

New Protections for Government Benefit Prepaid Cards

Effective April 1, 2019, a new [Prepaid Accounts Rule](#) issued by the Consumer Financial Protection Bureau (CFPB) gives certain government benefit accounts new protections. The rule amends and enhances the protection that many government benefit accounts already have under the Electronic Fund Transfer Act (EFTA) and Regulation E.

Scope

The EFTA covers almost all cards used by the federal government to distribute government benefits. The EFTA also covers government benefit accounts offered by state or local governments but only if the benefits are not needs-tested. Thus, the EFTA covers cards used to distribute:

- Social Security and Supplemental Security Income
- Veterans benefits
- Unemployment insurance
- Government-collected child support
- Federal student financial aid



Government benefit accounts are covered whether they are accessed through a physical card, a mobile device, or another access device. However, the following cards **are not** government benefit accounts protected under the EFTA or Prepaid Accounts Rule:

- Cards used for Temporary Assistance to Needy Families (TANF), state student financial aid, or other state or local needs-tested benefits;
- Cards for the Women, Infants and Children (WIC) nutrition program;
- Certain cards limited to military facilities or to disaster relief.

Government Benefit Accounts Receive Several Key Protections

1. Choice about how to receive benefits. A government agency, before enrolling a consumer in a government benefit account, must offer the consumer at least one other option for receiving funds. The agency may require direct deposit if consumers are allowed to choose the institution that will receive the direct deposit. The short fee disclosure form that the consumer must be provided before agreeing to a government benefit account must carry a statement substantially similar to one of two alternatives:

“You do not have to accept this benefits card. Ask about other ways to receive your benefits.”

or

“You have several options to receive your payments: [list of options available to consumer]; or this benefits card. Tell the benefits office which option you choose.”

2. A simple, [uniform fee chart](#). Before a consumer chooses to receive benefits through a government benefit account, the agency must provide the consumer with a short disclosure chart of key fees and a longer chart with all fees.

You have several options to receive your payments: direct deposit to your bank account; direct deposit to your own prepaid account; or this benefits card. Tell the benefits office which option you choose.

Monthly fee	Per purchase	ATM withdrawal	Cash reload
\$0	\$0	\$0 in-network \$1.95* out-of-network	N/A
ATM balance inquiry (in-network or out-of-network)			\$0 or \$1.95*
Customer service (automated or live agent)			\$0 or \$1.95 per call
Inactivity			\$0
We charge 4 other types of fees. Here are some of them:			
[Additional fee type]			\$0.50 or \$1.00
[Additional fee type]			\$3.00
* This fee can be lower depending on how and where this card is used. [See [location] for free ways to access your funds and balance information.]			
No overdraft/credit feature. Your funds are eligible for FDIC insurance.			
For general information about prepaid accounts, visit cfpb.gov/prepaid . Find details and conditions for all fees and services in the cardholder agreement.			

3. Basic account information for free:

- Balances must be available by telephone and at a terminal such as an ATM without charge.
- Transaction information going back 12 months must be free online.
- Consumers may call once per month to request a free paper transaction history for the previous 24 months. Issuers may charge for sending regular monthly paper statements.

4. Limits on overdraft fees and features. While it is extremely rare for government benefit accounts to offer overdraft features, if they do, that fact must be disclosed on the short disclosure form and the account issuer must wait 30 days before offering overdraft coverage. These hybrid prepaid-credit cards must comply with credit card and “fee harvester” rules, including requirements to determine ability to repay, to limit total overdraft fees in the first year to no more than 25% of the credit line extended, and to give the consumer a choice of whether to permit automatic repayment.

5. A warning if funds are not FDIC insured. But most government benefit accounts have FDIC insurance.

6. Protection from unauthorized charges and errors. Even before the Prepaid Accounts Rule, government benefit accounts have been protected from unauthorized charges and errors. If the consumer makes a timely report, the card issuer must investigate, reimburse unauthorized charges, and correct errors. In general, to receive maximum protection, consumers must make a report:

- within two business days of learning of a lost or stolen card or access device, or
- If the card or access device was not lost or stolen, within 120 days of an unauthorized charge (or within 60 days of being sent a statement, if the consumer receives statements, or of accessing the account electronically).

7. Access to account agreements and fee schedules. Issuers of government benefit accounts must submit their account agreements, including short and long fee schedules and the names of the government agencies that use the cards, annually to the CFPB, unless the issuer has fewer than 3,000 open accounts or is engaged in limited product testing.

All government benefit account issuers regardless of size must provide a copy of the account agreement to the consumer within five business days upon request unless the agreement is available online either in the public portion of the website or the portion accessible after logging in.

For more information, see National Consumer Law Center’s *Consumer Banking and Payments Law* (2018 6th ed.) at <https://library.nclc.org/CBP/subscribe> or the CFPB’s website at <https://www.consumerfinance.gov/prepaid-rule/>.