

Survey of State Government Payroll Cards: Thumbs Up for Cash Access and Thumbs Down on Overdraft Fees

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(WASHINGTON) Payroll cards used by many state governments to pay their employees can be a faster, cheaper, and more convenient way to receive pay than paper paychecks, according to a new report by the National Consumer Law Center. But some states allow their payroll cards to charge overdraft fees and other junk fees that eat into wages. "Every one of the 19 state payroll cards allows workers to withdraw their entire wages for free at a nearly any bank teller window, and to make one free ATM withdrawal, at least once per pay period," said Lauren Saunders, associate director of the National Consumer Law Center and author of *Rating State Government Payroll Cards*.

"But Kansas and Missouri should be ashamed of using the NetSpend Skylight payroll card, which charges \$25 overdraft fees, up to \$125 per month, to employees who opt in to so-called overdraft 'protection,'" Saunders added. "Overdraft fees have no place on payroll cards." None of the other cards in the survey permitted overdraft fees, though six of the states had \$0.20 to \$1 fees for declined transactions.

The report gives three state payroll cards the top "two thumbs" up rating: The Nebraska, Oklahoma, and Oregon payroll cards charge virtually no fees for cash access, purchases, account information, or penalties, and also waive some fees at out-of-network ATMs. The Kentucky and Washington cards are nearly as strong and received one "thumb up." The Nebraska, Oregon, and Washington cards are issued by U.S. Bank; the Oklahoma card is issued by Chase; and Bank of America issues the Kentucky card. Bank of America cards used by several other states also had few fees but were downgraded due to \$100 "legal process" fees. Those cards and several others received a neutral rating.

Three cards received a "thumb down." The Kansas and Missouri cards, provided by NetSpend's Skylight, flunked due to overdraft fees, and the Virginia card (Comerica Bank) comes with a long list of other fees.

Surprisingly, none of the states bothered to seek data on the fees employees paid. "Many payroll cards may be doing a good job of dispensing wages without fees but we can't know unless state and other employers ask for data on the fees their employees are paying," Saunders explained.

Payroll cards are a rapidly growing market in both the public and private sectors. In 2015, for the first time, more employees are expected to receive their wages on payroll cards than on paper paychecks. By 2012, an estimated 12.2 million workers will receive their wages via payroll cards, compared to only 2.2 million who will get paper paychecks, according to Aite Group.

The report recommends that states choose payroll cards that can be easily used for free and that they pass payroll card laws to protect all employees. The report also urges the Consumer Financial Protection Bureau to strengthen its proposed prepaid card rules to limit fees and ensure that

employees can easily choose how to be paid. "Payroll cards that minimize fees can be a win-win for employers and employees," Saunders noted.

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