

Summary of the Consumer Financial Protection Bureau's Prepaid Card Rule

The Consumer Financial Protection Bureau (CFPB) has issued a final rule that gives prepaid accounts important protections. The rule is currently scheduled to go into effect October 1, 2017, but the CFPB has proposed to extend the effective date to April 1, 2018.

1. Prepaid cards and mobile versions will receive the same basic protection from fraud, unauthorized charges and errors that debit cards receive. If the consumer makes a timely report, companies must investigate, reimburse unauthorized charges, and correct errors. The protections cover all “prepaid accounts,” including physical plastic cards and funds in newer types of mobile or internet-based accounts. Protection against unauthorized charges begins immediately after purchase. But companies need not provide provisional credit before the card is registered. They may take 45 to 90 days to complete customer identification and verification procedures and to investigate fraud claims before reimbursing any unauthorized charges.

2. Consumers receive a simple, [uniform fee chart](#) so they can avoid hidden fees and comparison shop. A short chart of key fees will be on the outside of the package and provided online before purchase. More details are on a longer chart inside the package and online at the URL provided on the package.

3. The package will warn consumers if the funds are not FDIC insured. Most prepaid accounts have FDIC insurance, but those that are not must carry a statement on the outside of the package.

4. Basic account information must be free. Balances must be available by telephone without charge. Transaction information going back 12 months must be free online. Information for the previous 24 months may be requested up to once per month without charge. Issuers may charge for regular monthly paper statements.

5. Employers who use payroll cards must first give employees fee information and a choice about how to receive their pay. Payroll cards must also come with a clear fee disclosure and a statement: “You do not have to accept this payroll card. Ask your employer about other ways to receive your wages.”

6. Hybrid prepaid-credit cards must comply with credit card laws and wait 30 days before adding overdraft features. Cards that have overdraft features must disclose that fact on the package. If the issuer permits the account to be overdrawn and imposes a charge for overdrafts, the creditor must determine that the consumer is able to repay the overdraft credit. Fees in the first year are limited to 25% of the credit line but there is no limit on the interest rate. Payments may be due no more frequently than once a month, 21 days after a statement (which may be electronic). The creditor cannot require the consumer to let the creditor take payments automatically out of the account, but consumers may choose to pay automatically.

7. Fee schedules must be publically available on the company's website and will also be made available online by the CFPB. Consumers who are comparison shopping, online sites that help consumers find accounts, and researchers who are analyzing the prepaid market will be able to find fee information easily. Sunshine will promote competition and will lower fees.