

New Protections for Payroll Cards

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



Scope

A payroll card account is any account that is directly or indirectly established through an employer and to which electronic fund transfers of the worker's wages, salary, or other employee compensation (such as commissions), are made on a recurring basis, whether the account is operated or managed by the employer, a third-party payroll processor, a depository institution or any other person. Payroll cards are protected whether the underlying account is a bank account or a prepaid account, and whether the account is accessed through a physical card, a mobile device or another access device.

Payroll Cards Receive Several Key Protections

1. A simple, [uniform fee chart](#). Before a worker chooses to be paid via a payroll card, the employer must provide the worker with a short disclosure chart of key fees and a longer chart with all fees.

2. Choice for workers about how to receive their pay. The rule clarifies the requirement, already in effect, that before enrolling a worker in a payroll card account, the worker must be offered at least one other choice for receiving pay, such as direct deposit to a checking or prepaid account of the worker's choosing. [State law](#) determines whether the worker must affirmatively choose a payroll card or can be enrolled by default if a choice is not made, and whether the worker must have the choice of a paper paycheck. The short fee disclosure given to the worker must carry a statement substantially similar to one of two alternatives:

A. "You do not have to accept this payroll card. Ask your employer about other ways to receive your wages."

B. "You have several options to receive your wages: [list of options available to consumer]; or this payroll card. Tell your employer which option you choose."

You do not have to accept this payroll card. Ask your employer about other ways to receive your wages.			
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]			\$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 without fees:

- Balances must be available by telephone without charge.
- Transaction information going back 12 months must be free online.
- Workers 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. Cards that offer overdraft features must disclose that fact on the fee schedule, and the 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 virtually all payroll card accounts have FDIC insurance.

6. Protection from unauthorized charges and errors. Payroll cards are already protected from unauthorized charges and errors. If the worker 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. Payroll card issuers must submit their account agreements, including short and long fee schedules and the names of the employers who 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 payroll card issuers regardless of size must provide a copy of the worker’s payroll card account agreement to the worker 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/>.