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MARKETS

USAA Switching Credit, Debit Cards to Visa From MasterCard



USAA, which serves members of the military and their families, plans to switch its portfolio of credit and debit cards to Visa from MasterCard. PHOTO: MARK LENNIHAN/ASSOCIATED PRESS

By **ROBIN SIDEL**

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USAA, one of the nation's largest issuers of debit cards and credit cards, is switching its portfolio to Visa Inc., representing a blow for longtime partner MasterCard Inc. which processed transactions on its network for roughly 30 years.

The move is the latest in a continuing scramble of large portfolios that are hotly sought-after by Visa, MasterCard and American Express Co. among issuers and networks. It is relatively rare, however, for a card issuer to switch network affiliations after such a long relationship.

Although it may not be a household name with all consumers, USAA is one of the largest financial institutions in the country. It serves members of the military and their families, with extensive financial services ranging from banking to insurance to financial planning.

News of the switch was posted on USAA's website. A spokeswoman also confirmed the change.

"As our primary network, this provides us the opportunity to provide more benefits, including the elimination of foreign transaction fees for all USAA Visa credit cards in 2016," according to a statement on the USAA website.

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THE 10-POINT

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The change is a big blow for MasterCard because USAA is its biggest debit-card issuer with \$26 billion of purchases made on its cards last year, according to the Nilson Report,

a Carpinteria, Calif.-based newsletter that tracks the industry.

MasterCard, which has been building its debit portfolio in recent years, said it is disappointed with the decision. MasterCard's second-largest debit issuer is Fifth Third Bancorp, which had \$20 billion worth of debit-card purchases, according to the Nilson Report.

"While we pursued the business, we reached a point where the economics did not make sense for our company and shareholders," the company said in a statement. It will continue providing certain processing and other services for USAA.

USAA said most of the cards will be changed next year. They will have new card numbers and be embedded with a computer chip that is aimed at providing more security than the traditional magnetic stripe.

One of the most high-profile portfolio switches came earlier this year when American Express Co. ended its 16-year-relationship with Costco Wholesale Corp. in which AmEx was the only credit card accepted at Costco. The wholesale club then entered an arrangement with Citigroup Inc. as its new card issuer and Visa as its new card network.

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