

**CFPB's Proposed Prepaid Card Rule
Summary and NCLC Recommendations
March 23, 2015**

The Consumer Financial Protection Bureau has proposed a strong [prepaid card rule](#) that gives the cards important protections. Improvements would close loopholes and make the rule even stronger.

1. Prepaid cards and mobile versions need the same basic protection from fraud and theft that debit cards receive. The rule extends the protections of Regulation E to most prepaid cards, with a broad definition to prevent evasions and protect virtual prepaid payment systems.

=> Dispute deadlines should be simpler, a clear 120 days.

=> The rule should also protect prepaid cards used to pay *need-tested public benefits*.

2. Fees should be clear and transparent. The rule provides a simple chart of fees on the outside of the package, with more details on a longer chart on websites and inside the package at retail.

=> Consumers should be able to see all fees more easily before buying a card.

=> Denied transaction, "research," legal process and other fees should be banned.

3. Prepaid cards should be prepaid, without overdraft fees. Credit should be separate, honest and affordable. Credit offered to prepaid cardholders must comply with credit card laws, including ability to pay, limits on fees in the first year, and rules giving consumers time and control over how to repay.

=> Overdraft fees should be banned; credit card laws should apply to credit accessed through any prepaid card, not just a specified card; and fees should not skyrocket after the first year.

4. Prepaid card funds should be protected from the bank's or prepaid company's insolvency. The rule requires a warning if a card is not protected by deposit insurance.

=> Prepaid card companies should be required to hold funds in custodial accounts that have deposit insurance and are protected from the company's creditors.

5. Consumers need convenient, free access to account information. The rule provides consumers free access to balances by telephone and online, and free paper statements upon request.

=> ATM balance inquiries and customer service should also be free.

=> Consumers who want regular paper statements should not have to call every month.

6. Employees and students should not be forced to use prepaid cards. The rule warns employees and public benefits recipients that they do not have to accept a prepaid card.

=> Employees should get clear notice of their options for receiving pay, time to choose, and information on how to disenroll.

=> Students need the same rights before their financial aid is put on a prepaid card.

7. Lawbreakers should be accountable in court, not before a private arbitrator they choose.

=> The rule should ban forced arbitration clauses that deprive consumers of their day in court and prohibit courts from ordering refunds to all victims.

8. Public disclosure of fee schedules on the CFPB's and issuer's website will encourage competition and improve cards. The postings include payroll, government benefit and student cards.

=> Agreements should be searchable by the name of the school, employer, program manager and entity that brands a card, as well as the bank issuer.