

New Protections for Prepaid Cards and Accounts

Effective April 1, 2019, a [new rule](#) issued by the Consumer Financial Protection Bureau (CFPB) gives prepaid cards and other forms of prepaid accounts important protections. The rule amends Regulation E implementing the Electronic Fund Transfer Act to extend coverage to prepaid accounts and to adopt additional modifications and protections specific to prepaid accounts.

Scope of the Rule

The rule has a somewhat complicated scope, but primarily it covers:

- Accounts labeled or marketed as “prepaid” and usable at unaffiliated merchants or at ATMs;
- Accounts, other than checking accounts, whose primary function is to conduct transactions with multiple merchants, at ATMs, or for person-to-person transfers;
- Payroll cards offered by employers;
- Government benefits prepaid cards used by the federal government for Social Security, SSI and other benefits, and also those used by state or local agencies to distribute non-needs tested benefits such as unemployment insurance.

Beware of accounts with overdraft fees that evade the prepaid account rule!

NetSpend, which primarily sells its prepaid cards through payday lenders, has launched new accounts like the “ACE Flare Account” and the “NetSpend All-Access Account by Metabank” that may claim not to be prepaid accounts and may have overdraft fees that do not comply with the prepaid accounts rule.

The rule covers funds held in prepaid accounts whether those accounts are accessed through a physical card or through mobile or electronic devices. Thus, the rule covers funds held in person-to-person payment accounts such as PayPal and Venmo.

Several types of cards and accounts are **excluded** from the rule, including:

- Gift cards;
- Rebate cards;
- Health savings or various types of flexible spending accounts; and
- Cards used for disaster relief.

Prepaid Accounts Receive Several Key Protections

1. Protection from unauthorized charges and errors. If the consumer makes a timely report, companies 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).

Protection against errors and unauthorized charges only begins after a card is registered.

TIP: Register cards immediately to receive protection!

2. A simple, [uniform fee chart](#). 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. A warning if funds are not FDIC insured. But most prepaid accounts have FDIC insurance once they are registered.

4. Free basic account information:

- Balances must be available by telephone 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.

Monthly fee	Per purchase	ATM withdrawal	Cash reload
\$5.99*	\$0	\$0 in-network \$1.99 out-of-network	\$3.99*
ATM balance inquiry (in-network or out-of-network)			\$0 or \$0.50
Customer service (automated or live agent)			\$0 or \$0.50* per call
Inactivity (after 12 months with no transactions)			\$1.00 per month
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.			
No overdraft/credit feature.			
Register your card for FDIC insurance eligibility and other protections.			
For general information about prepaid accounts, visit cfpb.gov/prepaid . Find details and conditions for all fees and services inside the package, or call 800-234-5678 or visit xyz.com/prepaid .			

5. Choice for employees and recipients of certain government benefits, including federal student aid. Employees and benefits recipients cannot be required to receive funds on a prepaid or payroll card. They must be given fee information for the card and at least one other choice, such as direct deposit to a checking or prepaid account of their choice. Whether employers must offer the choice of a paper paycheck is determined by state law. The short fee schedule for a payroll or government benefit card must carry a statement that the consumer does not have to accept the card and may ask about other ways to receive their funds. But these rules do not apply to disaster relief card or cards, such as EBT cards, used by *state or local* governments to distribute needs-tested benefits.

6. Limits on overdraft fees and features. Issuers that offer overdraft features must disclose that fact on the package and 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.

7. Public and consumer access to account agreements and fee schedules. All prepaid account issuers, including issuers of payroll and government benefits accounts, must submit their account agreements, including short and long fee schedules, annually to the CFPB, unless they have fewer than 3,000 open accounts or are engaged in limited product testing.

Fee schedules and agreements for accounts offered to the general public (not payroll card or government benefits accounts) must be made available on the company’s publically accessible website.

All prepaid account issuers must also provide a copy of the consumer’s prepaid account agreement 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>.