



March 29, 2021

The Honorable Monique Limon
California State Senate
California State Capitol, Room 3092
Sacramento, CA 95814

Re: SB 497 (Limon) – Direct Deposits to Qualifying Accounts, Overdraft Features - SPONSOR

Dear Senator Limon,

The National Consumer Law Center (NCLC) is proud to sponsor Senate Bill 497, which will close a loophole that allows nonbank prepaid card companies to evade California laws that prohibit overdraft fees on prepaid cards used to receive public assistance, unemployment compensation, or state-distributed child support payments. The bill will ensure that state funds go for their intended purpose of supporting families in need and are not drained off by fees.

Under California's programs for distributing public assistance and state-collected child support, recipients have the option of receiving payments through either the state-sponsored EBT or debit card, or by direct deposit to an account they designate. Currently, California primarily pays unemployment benefits through the state debit card, but the state is considering giving unemployed workers the option to receive their unemployment compensation by direct deposit. Under current law, only "qualifying accounts" are eligible to receive direct deposits of public assistance, child support or unemployment benefits. Qualifying accounts must either be traditional checking or savings accounts, or prepaid accounts that meet certain standards, including deposit insurance and lack of overdraft fees.

SB 497 will prevent nonbank prepaid card companies from evading the laws restricting overdraft fees on qualifying prepaid cards by relabeling their prepaid cards as "debit cards" or "bank accounts." This bill will protect vulnerable families, ensure state funds are used appropriately and efficiently, and make it clear that accounts offered by nonbank companies cannot evade California law governing overdraft fees merely by relabeling themselves as bank accounts. We respectfully urge your AYE vote on this very important economic and family justice legislation. Please contact our policy advocate, Catalina Sanchez at catalina@corbinandkaiser.com with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Lauren Saunders", written over a light blue horizontal line.

Lauren Saunders
Associate Director
National Consumer Law Center