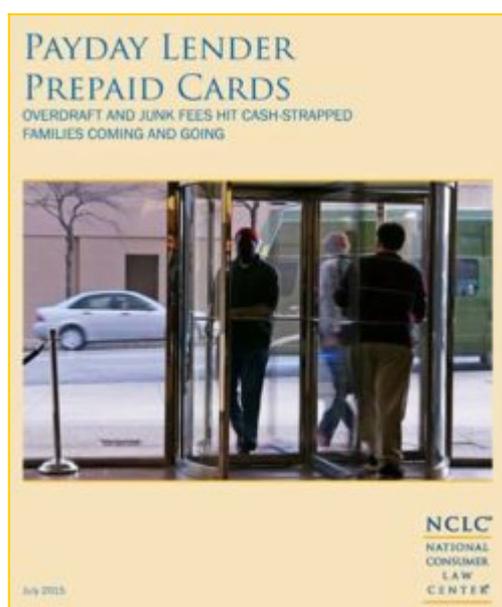


Payday Lender Prepaid Cards

Overdraft and Junk Fees Hit Cash-strapped Families Coming and Going

Prepaid cards are prepaid – a safe way to control spending for consumers who have had trouble with overdraft fees, have blemished credit, and may have lost their bank account. But payday lender prepaid cards are designed to help lenders grab the next paycheck – and to generate even more fees triggered by the loans. These cards exploit vulnerable consumers and break the promise of prepaid cards as a safe way to control spending. The Consumer Financial Protection Bureau should ban overdraft fees and other unfair junk fees on prepaid cards.



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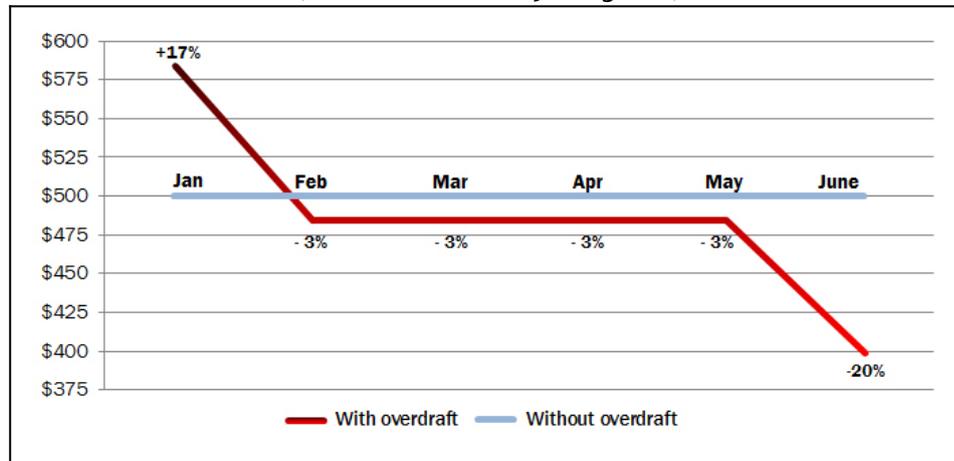
[Recommendations](#)

Key Points

- Most mainstream prepaid cards cannot be used to secure a payday loan. **But payday lender prepaid cards allow lenders to take advance authorization to debit the card on payday for money the consumer does not presently have.**

- Overdraft fees are virtually unheard of on mainstream prepaid cards, which are truly “prepaid.” **But payday lender prepaid cards can overdraft and charge \$15 overdraft fees.** If a payday loan payment triggers an overdraft, the already exorbitant **cost of a typical \$300 payday loan soars from 390% APR to 520% APR.**

**Cash Flow with and without Overdraft
(no new overdraft in June)**



- Overdraft features on payday lender prepaid cards lead to a cycle of debt that leaves consumers with less money to make ends meet at the end of the month, even before repaying the overdraft.
- NetSpend, the only major prepaid card provider that has overdraft fees on its cards, provides cards for 4 of the top 5 payday lenders, among others. **NetSpend made \$50 million or more in overdraft fees last year.**
- **Payday lender prepaid cards have unusual fees triggered by payday loans.** For example, the U.S. Money Card sold by Check Into Cash charges these fees not found on mainstream prepaid cards:
 - \$14.95 for declined electronic (ACH) payments.
 - \$19.95 to stop recurring payments.
 - \$4.95 for a successful payday loan payment.

If a Check into Cash payday loan payment bounces twice and then is repaid from the U.S. Money Card, the consumer will pay **an extra \$34.85 on top of the payday loan fee.**

Recommendations

The Consumer Financial Protection Bureau should:

- **Ban overdraft fees.** If a card is empty, the purchase should be denied and the consumer can decide whether to pay another way or skip the purchase.
- **Ban declined transaction fees.** Card issuers incur little to no expense from a declined transaction. Declined fees are unheard of on bank account debit cards and they should not be permitted on prepaid cards.
- **Restrict stop payment fees.** Stop payment fees should not be permitted on any prepaid card that permits overdrafts or negative balances. On other cards, stop payment fees are rare and, if charged at all, should be capped at an amount that is reasonable and proportional to the cost of stopping payment.