The CFPB’s Prepaid Card Rule: Protecting Montana Consumers

A new rule from the Consumer Financial Protection Bureau (CFPB) gives all prepaid cards the basic fraud protections that cover debit cards; provides a simple, uniform chart to prevent hidden fees; tells employees about the fees on payroll cards and their choices for receiving wages; and limits unaffordable overdraft features on the few prepaid cards with overdraft fees. It is a common-sense rule that will benefit not only consumers but also banks, credit unions and employers that offer low-fee cards or are asked to cash payroll cards from other companies.

Who in Montana Uses Prepaid Cards?
Prepaid cards are often Visa-, MasterCard-, or American Express-branded and function like debit cards, but no bank account or credit check is required. More than 12 million households nationwide use prepaid cards. In Montana, prepaid cards are used by:

- Unbanked or underbanked Montanans who can’t get a bank account or have had trouble with overdraft fees, who may use a card like the Freedom Bank prepaid card.
- Rural Montanans far from a bank or credit union.
- Employers such as Walmart, KFC, McDonalds and Home Depot, who pay wages on payroll cards to employees without bank accounts.
- Federal and Montana agencies for Social Security, unemployment compensation and child support payments.
- College students, who may get a prepaid card to control expenses, or may receive a campus debit card from their school.

In 2015, nearly 1 in 10 (8%) of Montanans used prepaid cards, and 17% were unbanked or underbanked, making them more likely to turn to prepaid cards. Lower-income, less-educated, younger, immigrant, black, and working-age disabled households are especially likely to use prepaid cards, according to the FDIC’s National Survey of Unbanked and Underbanked Households.

The CFPB prepaid rule protects Montanans from fraud and hidden fees.