

Congress Should Not Block Protections for Employee Payroll Cards

The Consumer Financial Protection Bureau's (CFPB's) new prepaid card rule has important protections for workers. However, members of Congress are [trying](#) to block the rule from going into effect.

How Does the Prepaid Card Rule Protect Workers?

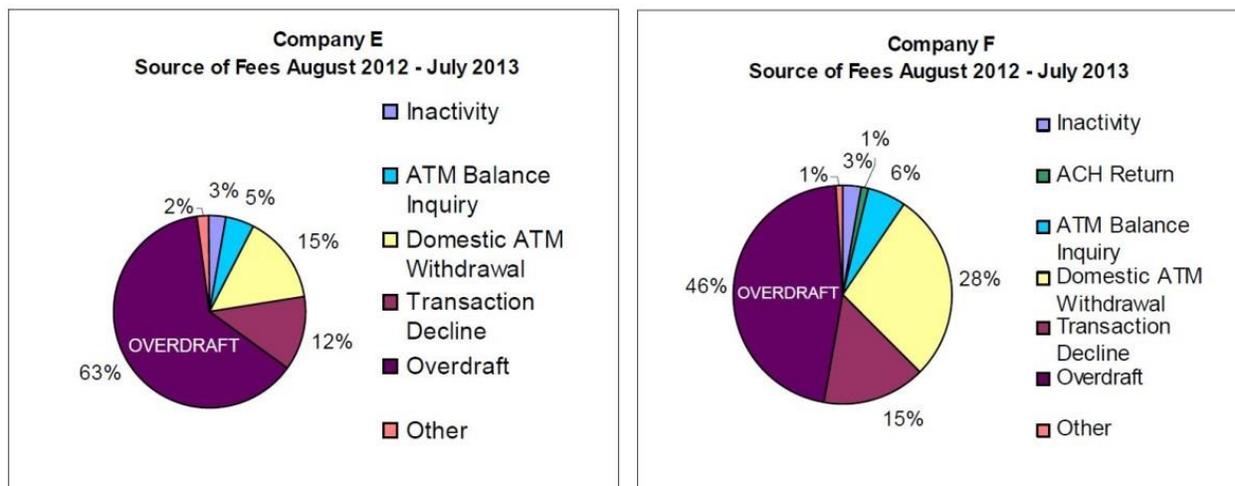
For workers without bank accounts, payroll cards can be a safe, fast and convenient way to receive pay. But some employers have illegally [coerced](#) workers into accepting wages on payroll cards. Cards can be [loaded with fees](#) that drain thin wages -- including overdraft fees, which make no sense on accounts without checks that can overdraft. A [survey](#) by the New York Attorney General found that two payroll card programs earned 46% and 64%, respectively, of their revenue from overdraft fees. At one employer, workers paid an average of \$77.82 in overdraft and declined transaction fees.

The CFPB's prepaid card rule:

- Gives workers a **simple chart of fees before** they select how to receive their pay;
- Warns employees that they are **not required** to accept a payroll card;
- Protects employees from **high, unaffordable overdraft fees** on payroll cards.

This common-sense rule will benefit not only consumers but also **banks, credit unions, and employers** that offer low-fee cards or are asked to cash payroll cards from other companies.

Payroll Card Companies: Source of Fees (Source: NY Attorney General)



Who Opposes the Prepaid Card Rule?

NetSpend, the only major prepaid card company with overdraft fees, opposes the rule. NetSpend expects to [lose \\$80-\\$85 million](#) in overdraft and other fees. Employees who opt in to overdraft "protection" on NetSpend's "Skylight" payroll cards pay a \$25 overdraft fee on if a purchase overdraws the card more than \$5, with up to \$125 in overdraft fees each month. NetSpend imposes a "cooling off" period after \$450 in overdraft fees in 12 months.

Skylight payroll cards are used in industries with minimum wage workers who may not have full time jobs, including **fast-food and other restaurants** (Church's Chicken, KFC, Long John Silver, Pizza Hut, Taco Bell, White Castle, Cracker Barrel, Friendly's, Frisch's, Houlihan's); **retail stores** (Big Lots, Coach Leatherware, DSW, Haverly's, Kohl's, Liz Clairborne, Macy's, Office Max, Payless, Shaw Flooring, SuperValu, The Limited, Valvoline); **hotels** (MGM Mirage and Starwood); **health care providers** (Hospital Corp. of America, LifePoint Hospitals, Inc., Cleveland Clinic); Kansas and Missouri **State governments**; and **public schools** (Denver Public Schools, Miami-Dade Public Schools).

Congress Should Not Undo Protections for Employee Payroll Cards.