FOR IMMEDIATE RELEASE
DECEMBER 10, 2013

California Protects Benefits Deposited to Prepaid Cards
Unemployment and Safety-Net Benefits
Protected from Unauthorized Charges, Overdraft Fees

(Los Angeles) A new California law prohibits overdraft fees and extends other protections to unemployment and safety-net benefits deposited onto prepaid cards obtained on the private market, protections that already apply to federal benefits. Assembly Bill 1280 was sponsored by California State Assembly Speaker John A. Perez and signed by California Governor Jerry Brown. The legislation goes into effect on January 1, 2014.

According to federal law, federal payments may not be direct deposited into prepaid card accounts that lack deposit insurance, fail to comply with protections for electronic payments, or have overdraft fees or credit features. California law will now extend those protections to unemployment benefits and basic needs benefits paid by California. “We thank Speaker Perez and Governor Brown for ensuring that unemployed Californians and other benefits recipients are protected when funds are deposited to private prepaid cards,” said Jessica Bartholow, legislative advocate at the Western Center on Law and Poverty.

“Overdraft fees have no place on prepaid cards and are especially harmful to families struggling to live on unemployment or state benefits and who need every penny to survive,” explained Lauren Saunders, managing attorney at the National Consumer Law Center. “Overdraft fees are not permitted on prepaid cards used to receive federal payments, and we applaud California for extending those protections to state benefits.”

The new law will help protect low-income Californians who participate in the California Work Opportunity and Responsibility to Kids (CalWORKs) program (California’s Temporary Aid to Needy Families (TANF) program), which provides basic needs cash grants to families living below 130% of the federal poverty level. The program is intended to protect children and assist these families so that they can care for their children in their own homes. It also promotes work and assists participants in job preparation.
Another program that the new law will help is California Unemployment Insurance Benefits (UIB). These benefits provide temporary financial assistance to unemployed individuals based on their most recent salaries. Like CalWORKs, UIB is intended to assist families when an adult in the household is unemployed or faced with substantially reduced work hours.

The new protections apply when the state directly deposits CalWORKs or UIB to a prepaid card account obtained on the private market. AB 1280 will ensure that the cash grants on these cards are subject to federal protections in order to assist low-income consumers and help keep their benefits safe.


Read more about NCLC’s body of work on prepaid payroll and benefit cards at: http://www.nclc.org/issues/prepaid-debit-cards.html.

###

The Western Center on Law & Poverty, California’s oldest and largest legal services support center, leads the fight in the courts, counties and capital to secure housing, health care and a strong safety net for low-income Californians. www.welp.org

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org