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## New Consumer Protections for Prepaid Cards

**Associated Press, WASHINGTON** — The Consumer Financial Protection Bureau is extending many of the financial protections of bank accounts to prepaid cards.

New rules proposed Thursday by the federal regulator would require that prepaid card users be protected against fraudulent charges and provided with free monthly billing statements. The rules come as more Americans are using “reloadable” prepaid cards as a substitute for checking accounts. Consumers have gone from loading less than \$1 billion onto their cards in 2003 to nearly \$100 billion through 2014.

More than 2 million households without bank accounts relied on prepaid cards last year, according to a survey by the Federal Deposit Insurance Corp. The cards can be used to make payments, store funds, make ATM withdrawals and receive direct deposits. The market has also expanded to include electronic services such as PayPal and GoogleWallet, CFPB director Richard Cordray noted in a speech to be delivered Thursday in Delaware.

“Many of these prepaid consumers are living paycheck to paycheck, and are engaged in a constant battle to make ends meet,” Cordray says in a prepared text of the speech.

Not all cards are created equal, according to a new analysis of 23 popular cards by Consumer Reports. Some cards contain fees for calling customer service or for not using the cards frequently enough, the analysis said. Some have overdraft fees when the charges are greater than the amount of money on the card, a practice that the proposed CFPB rules would end.

Consumer Reports identified the Bluebird card as the best bank account substitute because it has no monthly fees and a bill-paying feature. It ranked the American Express for Target as the worst because it lacks FDIC insurance. Another lowly rated card was NetSpend’s “Pay As You Go Plan,” which charges a fee of \$1 to \$2 for a retail purchase.

Chuck Harris, president of the Austin, Texas-based NetSpend, said that particular card was designed for consumers who used their cards infrequently and preferred not to pay a standard monthly fee.

“We listen to what our customers tell us,” Harris said, adding that any regulations should preserve choices for consumers and not stifle innovation.

The proposed CFPB rules would limit the consumer’s responsibility for unauthorized charges to \$50. They would also require that free statements of transactions be made available to users and that potential fees be disclosed in “easy-to-understand” forms. More than half of prepaid cards analyzed by the CFPB currently charge a fee to view statements.

Only slightly over 2 percent of cards charged traditional overdraft fees. People who use their prepaid cards as credit cards would have 21 days to repay any debts before being charged a late fee.

If the new regulations prove to be too costly, it’s possible that some financial companies will stop issuing prepaid cards, said Nessa Feddis, senior vice president of consumer protection and payments at the American Bankers Association.

But Feddis said the popularity of the cards will ultimately be determined by consumers, instead of the proposed rules.