, since it is untraceable, allows merchants to understate their receipts and subsequently lighten their tax load. This practice is not possible with smart cards, since a smart card system keeps a precise electronic record of all transactions. Franchisers, on the other hand, are more receptive to smart cards since the chip system will keep track of each franchisee's true revenues, allowing the franchiser to maximize its cut of the profits.

Smart cards remain in a prolonged stage of infancy in North America, which accounts for 0.5% of all smart cards in use, compared to 85% for Europe. Though the Global Smart Card Advisory Services Report predicts that the U.S. share of the smart card market will rise to 25% over the long term, adoption of smart card technology is occurring slowly and cautiously in America. Where adoption of smart card technology is occurring, colleges and universities could properly be characterized as the cradle of smart card technology in the

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72. See O'Sullivan, supra note 70, at 45.
73. See id.
74. See id. Most of the visitors to the Olympics who used the smart cards were foreigners already accustomed to smart card systems. See Leigh Gregg Will You Be Prepared For Smart Cards?, CREDIT UNION EXECUTIVE, Nov.-Dec. 1998, at 14, available in 1998 WL 10945755.
75. See O'Sullivan, supra note 70, at 45.
76. See id. If all payment is handled electronically, barring a situation where a franchisee tampers with the data in order to understate revenue, the franchisor will know exactly how much the franchisee made and will be able to easily compute its share of the profits. Fast food restaurants have been among the early proponents of smart card technology. See O'Sullivan, supra note 70, at 46.
77. See id. Smart cards enjoy success in Europe primarily because telecommunication costs in Europe are high. See Mark Wallace, Smart, But Not Yet Successful, LATIN FIN., Sept. 1, 1999, available in 1999 WL 14343506. On account of these high telecommunication costs, Europe has found mag-stripe systems prohibitively expensive to implement, since such systems require access to a financial network. See id. Smart cards, however, are capable of performing each transaction themselves, and so do not need access to an online computer network. See id.
78. See O'Sullivan, supra note 70, at 96.
United States in terms of development, testing and implementation.\textsuperscript{79} Many industry experts echo the sentiment that "the university marketplace is the beginning of smart card programs in the U.S."\textsuperscript{80}

2. Smart Card Universities

In 1989, Loyola University became the first university to implement a smart card program.\textsuperscript{81} Seven years later, however, Loyola reverted to mag-stripe technology after its vendor demanded a systems upgrade which the university refused to fund.\textsuperscript{82} One of the most important factors bearing on the choice between smart and mag-stripe cards is how a university system is structured.\textsuperscript{83} Universities like Pennsylvania State University, where several campuses are linked together in one system but spread throughout the state, are better candidates for smart card systems.\textsuperscript{84} In these schools, connecting each campus to a host computer would be prohibitively expensive.\textsuperscript{85} Instead, the main Penn State campus added a chip to its

\textsuperscript{79} See Power, supra note 2. Accordingly, the infrastructure to support this technology is still relatively expensive.

\textsuperscript{80} Id. (quoting Ron Kirk, director of business development at Chattanooga, Tennessee based Debitek, which makes card reading stations).

\textsuperscript{81} See O'Sullivan, supra note 70, at 51.

\textsuperscript{82} See id. Aside from Loyola, Washington University in St. Louis became one of the first universities to implement a smart card program in 1995. See Power, supra note 2.

\textsuperscript{83} See Freeman Interview, supra note 6.

\textsuperscript{84} Another Pennsylvanian institution, the University of Pennsylvania, has recently upgraded its magnetic stripe card to smart technology. See Power, supra note 2. The new card can be linked to a bank account at PNC Bank or the University of Pennsylvania Student Federal Credit Union. See id. The card can also be used as a credit card through MBNA's affinity credit card program, which appears to be unique to the University of Pennsylvania. See id. While other universities may have affinity card programs, few seem to link their affinity credit card program to the university's one-card. See id. Usage of the card, for all functions including stored debit, runs as high as six transactions per card per day. See id.

\textsuperscript{85} The University of Colorado began its mag-stripe system in 1997, but is now considering adding a chip to its ID card to boost student usage of the card. See More Universities Are Getting Smart With Mag-Stripe Campus ID Cards, supra note 44. Currently, vending machines, washers and dryers are not wired into the mag-stripe system, a feature students often request. See id. For institutions like the University of Colorado, the chip card may be a wise option for integrating all student systems.
mag-stripe cards in 1997, and has since issued approximately 49,000 smart cards. However, although students use these cards daily, the smart chip is often ignored or underutilized. For example, in the fall of 1998, $350,000 of the $650,000 total spent on the chip system went towards laundry. Though forty-one merchants on and off-campus accept the card, only 20,000 of the 49,000 cards are being used for stored value. Penn State is also notable in that it was the first university to tie its card to multiple banks, presently including five different institutions.

Another large university, Florida State University, invested between $750,000 and $1,000,000 in its smart card program, which amounts to an implementation cost of approximately twenty dollars per person. Florida State’s smart card contains a chip featuring an “electronic purse” which cardholders use for debit transactions. Florida State officials claim that the system records approximately 400,000 transactions per month at over 600 readers across campus. The cards also contain a magnetic stripe, which allows the

86. The twenty-two other campuses in the Penn State system still issue mag-stripe cards without the chip. See More U.S. Universities Traveling The Smart Card Payment Route, supra note 60. Altogether, the Penn State system issues about 88,000 cards. See id. The University of Arizona in Tucson is another university which has issued combination smart chip and mag-stripe cards. See id. The university has issued over 50,000 cards to date. See id. Tucson-based Sugaro Credit Union is the university’s partner bank. See id.

87. See O’Sullivan, supra note 70, at 43.
88. See id.
89. See id.
90. The system is managed by Pioneer Systems, a subsidiary created in 1997 under the Penn State Federal Credit Union. See id. When a student uses their card, Pioneer directs the authorization request to the appropriate bank. See id.
92. See Power, supra note 2.
93. See id.
card to be used off-campus.94 One of the most notable features of the Florida State University program is the option for students to receive direct deposit of their financial aid.95 As many as eighty-three percent of students who receive financial aid at Florida State University have their checks sent directly to their one-card checking account, which is not only more convenient for students but also lowers Florida State’s processing costs since it no longer has to issue checks to those students.96

The University of Michigan at Ann Arbor also adopted a smart card system.97 In 1995, Michigan partnered with First of America Bank of Kalamazoo, which was acquired by National City Bank of Cleveland in 1998.98 Though largely restricted to its geographic area, First of America had been in the forefront of the smart card field, issuing 130,000 smart cards by 1997.99 Like other financial institutions involved in the university one-card market, First of America believed that “if we do our job right, we’ll have that customer for life.”100 As of 1997, approximately forty percent of students have linked their one-card to an NCB account.101 The University of Michigan admits that it could have created the program itself, but noted “[w]e’re a university, not a bank . . . It made much more sense for First of America to do that.”102 As part of their deal, the university paid for the cards and the bank paid for mer-

94. See id.
95. See James, supra note 91.
96. See id.
97. See Anttoinette Coulton, Smart Cards Graduating, AM. BANKER, Sept. 16, 1997 at 14A.
98. See id. First of America had been one the first banks to take chip cards to universities with programs at the Central Michigan, Northern Michigan, Michigan Technological, and Lawrence Technical campuses. See id. Outside Michigan, the bank runs similar programs at three University of Illinois campuses. See id.
99. See id. Only 20 universities had adopted smart cards in 1997, and First of America was involved in many of those deals. See id.
100. Id. (interview with Cynthia S. Kole, vice president of the campus card and student loan departments). First of America had also been working on a corporate version of the program. See id.
101. See Power, supra note 2 (citing an interview with Robert Golisek, manager of new product development at First of America).
102. Coulton, supra note 97, at 15A (quoting Theodore J. Petropoulos, director of The Bernhard and Fetzer Centers at Western Michigan).
chant terminals, network hardware, software, and initial marketing costs. The bank hopes to benefit from the fees paid by participating merchants as well as from checking and savings accounts and other products it can offer to account holders. The University of Michigan, which gets a cut of every transaction, makes between $22,000 and $26,000 in monthly revenues from the card. Reaction to the program has been mixed, as some students have voiced their opposition to having their card tied to one bank. The negative reaction has actually led some students to underutilize the chip, since they mistakenly believed that they needed an NCB account in order to use the chip. Michigan has said that it will not renew the NCB contract when it expires in May 2000, but will offer students a choice of different banks for their one-card.

In August 1997, Guilford College in Greensboro, North Carolina converted to a smart card system. The system upgrade cost $80,000 for Guilford’s 1,500 students, approximately fifty-three dollars per student. Each card has two electronic purses, one with a limit of $100, and one that can only be used for academic purchases. Guilford partnered with First Union and the university estimates that ninety percent of its students have opened First Union accounts.

Overall, the conversion to smart cards among universities is slow, and total conversion seems to be in the distant fu-

103. See id.

104. See id. Accordingly, obtaining merchant participation “is key to the smart card’s long-term success.” Id. (quoting Peter J. Quadagno, President of Quadagno and Associates, a technology consulting firm).

105. See O’Sullivan, supra note 70, at 49. This revenue comes from interest on the stored debit and checking account balances plus a cut of the fees from debit and chip transactions. See id.

106. See id.

107. See id. Even if students do not open an NCB account, they can use the smart chip for their on-campus debit account purchases. See id.

108. See id.

109. See Frank, supra note 3.

110. See id. (interview with Art Gillis, Guilford’s Chief Financial Officer). Cybermark provided the upgrade and Gemplus supplied the cards. See id.

111. See id.

112. See Clark, supra note 18, at 8.
One estimate is that between twelve and twenty-four North American universities per year will convert to smart card systems. Though more universities are considering the switch, it could be a decade or more before the major colleges and universities fully embrace smart card technology.

The bottom line for financial institutions is that, at least for the foreseeable future, most universities will continue to utilize the less expensive mag-stripe technology on their one-cards. Since commercial debit and credit card systems are also based on mag-stripe technology, the potential for financial institutions to partner with university one-card programs and integrate them into their own financial networks remains strong. Further, should a financial institution have or plan to implement a smart card system of its own, the university could serve as an excellent test market.

III. THE UNC-WACHOVIA DEAL - THE VIEW FROM CHAPEL HILL

The University of North Carolina's "UNC One Card" serves as the primary identification card for all 24,000 students and 11,000 employees of the Chapel Hill campus. The card is characterized by its four primary components: a university logo, an identification picture and number, a library bar code, and a mag-stripe equipped for debit transactions. To the dismay of many students, the stored value feature on the original UNC One Card was initially functional only at on-
Many University officials, including Mike Freeman, the Director of Card Services, heard from students and parents who wanted the UNC One Cards to be accepted at "uptown" merchants. Starting in 1996, Freeman and other University officials looked into the possibility of extending the UNC One Card's capabilities to include off-campus use. In order to allow the cards to be accepted at non-university affiliated merchants, those merchants would have to be equipped with compatible card readers integrated into the UNC One Card system. Technically, outfitting local merchants with the appropriate hardware was not an insurmountable obstacle, especially if the merchants were willing to participate in the system and pay for the card readers.

Unfortunately, the University's plans to expand their one-card system were cut short when the North Carolina Attorney General stated his belief that the Umstead Act would prevent state agencies, such as a public university, from engaging in a business enterprise without specific legislative authorization. Even if it received legislative authorization, the University would need to comply with banking laws governing debit transactions. Basically, the Attorney General's ruling meant that the University would have to have "the capacity of a bank if [it] wanted to take the cards uptown." The University quickly rejected the idea of handling the neces-

119. The original UNC One Card was used primarily at food services, campus bookstores and vending machines. See Elfand Interview, supra note 116.
120. See Freeman Interview, supra note 6.
121. See id.
122. See id.
123. See id.
124. The North Carolina Attorney General made this statement when East Carolina University was attempting to expand its one-card system for off-campus use. See Minutes of the UNC Faculty Council, Nov. 12, 1999 meeting (visited Jan. 3, 2000) <http://www.unc.edu/faculty/faccoun/minutes/M99FC11.htm>. It is important to note that this restriction is not the law in every state. See Freeman Interview, supra note 6. In Virginia, for example, the attorney general allows universities to go off-campus with their one-card systems. See id.
125. See Elfand Interview, supra note 116.
126. See Freeman Interview, supra note 6.
sary regulatory compliance itself.\textsuperscript{127} Instead, the University shifted its focus towards partnering with an institution capable of complying with the respective regulations, especially Regulation E, and integrating the new program expansion into the existing system.\textsuperscript{128} The University felt that it would be more financially feasible to rely on a financial institution with the technical expertise required to expand the UNC One Card.\textsuperscript{129}

The University was not interested in simply converting the UNC One Card into an ATM-style on-line debit card.\textsuperscript{130} Rather, the University wanted to invest in a product that would be widely accepted and easily recognizable as a form of payment, such as the Visa Check Card.\textsuperscript{131} The problem with this idea, however, was that Visa’s unwillingness to let a third party manufacture Visa-standard cards conflicted with the University’s insistence on retaining control over its highly important one-card.\textsuperscript{132} Visa did not want to “brand itself out” to a propriety campus card because it did not wish to subject itself to the security risks inherent in allowing a university to

\begin{footnotes}

\textsuperscript{127} See Elfland Interview, \textit{supra} note 116.

\textsuperscript{128} Regulation E, or “Reg. E” for short, is the Federal Reserve Board regulation (found at 12 C.F.R. § 205.1 (1999)) that implements the Electronic Fund Transfer Act (15 U.S.C. § 1693 (1994)). The purpose of Reg. E is to establish “the basic rights, liabilities, and responsibilities of consumers who use electronic fund services and of financial institutions that offer these services.” 12 C.F.R. § 205.1(b) (1999). The primary objective of Reg. E is “the protection of individual consumers engaging in electronic fund transfers.” \textit{Id.} Section 1693(d) of the Electronic Fund Transfers Act outlines the documentation requirements. Items such as the amount, location, and recipient of an electronic transfer, as well as the form of monthly statements to the consumer are outlined. \textit{See} 15 U.S.C.S. § 1693d (Law Co-op. 1999).

\textsuperscript{129} See Minutes of the UNC Faculty Council, \textit{supra} note 124.

\textsuperscript{130} ATM cards are on-line products, which require the user to enter a PIN number to confirm each transaction. \textit{See supra} Part I.A.1. Since the majority of merchants are not equipped to handle on-line debit transactions, converting the UNC One Card into an ATM card would not allow students to use their cards at local merchants. \textit{See} Freeman Interview, \textit{supra} note 6.

\textsuperscript{131} \textit{See} Freeman Interview, \textit{supra} note 6.

\textsuperscript{132} \textit{See id.} If a student loses his UNC One Card, he needs to be issued a replacement immediately, so he can gain access to library materials and food services. \textit{See id.} If Visa retained the manufacturing rights to the UNC One Card, it could be days before a student received a replacement UNC One Card. \textit{See id.}

\end{footnotes}
manufacture cards with the Visa logo. Nevertheless, the University was strongly committed to this type of product and continued to pursue the idea. After learning that Northeastern University in Boston had struck a similar deal and won the right to brand a similar MasterCard debit product, University officials confidentially pursued their goal.

On April 23, 1999, the University issued a Request for Proposal (RFP) to local financial institutions interested in becoming the "primary bank" for the new UNC One Card. The University's proposal, as it applied to the student population, was designed around three principal needs. First, the University wished to respond to student requests to add more services to the existing UNC One Card, including Visa check card capability. Along with expanding the services offered, the University sought to afford students and parents more control over their money. Under the old system, once money was transferred to the on-campus debit account, it was irretrievable except under certain circumstances. With real-time transfers via the Internet or telephone banking, students or parents could keep money in their checking account until it was needed in the on-campus debit account. Second, the University wanted to outsource its responsibility for maintaining Regulation E compliance. Complying with the man-

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133. See id.
134. See id.
136. See Elfland Interview, supra note 116.
137. UNC also had an interest in expanding this deal to include faculty and staff. See discussion infra Part III.B.
138. See Freeman Interview, supra note 6.
139. See Elfland Interview, supra note 116.
140. This was required under Regulation E. See Freeman Interview, supra note 6. The funds were retrievable only at the end of the semester in which the student graduated or at any other time if the student withdrew from the University. See id.
141. See Elfland Interview, supra note 116.
142. See id.
tory disclosure, dispute resolution, and monthly statement provisions under Regulation E were all items of considerable burden and cost to the University.\textsuperscript{143} Since the University "didn’t want to get into the banking business," it sought to partner with a bank better equipped to handle regulatory compliance.\textsuperscript{144} Finally, the University sought to cut overhead and generate income.\textsuperscript{145} Under the old system, in order to credit the UNC One Card’s on-campus debit account, students, or more often their parents, would either use cash, check or credit card.\textsuperscript{146} The typical scenario was for parents to call the University’s One-Card office and transfer money from their credit card to their child’s UNC One Card account.\textsuperscript{147} Though this was the most convenient method for parents, it was the most expensive method for the University.\textsuperscript{148} Each time a parent used a credit card to add to a UNC One Card’s balance, the University had to pay a transaction fee of more than one percent to the credit card companies.\textsuperscript{149} Over the course of a year, given the large student population, this meant that the University was losing five-figures per year in transactional costs.\textsuperscript{150} In 1998, these fees cost the University more than $70,000.\textsuperscript{151} Unfortunately, the University could not compensate by charging a fee only for credit card transactions since applicable banking law would have required the University to also charge a transaction fee for cash and check transactions.\textsuperscript{152} Rectifying this situation was of critical importance to the University.

The solution was for the University to partner with a lo-
cal bank having a presence throughout North Carolina.\footnote{\textit{See Elfland Interview, supra} note 116.} Given that UNC is a public university that primarily enrolls North Carolina residents, the majority of students and their families are located all throughout the state.\footnote{\textit{See id.}} By partnering with a local bank with a large presence throughout North Carolina, parents could use the branch of the partner bank in their hometown to deposit funds directly into their child's UNC One Card account. The model scenario for the University would be for all UNC One Card balance deposits to be executed in this manner, rather than by credit card over the telephone.\footnote{\textit{See id.}} If such a system were implemented, parents would still have a convenient way to add funds to their child's UNC One Card account and the University could reduce the burden it incurred through the transaction fees associated with credit card transactions.

Transferring funds onto the UNC One Card through a bank account would also reduce the infrastructure needed to maintain the one-card system.\footnote{\textit{See id.}} The large number of transfer machines located around campus, which allow a student to convert cash into UNC One Card credit, could be reduced.\footnote{\textit{See id.}} The number of employees required to staff the UNC One Card office to accept cash, checks and credit cards could also be reduced.\footnote{\textit{See id.}} Furthermore, by channeling this whole process through electronic transfers, the University could reduce the risks inherent in receiving large amounts of cash at the UNC One Card office.\footnote{\textit{See id.}}

After circulating the RFP, the University held a mandatory meeting in Chapel Hill for all potential bidders.\footnote{\textit{See id.}} Though seven financial institutions attended that meeting, Wachovia was the only bank to submit a formal bid before the
After several weeks of negotiations, Wachovia and UNC finalized a contract on July 1, 1999, which will be valid for six years, with a renewal provision for four years. The “Wachovia Deal” can best be conceptualized on the basis of its two major components. The first, and most important, component is the student account, which Wachovia calls the “Wachovia College Account.” The second component is the faculty and staff account, which Wachovia calls the “Wachovia Worksite Services Program.”

A. For the Students: the Wachovia College Account

The College Account is not a product specifically tailored to the UNC deal, but rather is the general package of services that Wachovia offers to students enrolled at any college or university. The College Account features a checking account with no monthly fee, unlimited check writing and no minimum balance. Overdraft protection linked to a reserve line of credit or the student’s savings account is available subject to approval. Students can receive a savings account with no minimum deposit, no maintenance fees and two free withdrawals per month. However, if a student uses three or more teller-assisted transactions per statement cycle, he or she is charged a five-dollar monthly maintenance fee. The intention is that students will conduct the majority of their bank-

161. CCB, which attended the meeting, decided that “the technical work needed to link its information system to UNC’s was too daunting . . . .” See Bickley, supra note 13, at 6D (interviewing Roger Pope, of CCB’s retail products division). Wachovia submitted their final proposal on May 24, 1999. See id.
162. See UNC One Card Primary Bank Contract, § 4.01, 4.02, obtained from Carolyn W. Elfand, UNC Associate Vice Chancellor for Auxiliary Services, in Chapel Hill, N.C. (Sept. 27, 1999) [hereinafter UNC-Wachovia Contract].
163. See UNC-Wachovia Contract, Exhibit B.
164. See UNC-Wachovia Contract, Exhibit C.
165. See UNC-Wachovia Contract, Exhibit B.
166. See UNC-Wachovia Contract, Exhibit B(a).
167. See UNC-Wachovia Contract, Exhibit B(e).
168. See UNC-Wachovia Contract, Exhibit B(d).
169. Teller-assisted transactions include “deposits, withdrawals, cashed checks or transfers made with a teller in a branch.” UNC-Wachovia Contract, Exhibit B(a).
ing through Wachovia ATM machines, which offer unlimited no-fee transactions for College Account holders.\textsuperscript{170} Students may utilize non-Wachovia ATMs displaying the Honor, Plus or Visa symbols, but these transactions incur additional fees.\textsuperscript{171} Free Internet banking, called “PC Access,” and free automated telephone banking, called “Phone Access” is also available to College Account holders.\textsuperscript{172} With the Carolina Computing Initiative (CCI) beginning in the fall of 1999, many students are expected to take advantage of the Internet banking option.\textsuperscript{173}

As for a debit card, a College Account holder is entitled to a no-fee Wachovia Check Card with unlimited no-fee transactions at merchants displaying the Visa symbol.\textsuperscript{174} If a student chooses this option, their UNC One Card will technically become a Visa Check Card.\textsuperscript{175} College Account holders are also eligible to receive a no-fee College Visa or MasterCard credit card, which offers an introductory 9.9% annual percentage rate.\textsuperscript{176}

Lastly, Wachovia will offer “assistance in providing seminars for managing money and establishing sound credit habits.”\textsuperscript{177} Financial seminars, an increasingly common feature of university-bank deals, are designed to quell the critics of these deals who claim that students are being offered products and services, specifically credit and debit cards, which

\textsuperscript{170} To facilitate this, Wachovia will install additional ATM machines at various points throughout the Chapel Hill campus. See Elfland Interview, supra note 116.


\textsuperscript{172} See UNC-Wachovia Contract, Exhibit B(h).

\textsuperscript{173} CCI is a program which requires all incoming students to purchase a laptop computer. See Elfland Interview, supra note 116. Financial assistance is available to those who qualify. See id. Since all future students will have a networked computer, the potential for conditioning students towards Internet banking, a product many banks are trying to push, is significant.

\textsuperscript{174} See UNC-Wachovia Contract, Exhibit B(b)

\textsuperscript{175} See discussion infra Part III.D.

\textsuperscript{176} See UNC-Wachovia Contract, Exhibit B(f).

\textsuperscript{177} UNC-Wachovia Contract, Exhibit B(i). Wachovia publishes a brochure titled “Seven Years is a Long, Long Time” which explains the consequences of bad debit in plain English.
they do not fully understand and which can lead to early financial ruin if not used properly. Through these seminars, Wachovia will help educate students on the advantages and pitfalls of personal finance.

B. For Faculty and Staff: the Wachovia Worksite Services Program

The University also sought to offer an attractive package of banking services to its faculty and staff. This was of particular importance to the University since all new employees must now have their paychecks directly deposited. Though direct deposit is available at any bank of the employee’s choosing, the University took note of the fact that a significant number of its employees do not have bank accounts or are unable to afford an account with a monthly fee. Offering a package of banking services was also part of the University’s long-term strategy of providing higher levels of benefits to its employees. Currently, employee benefits at UNC account for nineteen percent of total compensation, versus twenty-seven percent at peer institutions. The University sought to offer a banking program to increase employee benefits in order to attract and retain faculty and staff. Accordingly, the University asked Wachovia to offer free bank accounts to all university employees.

The applicable program offered by Wachovia, called the

178. Paul Schlossberg, president of Dallas-based D/FW Consulting, observes that with respect to the stored debit function, “[k]ids don’t see the cards as money, so they tend to buy more.” Janice Matsumoto, Money Machines, RESTAURANTS & INSTITUTIONS, May 1, 1999, at 100, available in 1999 WL 13832489. Indeed, when Duke University implemented a stored value card, vending machine sales increased 200% the first two years, and subsequently experienced an average growth rate of 48% per year. See id.
179. See Elfland Interview, supra note 116.
180. See id. Direct deposit of paychecks took effect on July 1, 1999. See id.
181. See id.
182. See id.
183. See id.
184. See Elfland Interview, supra note 116.
185. See id.
Worksite Services Program, will be available to all existing and future UNC faculty and staff.\textsuperscript{186} It features a checking account with unlimited check writing, no minimum balance and no monthly maintenance fees.\textsuperscript{187} New account holders receive their first 200 standard personalized checks free.\textsuperscript{188} A savings account, called "Statement Savings," is available for the account holder's children under eighteen years of age and offers no monthly maintenance fees and no minimum balance.\textsuperscript{189} Worksite Services also offers a Wachovia Visa Check Card free for one year and a twenty-five dollar credit if an employee receives a new Wachovia credit card.\textsuperscript{190}

Worksite Services account holders also receive special interest rate advantages such as a quarter of a percent bonus on certificates of deposit and Individual Retirement Accounts, a two percent balance transfer rebate on a new line of credit,\textsuperscript{191} and a quarter of a percent discount on installment loans plus an additional quarter of a percent discount if payments are automatically deducted from their Wachovia checking account.\textsuperscript{192} Other Worksite Services benefits include a free standard-size safe deposit box for one year, a free appointment with an investment counselor, a free one-year subscription to Smart Money magazine, discounted commissions on investment trades, no-obligation estate planning, an address change service,\textsuperscript{193} and newcomer kits\textsuperscript{194} for new employees.\textsuperscript{195}

A secondary goal in offering these new benefits to the

\begin{itemize}
\item \textsuperscript{186} See id.
\item \textsuperscript{187} See UNC-Wachovia Contract, Exhibit C(a).
\item \textsuperscript{188} See UNC-Wachovia Contract, Exhibit C(c).
\item \textsuperscript{189} See UNC-Wachovia Contract, Exhibit C(b).
\item \textsuperscript{190} See UNC-Wachovia Contract, Exhibit C(e).
\item \textsuperscript{191} The bonus applies to Wachovia's "Equity BankLine." See UNC-Wachovia Contract, Exhibit C(g).
\item \textsuperscript{192} See UNC-Wachovia Contract, Exhibit C(f).
\item \textsuperscript{193} The address service, called "Address Express," provides change of address notification for magazines, catalogs and organizations, in addition to a package of free and discounted bank offers. See UNC-Wachovia Contract, Exhibit C(o).
\item \textsuperscript{194} Newcomer Kits include information about Chapel Hill and a package of free and discounted bank offers. See UNC-Wachovia Contract, Exhibit C(p).
\item \textsuperscript{195} See UNC-Wachovia Contract, Exhibit C.
\end{itemize}
faculty and staff was the University's attempt to increase UNC One Card usage among faculty and staff who tended not to use their UNC One Cards for anything other than identification purposes. Out of approximately 11,000 total employees, only 2,200 regularly used their UNC One Card for debit purchases. Indeed, in a University sponsored survey of faculty and staff, only nine percent reported using their UNC One Cards for purchases. The University hopes that by adding a banking function, employees will subsequently increase their UNC One Card usage.

C. The New UNC One Card

Now that the terms of the deal have been explained, it will be helpful to understand how the actual UNC One Card has been adopted to handle its new features. Anticipating a future change in the UNC One Card, the University re-carded the entire Chapel Hill campus in 1998. During this

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196. See Freeman Interview, supra note 6.
197. See id. Since there are no separate faculty dining facilities in which to use the cards, many employees tended to underutilize their cards. See id.
198. The “ATM and Banking Needs Survey” was conducted as an internal survey by the University on September 28, 1998. See Freeman Interview, supra note 6. Surveys were distributed via campus mail to randomly selected employees, with a return rate of 28%. Additionally, of those surveyed, only 39% reported having a banking relationship before beginning their employment with UNC. See id. Further, 74% reported using on-campus ATMs. See id.
199. See id.
200. UNC explored the potential for utilizing smart chip technology, but eventually rejected the idea because the chip card was too expensive (Villanova’s smart card costs approximately eight dollars per card) and did not allow for a comprehensive audit trail. See Freeman Interview, supra note 6. The debit feature on the mag-stripe UNC One Card allows the University to keep a “full record” of where a student or employee spends his or her debit funds. See id. Further, since UNC has already wired all of their point of sale terminals together, the University did not need the advantages that smart chip cards had to offer. See id.
201. See Freeman Interview, supra note 6. The old card’s magnetic stripe contained space for thirteen digits, nine for the holder’s social security number, three to identify the Chapel Hill campus, and one digit for a lost card. See id. This fourth digit essentially identified the version of the card. See id. For example, if a student lost their card, he could be reissued a new card with all the same numbers except for the thirteenth digit, which would advance from zero to one. See id. The old version would be terminated in the computers and the new version would become
transition, the University changed the mag-stripe number formatting system to a standard ISO number to accommodate for an eventual expansion of the UNC One Card to include banking services. 202 Whether or not the student or employee opens a Wachovia account, all mag-stripes on all cards are capable of handling the ATM function. 203 Of course, the mag-stripes are also capable of handling the on-campus debit and stored value accounts, which are completely separate features of the card, despite the fact that they will share the mag-stripe with Wachovia. 204

Beyond these standard features, there are three different individually tailored versions of the card. 205 The first version, the ATM-style card, will be the default card issued to all students and employees unless the cardholder requests otherwise. 206 The Wachovia logo is prominently displayed the student’s primary card. See id. Of course, this meant that a student could only lose their card ten times during their academic career (since all previous version numbers would be permanently deactivated). See id. Unfortunately, several forgetful students have surpassed that mark in the past. See id.

202. See Freeman Interview, supra note 6. ISO numbers are the standard format used in all ATM and commercial credit and debit products. See id. The University also converted the identification number from the cardholder’s social security number to a new personal identification number (or PID), a less sensitive identifier. See id. The revamped One-Card operates on CS (Card Systems) Gold, which recently replaced the previous Series Five software. See id. CS Gold is a new product from Oracle, and is provided by Diebold, Inc. See id. The open architecture of CS Gold allows for several different “modules,” each of which allow the One-Card to execute a specific task. See id. The four modules include the meal plan, access, entitlements (who gets access to where), and stored value. See id. The CS Gold system will permit Wachovia to tie its services into the existing UNC system. See id.

203. See Freeman Interview, supra note 6.

204. See id. The redesigned UNC One Card still uses only one magnetic stripe, located on the back of the card. See id. In effect, this stripe is divided into two separate systems. See id. The first system authorized the card for use on-campus, including the on-campus debit function. See id. The second system allows for uptown use of the card. See id. The two systems are not capable of interfering with each other. See id. In other words, if a student used their card to purchase an item at an uptown merchant, the merchant’s reader would know to debit the transaction from the second and not the first system. See id. The only tricky situation could be the campus bookstore, which is equipped to read both systems. See id. However, the cashier will be able to select a different key on the register depending on which account the student wished to utilize. See id.

205. See Freeman Interview, supra note 6.

206. See id.
against a blue background across the bottom of the card.\textsuperscript{207} While all of these cards are capable of serving as an ATM card, the ATM feature will be activated only if the cardholder opens a Wachovia account.\textsuperscript{208} The second version will be a Visa Check card.\textsuperscript{209} Technically, this version will be the most difficult to manufacture, since it must incorporate the Visa hologram and feature embossed numbers.\textsuperscript{210} Further, in order to prevent theft and fraud, the UNC One Card office must bolster its security to comply with Visa standards for the storage of blank cards.\textsuperscript{211} In an effort to reassure students, if a Visa Check card is stolen, Wachovia will waive any return check fees incurred, compensate the customer if he or she has already paid any of the illegitimate balance, and completely cover the loss.\textsuperscript{212} The last version, available only if the student

\textsuperscript{207} See \textit{id}.  
\textsuperscript{208} See \textit{id}.  
\textsuperscript{209} The Visa Check Card is an off-line debit product that is used in a similar manner to a credit card. See \textit{id}. The cardholder can use the card for payment anywhere the Visa logo is displayed and must sign a receipt for the transaction. See \textit{id}. The amount spent eventually gets debited directly from the cardholder's Wachovia account. See \textit{id}.  
\textsuperscript{210} See Freeman Interview, \textit{supra} note 6.  
\textsuperscript{211} While there is a "small probability of fraud" if the blank ATM-ready cards were stolen, there is a "slightly larger" but still small potential for fraud if the Visa-ready cards are stolen. See Freeman Interview, \textit{supra} note 6. The University expects to spend approximately $20,000 to properly secure the facilities which will store the Visa cards. See \textit{id}. Northeastern University spent approximately $100,000 securing its office for MasterCard. See \textit{id}.  
\textsuperscript{212} Provided that the cardholder promptly reports the theft/missing card. See \textit{id}. Under the Electronic Funds Transfer Act, which governs debit card transactions in their capacity as electronic fund transfers, consumers are liable for the lesser of $50 or the value of incurred losses resulting from theft or improper usage of a bank card prior to the time the financial institution is notified of the loss of the card. See 15 U.S.C.S. § 1693g (Law Co-op. 1999). However, this cap on loss is valid only if the cardholder notifies the financial institution within two days of the loss or theft of the card, with longer time allowed for extenuating circumstances. See \textit{id}. If the cardholder notifies the financial institution later than two days, liability for the losses incurred are capped at $500. See \textit{id}. However, if the cardholder does not report the theft or loss of his card within sixty days after the receipt of the card's monthly statement, the cardholder's liability is unlimited. The assumption is that a responsible cardholder would recognize the improper charges upon a careful review of his monthly statement, and take the appropriate action. See \textit{id}. This EFTA provision is practically moot, however, since Visa and MasterCard, the debit card giants, have made it their policy to limit the debit cardholder's liability to the first $50 of incurred losses in an effort to convince the public to utilize their debit card
or employee specifically requests it, is a plain student identification card. This version is identical to the first version, except that it does not feature any Wachovia logo. Like the other versions, the debit stripe on the back of this card is capable of being used for on-campus debit purchases and, if the student later desires, he or she can open a Wachovia account and activate the card as his or her Wachovia ATM card.

D. Benefits to UNC

The bottom line for the University is that it now has an additional service to offer its students and employees, as well as a new innovation to attract prospective students. Further, the University will receive a financial benefit from the deal. In return for the privilege of being the primary bank, Wachovia agreed to cover a large portion of the University’s implementation costs for the new system. For example, Wachovia will pay for most of the redesign of the UNC One Card as well as the infrastructure and information systems that must be upgraded to accommodate for this new banking relationship.

Additionally, for every student that opens a Wachovia College Account and maintains that account for one year, Wachovia will pay the University one dollar. For every employee who opens and maintains a Worksite Services account products. See Catch Fraud Quickly to Protect Your Money, U.S. News & World Report, Feb. 14, 2000 at 56.

213. See Freeman Interview, supra note 6.
214. See id.
215. See id.
216. See Elfeland Interview, supra note 116.
217. See id.
218. See id. Wachovia will contribute $25,000 in cash to the UNC One Card office, as well as a machine capable of producing the Visa Check cards. See UNC-Wachovia Contract, Sec. 5.03. Wachovia will also contribute $15,000 towards the redesign of the UNC One Card. See id. Wachovia will also provide $30,000 for the initial direct mail campaign to promote the new program to students, parents and employees. See id. After that, Wachovia will provide up to $50,000 for marketing, including mailings, posters, brochures and “give-aways.” See id.
219. See UNC-Wachovia Contract, Sec. 5.02.
for one year, Wachovia will pay the University ten dollars.\textsuperscript{220} Since the student population is characterized by a much higher rate of turnover than the employee population, this is another, albeit minor, source of revenue for the University.\textsuperscript{221} Finally, Wachovia will pay the University a monthly fee for its on-campus ATMs and branch bank at the Student Stores.\textsuperscript{222}

The University will not receive a percentage of the card transactions conducted by Wachovia, a condition on which several other universities have insisted.\textsuperscript{223} However, most of the universities that receive a cut of these transactions do not hold the funds for the on-campus debit portion themselves.\textsuperscript{224} The University wanted to retain control of this fund, since it is a significant source of revenue.\textsuperscript{225} Indeed, the interest income generated from holding this money pays approximately fifteen to twenty percent of the UNC One Card office's yearly operating budget.\textsuperscript{226} On average, the UNC One Card debit fund contains one million dollars in the student portion, and approximately twenty-five thousand dollars in the faculty and staff portion.\textsuperscript{227}

IV. THE VIEW FROM WINSTON-SALEM: WACHOVIA'S PERSPECTIVE

The most significant aspect of the Wachovia-UNC deal is

\textsuperscript{220} See id.

\textsuperscript{221} See Elfland Interview, supra note 116.

\textsuperscript{222} See id. The monthly fee paid by the bank for each ATM differs depending on the campus location of the machine. See id. Wachovia will have the exclusive right to maintain an ATM in "the Pit," the area outside the dining commons and student stores. See id. ATMs currently located in the Pit will be relocated near Davis library. See discussion infra Part V.

\textsuperscript{223} For example, on its smart card transactions, Pennsylvania State University charges university-owned merchants 1.5% and private merchants 3% of card transactions, averaging about a dollar. See O'Sullivan, supra note 70, at 43. The University of Michigan charges 2.8% and 4%, respectively, on transactions that average thirty-nine cents. See id.

\textsuperscript{224} See Freeman Interview, supra note 6.

\textsuperscript{225} See id.

\textsuperscript{226} See id.

\textsuperscript{227} See id. In the fall, when students and employees return to campus, the debit fund typically exceeds that average. See id.
the fact that the UNC One Card will become the first university one-card outfitted with the technology and capability of a Visa Check Card. To its credit, Wachovia is the first bank in the U.S. to accomplish this long sought after arrangement. Given Visa’s widespread acceptance among merchants, as well as its prior reluctance to brand itself to a university one-card, the UNC deal represents a landmark in the evolution of the university one-card. Embossed with the Visa logo, the UNC One Card has taken a giant step beyond the campus vending machines and dining halls into the world of uptown commerce. If successful, the Wachovia-UNC deal could mark a significant achievement in the university one-card’s quest to add the title of “legitimate form of payment” to its résumé.

Wachovia’s focus on the university market is part of its broader strategy of emphasizing its “traditional strength in acquiring students as customers,” which it considers to be a “key market segment.” Prior to the UNC deal, Wachovia had card programs at Clayton College & State University in Morrow, Georgia, and Virginia Commonwealth University in Richmond. In 1999, it introduced campus card programs at Georgia Perimeter College in Atlanta and Mercer University in Macon, Georgia. In the spring of 2000 it will introduce a program at North Carolina A&T University in Greensboro, and in the fall it will introduce a program at Wake Forest University in Winston-Salem, North Carolina. As a consequence of all these deals, Wachovia will have access to 100,000

228. Email Interview with Joy Marshall, Senior Vice President and Manager of Digital Consumer Services, Wachovia Bank, N.A. (Oct. 4, 1999) [hereinafter Wachovia Interview]. In addition to UNC, Wachovia is planning to pilot the Visa Check one-card at another university, and if that program is successful, Visa and Wachovia will consider offering the product to other universities. See id. Wachovia would not identify the other university test market.

229. See id.

230. See id.


232. See id.

233. See id.
students, faculty and staff through campus card programs throughout the Southeast. Wachovia views the university market as a channel through which it can cultivate long-term customer relationships by offering tailored suites of discounted products and services. Wachovia’s general approach to the university market is one of helping the schools “simplify the lives of their cardholders” by offering innovative one-card enhancements and providing banking services on campus, where students and faculty spend most of their time. In effect, rather than wait for students to come to Wachovia, Wachovia goes directly to the students. Since the university one-card market represents a “huge opportunity for combining functions that have historically been maintained on separate plastics,” Wachovia is “pursuing this market very aggressively.” An interesting twist in Wachovia’s university strategy is that it is targeting students “not only as customers but also as future employees.”

Wachovia’s business case for entering into one-card relationships with universities is, in a fundamental sense, built upon acquiring and retaining new customers and nurturing “long-term, profitable banking relationships.” However, Wachovia admits that “immediate profitability is minimal” since students are being offered a Wachovia checking account with low or no monthly fees. Wachovia’s decision to forego imposing its industry-standard buffet of fees is designed to lure fresh customers into a long-term relationship, a relation-

234. See id. Approximately one-third of these potential clients are from UNC. See id.
235. See Wachovia Interview, supra note 228.
236. See Wachovia Announces Selection As Primary Bank for UNC One-Card, Expansion of Campus Card Program, supra note 231 (quoting Beverly Wells, Wachovia’s Executive Vice President for Retail Financial Services). “Enhancing the capabilities of a card that is already a critical tool in consumers’ busy lives provides added convenience” to students and faculty. Id.
237. Id. (quoting Joy Marshall, Senior Vice President and Manager of Digital Consumer Services at Wachovia).
238. See Wachovia Interview, supra note 228.
239. See id.
240. See id.
ship that may only start out as a checking account with only a few hundred dollars, but has the potential to blossom into a home mortgage, a brokerage account, and perhaps a gold credit card or two. Hence, a university relationship is basically a long-term advertisement built on the notion of deferred gain.

There are risks to university deals, though. One risk is that even if Wachovia expends the resources to become the primary bank of a university's one-card, a student may still opt to do his or her banking with another bank. Further, as with any market segment, "there are financial risks associated with providing financial services," such as bounced checks. Wachovia also faces the possibility that student customers could move "out of market" or choose to discontinue their relationship with Wachovia. However, Wachovia notes that because most UNC students are from North Carolina and remain in the Southeast after graduation, one-card programs offer Wachovia an opportunity to "earn continued relationships with these important customers as their financial needs grow." Wachovia hopes to attract a large portion of the estimated 1,600 new accounts that UNC students open each year, especially since ninety-four percent of those students maintain their relationship with their bank after graduation. Despite the risks, Wachovia admits that it is more concerned with losing the opportunity to have direct access to students to one of its rivals, which would represent a significant risk to Wachovia's university focused strategy.

Overall, Wachovia feels that there is "significant room for expansion" in the university one-card market. For example, it notes that UNC is only one of five North Carolina
universities to have partnered its one-card product with a bank.\textsuperscript{248} Aside from universities, Wachovia notes that it is interested in pursuing "other communities of interest that utilize one-card IDs," such as worksite, military, government and hospital locations.\textsuperscript{249} Earlier this year, Wachovia partnered with the U.S. Treasury Department to launch a smart card program at Fort Jackson Army Post in Columbia, South Carolina.\textsuperscript{250} Wachovia explains that it is continually developing products and services that can benefit these types of "'community' marketplaces."\textsuperscript{251}

V. CONTROVERSY ABounds: CALL It THE 'Pits' FOR WACHOVIA

Implementation of the new Wachovia-enabled UNC One Card did not occur as early as both parties had hoped, primarily due to an underestimate of the effort required to get the system fully operational.\textsuperscript{252} Because the University wants to test the system thoroughly before implementation, University officials estimate that the system will not be operational until the fall of 2000.\textsuperscript{253} Recent developments, however, suggest that many in the UNC community are not holding their breath. Indeed, quite a controversy has erupted over the University's latest corporate link, culminating in Faculty Council Resolution 99-10, which calls for a re-negotiation of the UNC-

\textsuperscript{248} See id. The other universities are Appalachian State with BB&T, Guilford College with First Union, and Wake Forest and N.C. A&T with Wachovia. See id.

\textsuperscript{249} See Wachovia Interview, supra note 228.

\textsuperscript{250} See id.

\textsuperscript{251} See id.

\textsuperscript{252} See Elfand Interview, supra note 116. The initial target was to have the system up and running in the Fall of 1999. See id. The University had estimated that the entire process, from planning to implementation, should, in theory, take approximately six to nine months. See id. Instead of the two weeks budgeted to formalize the contract, negotiations took approximately six to seven weeks to complete. See Freeman Interview, supra note 6. Redesigning the UNC One Card took a longer-than-anticipated eight weeks. See id.

\textsuperscript{253} See Freeman Interview, supra note 6. If a student or employee attempts to use his or her new Wachovia-enabled One-Card at a local merchant and the system fails, that cardholder will likely be upset with the University, Wachovia, and the merchant. See id. Spending extra time in the testing stage may help avoid such a scenario. See id.
The controversy is best summarized around three major themes. The first part of the controversy surrounds the eventual presence of a Wachovia "branch" on a section of hallowed ground referred to as "the Pit." The Pit is a large recessed square at the heart of UNC campus, located in the high traffic common area between student stores, the student union, Lenoir dining hall and Davis Library. The Pit is often the focal point for student demonstrations and rallies as well as the central gathering place where conversations, both intellectual and casual, flourish. In an institution like the University of North Carolina, the United States' first public university, an obtrusive corporate presence in the Pit would signify an unwelcome intrusion deep into the heart and soul of academia. The University decided to locate the Wachovia service center in the Pit because the Pit serves as the "central business district of the campus . . . where most commercial activities take place." However, faculty and students have


255. Though the contract uses the term "branch bank," the University administration stresses that Wachovia's outpost in the Pit will only be a minimally equipped "service center." See infra notes 275-276 and accompanying text.

256. The UNC Report on the Intellectual Climate of the University referred to the Pit area as "the most important, successful, and critical common space on campus" and called for its role to be "protected and enhanced." See Resolution 99-10, supra note 254.

257. The UNC-Wachovia contract provides that a Wachovia "branch bank" will be built on campus. See Minutes of the UNC Faculty Council, supra note 124. The image of such a corporate outpost on the edge of the University's "town square" infuriated many members of the community. See id. The Administration, however, was quick to point out that both sides had intended the structure to be only a "service center" where students could open accounts and ask questions. See id. All transactions were to be handled by ATMs. See id. However, a merger clause in the contract means that the terms of the contract are not to be elaborated through extrinsic evidence. See id. In other words, if Wachovia ever wanted a "branch bank" instead of a "service center" it would be within its rights to do so. See id. Hence, the faculty argued, the contract should be amended to prevent such a move. See id.

258. Alan Zagier, Bank Plans at The Pit Stir Protest, NEWS & OBSERVER (Raleigh), Nov. 4, 1999, at 1B. Dave Godschalk, chairman of the UNC Building and Grounds Committee, which selected the location for the service center, said his committee carefully considered the impact of commercialism on the Pit. See Karey Wutkowski, Wachovia Deal Irks Faculty, DAILY TARHEEL (UNC), Nov. 12, 1999, at 1 avail-
cringed at the image of a Wachovia sign hanging over a space where students have rallied against corporate greed.259

The second theme involves a general distaste for the increasing corporate creep up the ivory tower. Students and faculty fear that the Wachovia deal will tarnish the University’s image with yet another corporate link and only hasten the arrival of more deals in the future.260 Many people have also expressed their reservations regarding corporate integrity, though few would argue that all corporate deals are inherently harmful to the University.261 Most agree that university-corporate partnerships can be appropriate, perhaps even mutually beneficial, assuming that the University critically and honestly examines what it gives for what it gets.262 Nevertheless, Faculty Resolution 99-10 calls upon the Vice-Chancellor

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259. Pete Andrews, chairman of the Faculty Council, explained that the faculty are “concerned about keeping the Pit an intellectual common space. It’s not a commercial district in appearance . . . [w]e don’t want corporate signage.” See Wutkowski, supra note 258.

260. UNC also has corporate deals with Nike, Coca-Cola, and IBM. See John O’Hale, UNC’s Corporate Ties Pit Image vs. Profit, DAILY TARHEEL (UNC), Dec. 7, 1999 at 1, available in Daily Tarheel Online (visited March 3, 2000) <http://www.unc.edu/dth/archives/1999/12/120799/unc.html>. The five-year deal with Nike, signed in 1997 and worth $7.1 million, sparked intense student and faculty protest. See id. Nike gets to place its “swoosh” logo on all UNC team athletic apparel, which it provides at no cost to the University. See id. The Coca-Cola deal, worth $695,000 annually, assures that Coke products will be the only soft drink available in campus dining halls and vending machines. See id. The IBM deal places IBM desktops and laptops in the UNC Student Stores just as all incoming freshmen will now be required to purchase a notebook computer. See id.

261. Todd Pugatch of Students for Economic Justice reasons that “[t]he University compromises itself in aiding corporations on their quest to get on campus and reach students.” O’Hale, supra note 260. A student group called the Alliance for Creating Campus Equity released a statement criticizing the “unwanted monopoly” and claiming that the One-Card “encourages student debt and forces incoming students into a financial decision they may not have made otherwise.” Zagier, UNC-CH Deal With Wachovia Comes Under Fire From Faculty, NEWS & OBSERVER (Raleigh), Nov. 13, 1999, 1B, 5B. Such financial coercion, however, seems doubtful given the fact that students are not required to enter into any relationship with Wachovia.

262. See O’Hale, supra note 260.
of Finance and Administration to "reluctantly" approach any contract that attempts to grant exclusive marketing rights to commercial interests.263 Such contracts, the Resolution argues, "should be entered into only after all other possibilities have been found impracticable . . . ."264

The final theme of the controversy is a widespread skepticism as to how the University will benefit from the deal and a belief that the contract's exclusivity provisions place Wachovia in an "unreasonably favored position . . . that goes well beyond that necessary to operate the UNC One Card system."265 The UNC administration has responded by explaining that the only thing exclusive about the deal is that Wachovia will be the only bank with a relationship to the UNC One Card.266 The deal will not, the administration claims, limit campus banking choices.267 One change, however, may be fueling the fear. Currently, there is a cluster of several ATMs, each maintained by different financial institutions, at the bottom entrance to the Pit. As part of the deal, these ATMs will be relocated to a new area near Davis Library behind Hamilton Hall.268 What angers many faculty and students is that the administration made these plans without complete and honest disclosure to the community or an adequate opportunity for members of the community to voice their opinion.269 Such decisions could "irrevocably alter the

263. See Resolution 99-10, supra note 254.
264. Id.
265. Id.
266. See Wutkowski, supra note 258.
267. See Elfland Interview, supra note 116.
268. See Zagier, supra note 258. The new location is, to many students, less convenient than the prior arrangement. The administration formerly blamed the ATM cluster move on the expansion of the student union. See id. However, some students and faculty skeptically believe the move was a concession to Wachovia. Perhaps the most vocal opponents of the ATM move are the political science professors in Hamilton Hall. See Zagier, supra note 258. The new location outside Hamilton has long served as a somewhat secluded green space where professors have held class discussions and informal conversations. See id. Moving the ATM cluster near Hamilton will likely destroy this miniature garden of academia and weaken the intellectual climate in the surrounding area.
269. See id.
physical character of the nation's oldest public university" and gradually diminish the charm of what many consider to be among America's most beautiful university campuses. There is also concern that the financial incentives offered by Wachovia to the University are inadequate; "chump change" as one professor termed it. The final sour point is Wachovia's attempt, contrary to the law, to keep the financial terms of the deal from being disclosed. The North Carolina Attorney General eventually ordered the University to release the terms in accordance with the North Carolina Public Records Act. Wachovia's attempt to keep the contract terms secret, a tactic often used in the private sector, called Wachovia's integrity into question among many faculty and students.

To some extent, the public outcry has soured the relationship between Wachovia and the UNC community. Whether or not the sour taste will endure is another question. In response to all the negative publicity, Wachovia signed a three-page addendum to the contract in December. The addendum specifies that the Wachovia "service center" in the Pit will contain only ATMs and a customer service representative, not tellers and vaults. Wachovia explained that the inclusion of the term "branch bank" in the contract was merely a "lawyerly safeguard" intended to meet federal guidelines. Further, the interior and exterior design of the service center will be subject to approval by the University, and Wachovia will not prevent competing banks from installing ATMs at

270. See id.
271. Zagier, supra note 258 (quoting professor Donald Matthews of the UNC history department). In light of the large Nike and Coca-Cola contracts, that description may be comparatively justified.
272. See UNC-Wachovia Contract, § 8.02.
274. See Alan Zagier, UNC, Wachovia Amend Contract for Plaza Branch, NEWS & OBSERVER (Raleigh), Jan. 7, 2000, at 3B.
275. See id. Wachovia formally changed the term "branch bank" to the less threatening "service center." See id.
276. See id (quoting Lawrence Baxter, an executive vice president at Wachovia). UNC stressed that the conversation between the parties always reflected the term "service center" and not a full branch bank. See id.
other campus locations. Wachovia acknowledged the concern that the contract "might be construed as creating a monopoly on campus," but insisted that Wachovia does not intend this to be the outcome. Wachovia explained that its approach to the deal was that of a "good corporate citizen," claiming that "[w]hat works best for the University is what works best for us." It appears as if Wachovia’s attitude has been a step in the right direction. One professor at the UNC Kenan-Flagler business school was encouraged by Wachovia’s willingness to compromise, stating that Wachovia’s response reinforced his opinion of Wachovia as "an institution of integrity."

The final question remains to be asked: who wins? Opponents of the deal claim that under the current terms of the contract, UNC will not receive adequate compensation from Wachovia. Further, Wachovia, having crept its way into the Pit, will suddenly gain some mystical hold over the university banking market. Opponents also claim that another commercial tie will further tarnish the University’s pristine image. One editorial published in the University newspaper went as far as to suggest that the University “whore[d]” itself out to Wachovia, further subjugating itself to the “ideology and control of corporate America.” The common theme seems to be that while the University needs to make deals with food service providers and perhaps even athletic apparel companies, a banking relationship is unnecessary.

Surely, criticism of the terms of the deal is warranted. The vague terms of the contract, especially the provisions for

277. See id.
278. See id.
279. Zagier, supra note 274.
280. See id (quoting Robert Adler, professor at the Kenan-Flagler business school).
281. See supra text accompanying note 271.
282. See supra text accompanying note 278.
283. See supra note 257 and accompanying text.
the service center in the Pit, and Wachovia’s attempt to shroud
the financial terms in secrecy were poorly managed. Though
most would agree that UNC should financially benefit by pro-
viding Wachovia with direct access to students, whether or not
the current capital transfer from Wachovia to UNC is fair is a
matter of subjective interpretation. Could it have been more?
Certainly. Compensating the University one dollar for every
student that opens a Wachovia account is a great deal for Wa-
chovia. But a bargain for Wachovia does not necessarily imply
a bust for the University. The fact is that neither the students
nor the University are any worse off than they were before the
deal.\textsuperscript{285} Students will now gain the option of utilizing their
UNC One Cards in a new way, which they had been request-
ing in the first place.\textsuperscript{286} The University also will have an addi-
tional benefit to offer students and employees.\textsuperscript{287} No student
is forced to bank with Wachovia.\textsuperscript{288} Students with previous
banking relationships are not forced to switch their accounts to
Wachovia upon entering UNC.\textsuperscript{289} The normal UNC One Card
will function no differently that it had before.\textsuperscript{290} Rather, stu-
dents and faculty will be free to choose an additional banking
option. Should students choose to bank with Wachovia they
will be able to use their UNC One Card at off-campus mer-
chants. Should students choose to open an account with Wa-
chovia, they will receive an account with services comparable
to student accounts offered by the other local banks.\textsuperscript{291}
Nobody succumbs to any corporate heavy handedness. The big-
gest drawback is that the students who are not interested in
the Wachovia-enabled one-card will receive yet another un-

\textsuperscript{285} See infra text accompanying notes 292-293.
\textsuperscript{286} See Freeman Interview, supra note 6.
\textsuperscript{287} See Elfland Interview, supra note 116. Many universities use one-card
programs, especially one-cards equipped with smart chip technology, as a recruit-
ment and retention tool designed to attract today’s technically savvy high school
seniors. See Paul Tarricone, All-Campus Cards Open Many Doors, FACILITIES DESIGN &
\textsuperscript{288} See id.
\textsuperscript{289} See id.
\textsuperscript{290} See Freeman Interview, supra note 6.
\textsuperscript{291} See Elfland Interview, supra note 116.
wanted commercial solicitation in their mailboxes.

This deal does not restrict what kinds of soft drinks students consume on campus, as does the deal with Coca-Cola.\footnote{292} This deal does not mandate what types of athletic apparel the athletes are forced to wear, as does the Nike deal.\footnote{293} The Wachovia deal only adds another entrée to the UNC One Card’s already diverse buffet of services. The only thing students will notice is a Wachovia logo on their UNC One Cards, the relocation of several ATMs, and a Wachovia service center in the Pit.\footnote{294} For those students who already bank with Wachovia, which already enjoys a large share of the university market, the new arrangement is actually quite convenient.\footnote{295} For parents who have requested the option of electronically transferring funds to their child’s account, the Wachovia deal has now made this possible.\footnote{296} Wachovia, should it choose to do so, can be a responsible corporate partner. The University and Wachovia now have an excellent opportunity to help students learn how to handle their finances responsibly, a lesson in which many university educated Americans are poorly versed.\footnote{297} If Wachovia is truly committed to developing the university market, it should heed the warning signs. In order to live up to its title as “partner” bank of UNC, a high level of integrity will be expected from Wachovia. Yet there is no reason why this university-bank relationship cannot benefit all parties involved.

VI. THE FUTURE: THE ONE-CARD POTENTIAL

By partnering with an existing one-card program, banks can offer innovative, industry-leading card programs designed

\footnote{292}{See supra note 260.}
\footnote{293}{See id.}
\footnote{294}{See Freeman Interview, supra note 6.}
\footnote{295}{See Elfland Interview, supra note 116.}
\footnote{296}{See supra note 120 and accompanying note.}
to enhance the banking relationship with the customer, attract new customers, and build customer loyalty, an important strategy since "[t]he longer a customer is with a bank, the more services they'll use." While the card itself or the account linked to the card may not be a bank's most lucrative product, the cost could be justified as a long-term investment in customer attraction and retention. Indeed,

"[r]elationship building is a big reason many financial institutions salivate at the thought of working with colleges and universities. Be the first bank with which a college student has a formal, adult relationship, the thinking goes, and he or she will think of you for a new car loan, a credit card, a mortgage and so on."299

While it makes good business sense to test card systems and technology at a university, however, banks must remember that there is a big difference between the university and the mass-market.300 At a university, all students and employees receive and regularly use identification cards.301 In the mass-market, "there are a myriad of payment choices, and convincing consumers to add yet another is difficult unless there's a benefit for them."302 A flashy new card with a fancy marketing slogan might not be enough to lure the general public. However, considerable room for expansion remains in the existing one-card market.303 Though a large number of major universities have already partnered with financial institutions, many colleges and universities still remain untapped pools of

299. Id.
300. See id.
301. See id.
302. Id.
303. See Wachovia Interview, supra note 228.
potential long-term customers.\textsuperscript{304} Opportunity also exists in other closed-campus environments.\textsuperscript{305} For example, few corporate campuses have implemented one-card systems, despite the fact that corporate campuses present an environment similar to a university campus.\textsuperscript{306} Basically, any institution offering identification cards to its members or employees is ripe territory for a partner bank relationship.

Offering one-card debit products could also fit many banks' strategy of increasing debit card usage.\textsuperscript{307} For example, Bank One is moving from "an educational strategy to a usage strategy . . . trying to communicate to customers not what [debit] is, but how it can make [their] life more convenient."\textsuperscript{308} Planting the seeds of usage among college students and corporate employees through one-card systems could be a part of this general strategy.

Card programs, especially those based on smart chip technology, could also be targeted at the under-eighteen market.\textsuperscript{309} While young adults and even children most likely would not have a checking account, they tend to collect various sums of money from allowances or odd jobs. Young adults could put their money on these cards and then use them at school or local businesses.\textsuperscript{310} This product could be especially attractive if it were tied to a loyalty program, perhaps a music club or a popular clothing chain.\textsuperscript{311} Programs targeted at the under-eighteen segment of the population could be "a very good entry product for banks to start build-
ing a relationship early in childrens' lives."  

Finally, financial institutions must think globally when it comes to card technology. One of the locations where banks are getting into the card market is China, where banks like Hang Seng Bank are targeting smart card products at university students, who will most likely be the future Chinese middle and upper income classes. Hang Seng uses card products to get students to join Hang Seng's banking services while they are still at university, in the hopes that Hang Seng can build a long-term relationship with these upwardly mobile customers. Hang Seng's co-branded one-card, called "U-Smart Banking Plus," is linked to seven Hong Kong universities and acts as an ATM or credit card. Every time a student uses the card, Hang Seng donates 0.3% of the amount to fund education at the student's university.

The bottom line for financial institutions is the need to recognize the potential of the one-card market as a tool of customer attraction and retention. Financial institutions need to develop strategies to better position themselves in the one-card market, increasing the quality of the services they offer while improving their ability to profit from these deals. While caution may be prudent, if financial institutions take an overly cautious approach they will find themselves in a position where they have little influence over how the one-card market develops. As long as banks remain on the sidelines or do not take these opportunities seriously, other corporations, such as telecommunication or technology firms, may be able to "seize the payments territory that historically belonged to financial

312. Rigney, supra note 298 (quoting Richard Phillimore, vice president of chip cards for MasterCard International),
314. See id.
315. See id.
316. See id. Chase Manhattan issues a similar product called the "Manhattan ID card," which is affiliated with a radio station. See id. Students can use the card to earn points redeemable at monthly concerts held exclusively for cardholders. See id. Chase does not charge an annual fee for the card. See id.
institutions.\textsuperscript{317} Despite the hype surrounding the “one-card wonder,” it is understandable that a financial institution would be apprehensive about blemishing its reputation by linking itself with a losing card program. Perhaps the best way for banks to avoid a “one-card blunder” is to do what the majority of upwardly-mobile young adults do: go to a university.

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