The CFPB’s Prepaid Card Rule: Protecting Tennessee Consumers

A new rule from the Consumer Financial Protection Bureau 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 Tennessee 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. Prepaid cards are used by:

- **Unbanked and underbanked families** who can’t get bank accounts or had trouble with overdraft fees.
- **Employers** like the University of Tennessee, KFC, McDonalds and Home Depot, who pay wages on payroll cards to employees without bank accounts.
- **Government agencies** for Social Security, unemployment insurance and child support payments.
- **College students**, who may get a card like the Tennessee Credit Union prepaid card to control expenses, or may receive a campus debit card from their school.

More Tennessee households are unbanked or underbanked (30%) than nationally (27%). Lower-income, less-educated, younger, black, and working-age disabled households are especially likely to use prepaid cards.

Overall, 12.5% of Tennessee households used prepaid cards in 2015 – the sixth highest rate in the nation. Among Tennessee underbanked households, 24.3% used prepaid cards compared to 15.4% nationally. (FDIC National Survey of Unbanked and Underbanked Households, 2015)

The CFPB prepaid rule protects Tennesseens from fraud and hidden fees