



Prepaid Cards: Loaded with Fees, Weak on Protections

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I. Introduction

Prepaid cards, or “general purpose reloadable cards,” are marketed as sensible, attractive alternatives to check cashiers and traditional bank accounts.¹ However, consumers face dangers and traps with prepaid cards, which are becoming the foundation of a second-tier banking system that shadows the traditional banking system. Until prepaid card users are guaranteed the same protections that come with traditional debit and credit cards, consumers who use prepaid cards will be at risk of losing all their money, face multiple, high, and sometimes confusing fees, and be offered convenient but very expensive forms of credit associated with the card.

It would be easy to assume that a prepaid card has the same features and protections as a traditional debit or credit card. The prepaid card industry began by putting out advertisements and other promotional materials with slogans like “The Checking Account alternative that lets you borrow money and builds credit,” “No Hidden Fees,” and “Bank On Your Own Terms.”² Slogans like “The Better Way to Bank”³ and “It’s like having a bank account in your pocket”⁴ continue to appeal to consumers who are looking for alternatives to credit and debit cards. Consumers may still be unclear about important differences between prepaid cards and traditional credit or debit cards. Prepaid cards look like other plastic payment cards and usually bear network logos of Visa, MasterCard or Discover, often have the word “debit” printed prominently on the front of the cards, and can be used to make payments at the point of sale, online and over the phone.

Prepaid cards are a growing business. Sizable sums of money have been loaded onto prepaid cards in recent years. And the numbers only continue to grow. The 2010 Federal Reserve Payments Study found “the use of prepaid card is the fastest growing” non-cash payment method.⁵ Green Dot, one of the major prepaid card players, reported that in 2011 there were more than 4.2 million active cards and \$ 16.1 billion in gross dollar volume of funds loaded onto its cards that year.⁶

¹ The prepaid card industry refers to prepaid cards as “general purpose reloadable cards.”

² Previous website advertisements for AccountNow Prepaid, and the RushCard, were cited in the 2010 version of this report. See MICHELLE JUN, CONSUMERS UNION, PREPAID CARDS: SECOND-TIER BANK SUBSTITUTES 1 n.2 (2010) (on file with author).

³ NetSpend, <https://www.netspend.com>; AccountNow, <http://accountnow.com> (last visited Feb. 15, 2012).

⁴ nFinanSe, <http://www.nfinanse.com/reloadable> (last visited Feb. 15, 2012).

⁵ FED. RESERVE SYS., THE 2010 FEDERAL RESERVE PAYMENTS STUDY: NONCASH PAYMENT TRENDS IN THE UNITED STATES: 2006-2009 17 (2010) (updated Apr. 5, 2011), available at http://www.frb.services.org/files/communications/pdf/press/2010_payments_study.pdf. This study includes other prepaid cards within its category of “prepaid card,” which includes private label gift cards, payroll cards and EBT cards.

⁶ Green Dot Corp., Annual Report (Form 10-K), at 31 (Jan. 31, 2012), available at <http://sec.gov/Archives/edgar/data/1386278/000138627812000029/a2011-12x31form10xk.htm>.

NetSpend reported having almost 2.1 million active cards at the end of 2011 with \$11 billion in gross dollar volume.⁷ These numbers will undoubtedly increase as the prepaid card industry works to steadily expand its reach to enroll the estimated 60 million adults with limited or no access to bank accounts.⁸

Part of the lure of prepaid cards is that they can provide debit convenience to consumers who may not qualify or feel comfortable using bank accounts or credit cards. However, prepaid cards can be inferior to debit cards linked to traditional bank accounts in several ways:

- Fees can be high, multiple, and confusing;
- Not all prepaid cards provide adequate protection against theft of funds using the cards or card account numbers;
- Promised credit lines or features to build a credit record may be expensive and overstated; and
- Federal deposit account insurance for prepaid cards applies differently than it does for bank accounts and may be capped at less than the value of all of the prepaid cards issued by a particular card program.

Until these consumer problems are solved, consumers using prepaid cards may find themselves stuck in a second-tier and much less desirable banking system.

Prepaid cards⁹ are increasingly marketed to fulfill the same purposes as bank accounts. Consumers are invited to directly deposit their paychecks, government benefit payments or other recurring income onto the card, to set up bill payment through the card, offered checks to draw against card funds, and sometimes provided rewards programs, credit lines and savings account options.

Part of the prepaid card industry's strategy is to make these cards readily available and easy to use.¹⁰ Tax preparers, big box retailers, check cashers, money transmitters, payday lenders, media networks and celebrities all offer their own prepaid cards. Once consumers obtain personalized prepaid cards, they can be reloaded with additional funds at drugstores, grocery stores, and convenience stores by purchasing "reload packs."¹¹ Consumers are encouraged to have funds directly

⁷ NetSpend Holdings, Inc., Annual Report (Form 10-K), at 30 (Feb. 21, 2012), *available at* http://sec.gov/Archives/edgar/data/1496623/000104746912001472/a2207531z10-k.htm#dk77201_item_6_selected_financial_data.

⁸ See FED. DEPOSIT INS. CORP., FDIC NATIONAL SURVEY OF UNBANKED AND UNDERBANKED HOUSEHOLDS: EXECUTIVE SUMMARY 4 (2009), *available at* http://www.fdic.gov/householdsurvey/executive_summary.pdf.

⁹ Generally, the term "prepaid card" refers to a wide range of products including gift cards (both retailer-issued and bank-issued), payroll cards, self-arranged spending cards, government benefits cards and incentive cards. "Open loop" cards are generally accepted anywhere the network-brand is accepted. "Closed loop" cards are generally issued by retailers and can only be used at the retailers' locations. "Semi closed loop" cards or "multimerchant gift cards" can be used at participating retailer locations. For more information on the different types of prepaid cards, *see generally* PHILIP KEITEL, FED. RES. BANK OF PHILADELPHIA, THE LAWS, REGULATIONS, GUIDELINES, AND INDUSTRY PRACTICES THAT PROTECT CONSUMERS WHO USE GIFT CARDS (2008), *available at* <http://www.philadelphiafed.org/payment-cards-center/publications/discussion-papers/2008/D2008JulyGiftCard.pdf>.

¹⁰ The importance in having convenient locations for consumers with prepaid cards to add more money to their card accounts was evidenced by the Visa and MoneyGram deal announced in early 2009. MoneyGram offers "40,000 U.S. sites to reload... Visa prepaid debit cards." Maria Aspan, *Visa-MoneyGram in Reload Deal*, AM. BANKER, Mar. 10, 2009, *available at* http://www.americanbanker.com/issues/174_49/-374432-1.html.

¹¹ These reload packs are offered by reload networks which include "Ace Cash Express, Green Dot, InComm, MoneyGram, Western Union, ReadyLink—which includes BlackHawk" and are sold at 7-

deposited because this method of loading funds usually never includes a fee.¹² Mainstream banks are also offering prepaid cards as an option apart from their own traditional checking and savings accounts.¹³

Where are these monies held? As one prepaid card study describes it, funds loaded to prepaid cards “are held in the aggregate account until the cardholder draws down the available balance.”¹⁴ By contrast, a traditional debit card is linked to a consumer’s individual bank account. As discussed later in this paper, the use of an aggregate or “pooled” account to hold all of the funds in a prepaid card program has important and unfortunate consequences for the application of consumer protections to prepaid cards in contrast to those provided by current law for other types of debit cards.

Prepaid cards are rapidly becoming the “third mainstream product” alongside credit and debit cards.¹⁵ All the major card networks now have a prepaid card product. Visa and MasterCard have ramped up their advertising to help boost the industry by running television spots on prepaid cards to increase exposure of the product as well as build consumer awareness.¹⁶ Households may also choose prepaid cards in lieu of bank accounts or credit cards in response to economic uncertainty, out of frustration with banks and bank fees or because they want a plastic card payment option but cannot obtain a traditional credit or debit card.¹⁷ Analysts predict that prepaid cards will grow along with the general growth of debit as “transactions that would have used credit cards in the past are migrating to debit cards and other ‘pay now’ options, as well as ‘pay before’ methods such as prepaid cards.”¹⁸

This report discusses the prepaid card market and details needed improvements. The federal regulations under the Electronic Fund Transfer Act must be updated to protect prepaid cardholders when cards are lost or stolen or when funds go missing. Prepaid cardholders should be fully protected if the bank issuing the card fails. Fees should be simplified and clearly and consistently disclosed so that consumers can see the fees up front and comparison shop easily before handing over any money. Finally, claims for certain prepaid card product features such as small credit lines and credit building appear to be overstated and need to provide accurate information to consumers about what can and cannot be accomplished with these additional features.

Eleven, Safeway, Walgreens, and other grocery and convenience store locations. CELENT, LLC, WHERE THE BANKS AREN'T: NONTRADITIONAL/NONBANK ADVANCES IN BRANDED PREPAID CARDS 24 (2007).

¹² Most prepaid cards require a minimum direct deposit amount per month to avoid fees.

¹³ U.S. Bank offers the Convenient Cash Card which can be purchased online or at U.S. Bank branch locations. U.S. Bank, U.S. Bank Convenient Cash Card, <http://www.usbank.com/prepaid/convenient-card.html>.

¹⁴ SMART CARD ALLIANCE, SERVING UNBANKED CONSUMERS IN THE TRANSIT INDUSTRY WITH PREPAID CARDS 21 (2008), available at http://www.smartcardalliance.org/resources/lib/Serving_Unbanked_Transit_Riders_White_Paper.pdf.

¹⁵ Patrick Lunsford, *Big Card Issuers Look to Prepaid for New Market Growth*, INSIDEARM.COM, June 9, 2008, <http://www.insidearm.com/go/arm-news/big-card-issuers-look-to-prepaid-for-new-market-growth> (quoting Elizabeth Buse, VISA).

¹⁶ See Maria Aspan, *MasterCard Readies TV Push for Prepaid*, AM. BANKER, Apr. 15, 2009, available at http://www.americanbanker.com/issues/174_75/-376653-1.html.

¹⁷ Many credit card companies had either raised fees or expressly got rid of some of their customers. See, e.g., *American Express Paying Customers \$300 to Leave*, WALL ST. J., Feb. 23, 2009, available at <http://blogs.wsj.com/wallet/2009/02/23/american-express-paying-customers-300-to-leave/>; Kathy Chu, *Chase adds fee for low-rate credit cards*, USA TODAY, Feb. 9, 2009, available at http://www.usatoday.com/money/perfi/credit/2009-02-08-chase-interest-rates-fee_N.htm.

¹⁸ Bruce Cundiff, *New Opportunities for Banks in Alternative Payment Tools*, AM. BANKER, Feb. 24, 2009, available at http://www.americanbanker.com/specialreports/174_3/-373007-1.html.

Prepaid Cards: Are They What They Claim To Be?

Prepaid cards are widely marketed as more convenient, safe and cost effective way to manage funds,¹⁹ particularly for consumers who are “underbanked” or “unbanked.”²⁰ The prepaid card industry touts the products as convenient budgeting tools, and some provide features that seek to help build credit.²¹ Prepaid card companies also seek to appeal to consumers who are becoming increasingly dissatisfied with banks.²² But the devil is in the details, and upon closer examination, these cards are laden with numerous types of fees and other gotchas, making prepaid cards a shaky alternative to a bank account with a debit card.

II. Costs Associated with Prepaid Cards

Consumers Union examined fees for a range of prepaid cards available for purchase and use.²³ We found prepaid cards assess many different types of fees, and that these fees may vary widely from card to card. The types of fees include:

- Initiation or activation fees;
- Monthly fees;
- Point of sale transaction fees;
- Cash withdrawal fees;²⁴
- Balance inquiry fees;
- Transaction statements, including paper and other;
- Customer service fees;
- Bill payment fees;
- Fees to add or “load” funds;²⁵
- Dormancy fees;
- Fees to get remaining funds when closing the account; and
- Overdraft or “shortage” fees.

Consumers typically can find information on only a few of the fees charged by card issuers before deciding to sign up, purchase and use prepaid cards.²⁶ Retail

¹⁹ For example, MasterCard’s website for the Everyday Prepaid Card states “Make every day simpler and more secure.” MasterCard, Everyday Prepaid Card, <http://www.mastercard.us/prepaid-everyday-card.html> (last visited Feb. 17, 2012).

²⁰ The FDIC defines “underbanked” consumers as those who use alternative financial services in addition to having bank accounts, and defines “unbanked” consumers as those who do not have any checking or savings accounts. See FED. DEPOSIT INS. CORP., *supra* note 8, at 3 n. 3, 3 n. 6.

²¹ For example, the Approved Card provides features such as a dashboard which gives cardholders more information regarding their usage patterns as well as enrolls cardholders in The Credit Project, in partnership with Transunion. The Approved Card, <http://theapprovedcard.com/> (last visited Feb 17, 2012). READYdebit, another prepaid card brand, offers a “Credit ScoreTracker” to provide cardholders credit score information and suggestions on how to increase their credit scores. READYdebit, <https://www.readydebit.com/> (last visited Feb. 17, 2012).

²² See Maria Aspan, *Economy’s Loss Prepaid Cards’ Gain*, AM. BANKER, Apr. 8, 2009, available at http://www.americanbanker.com/issues/174_70/-376442-1.html?pg=1.

²³ The 16 prepaid cards examined in this revision include prepaid cards from our 2009 report, which were chosen by consumer advocates, including cards frequently reported in the media and by internet searches. This report includes prepaid cards that target different audiences and include major network associations. Consumers may obtain all of these cards online; some are available for purchase in stores. This study does not include cards issued under contract with a government or an employer, such as payroll cards.

²⁴ Prepaid card fees for ATM cash withdrawals do not include surcharges assessed by ATM owners or other fees.

²⁵ Most prepaid cards provide the option to reload fees with reload packs, which come with separate fees assessed by reload pack companies. See, e.g., Green Dot MoneyPak, <https://www.moneypak.com/>.

displays often contain only purchase prices and initial load amounts. Consumers who research or purchase cards online will often have to engage in a careful inspection of the prepaid card websites to find complete fee information. Some prepaid card companies are providing fee information more easily, with direct links to fee schedules from their homepages.²⁷ Others make finding fee information more confusing and difficult by requiring additional clicks to sign-up pages or registration forms for card purchase.²⁸

Consumers Union found prepaid cards charge each of these types of fees:
(Refer to Appendix A: Fee Schedule)

- **Activation Fees**

Nine of the 16 prepaid cards reviewed charged consumers a fee to activate their card. Activation fees ranged from a low of \$3 for the Walmart Money Card, nFinanSe card and the Approved Card to \$14.95 for some select RushCards. In 2009, the median fee for the prepaid cards we reviewed was about \$10 and could reach up to \$39.95. Today, some prepaid card issuers like NetSpend and Western Union, which in 2009 charged \$9.95 to activate their prepaid cards, are no longer charging activation fees. Others have reduced their activation fees. For example, the RushCard had a \$19.95 activation fee in 2009, and now charges a card fee which ranges from \$3.95 to \$14.95 depending on the card design selected.

Direct deposit is still highly encouraged by prepaid card companies. Some prepaid card companies provide a nominal cash reward for setting up direct deposit. For example, the Walmart Money Card funds prepaid card accounts with \$10, and nFinanSe funds its accounts with \$7.77.²⁹ AccountNow provides a \$25 direct deposit bonus when a consumer sets up direct deposit of at least \$500 for at least 2 consecutive months.³⁰ As for initial minimum load amounts, the amounts still vary widely. Some cards require up to a \$25 initial load, and others require a nominal amount of \$0.01 to start the card off.³¹ After activation and initial load fees, a consumer can pay up to \$30 to obtain a prepaid card, but consumers also have the option of obtaining some prepaid cards for free.

²⁶ All of the prepaid cards we analyzed were reviewed from materials provided online. We have selected a range of prepaid cards, including those that have been reviewed previously and prepaid cards that have recently entered the market.

²⁷ See, e.g., Green Dot, <https://www.greendot.com/greendot> (click on “Simple Fee Plan” link).

²⁸ See, e.g., ReadyDebit Card, <https://www.readydebit.com/>; H&R Block Emerald Card, <http://www.hrblock.com/emerald/>.

²⁹ The Walmart MoneyCard \$10 bonus requires at least two direct deposits of at least \$250 from the same source within two months. Walmart MoneyCard, <https://www.walmartmoneycard.com/walmart> (last visited Feb. 22, 2012). nFinanSe requires at least a \$150 deposit. nFinanSe, Cost Savings Tips, <https://www.nfinanse.com/nofees> (last visited Feb. 22, 2012).

³⁰ AccountNow, Direct Deposit Help, <http://www.accountnow.com/help/help-directdeposit.aspx#q-bonus> (last visited Feb. 22, 2012).

³¹ See American Express, Cardmember Agreement, https://www212.americanexpress.com/dsm/live/dsm/dom/us/en/personal/cardmember/additionalproductsandservices/giftcardsandtravelerscheques/gpr_cardmemberagreement.do?vgnextoid=0b52457192b2d210VgnVCM100000defaad94RCRD&vgnnextchannel=95ddb81e8482a110VgnVCM100000defaad94RCRD&appInstanceName=default&name=gpr_cardmemberagreement&type=intbenefitdetail (\$25 minimum load); RushCard, Cardholder Agreement, <http://www.rushcard.com/cardholder.aspx> (\$0.01 minimum load) (last visited Feb. 22, 2012).

- **Monthly fees**

Thirteen of the 16 prepaid cards charge monthly fees, ranging from \$2.95 for the nFinanSe card to \$9.95 for the Vision Premier card and the Univision card. Some prepaid cards, like the Bank Freedom prepaid card, require a minimum direct deposit amount per month to waive the fees, while other cards provide no way to waive the monthly fee.³²

Some cards, like the RushCard, provide the option of either selecting the monthly fee plan or a per-transaction fee plan. A RushCard prepaid cardholder with a monthly fee plan pays \$9.95 each month and is not charged for signature-based point of sale transactions. Alternatively, that cardholder can opt to pay \$1 each time he or she makes a purchase.³³ Other cards, such as those from Green Dot, waive monthly fees after direct deposit of at least \$1000 in a prior month or if there are at least 30 posted transactions in a month.³⁴ Green Dot continues to assess a monthly fee until there is a negative balance of \$11.90.

- **Point of Sale Transaction Fees**

Most of the prepaid cards we examined did not charge fees for point of sale transactions – a fee for using the card to make a purchase. However, for cards that include point-of-sale transactions fees, fees for PIN-based transactions are usually twice as high as fees for signature-based transactions. The RushCard *Pay As You Go* Program prepaid cardholders pay \$1 for each transaction, up to a cap of \$10 a month. There is a catch. The RushCard Cardholder Agreement states that fees which go over the \$10 cap are refunded the following calendar month, so consumers might pay more in fees and then have to wait nearly a month for a refund of the portion of those fees which exceeded \$10 during the prior month. Both RushCard *Pay Monthly* and *Pay As You Go* cardholders must pay \$1 for PIN purchases.³⁵

- **Fees to Withdraw Cash [at an ATM]**

Fourteen of the 16 prepaid cards we examined charged a fee to withdraw cash from a domestic ATM, ranging from \$2 to \$2.50. This does not include the cost of surcharges imposed by ATM owners. According to a bankrate.com survey conducted in 2011, the average ATM surcharge fee of the five largest banks and five largest thrifts was \$2.40.³⁶ Green Dot prepaid cards and the Univision prepaid card offer free access to MoneyPass network ATMs, which are located in numerous national retail locations, including convenience stores and big-box retailers.³⁷ Consumers using prepaid cards are able to request cash-back from merchants when using cards at the point-of-sale without incurring fees for obtaining cash.

³² Compare Bank Freedom Prepaid Card, <http://www.bankfreedom.com/prepaidcardfees.html> (last visited Mar. 12, 2012) (can waive monthly fee with direct deposit or minimum load of \$500/month) with NetSpend, What It Costs, https://www.netspend.com/how_it_works/what_it_costs.shtml (last visited Mar. 12, 2012) (monthly fees cannot be waived for either of the “Fee Advantage” plans).

³³ RushCard, How it Works, <http://www.rushcard.com/howitworks/scheduleoffees.aspx> (last visited Mar. 12, 2012).

³⁴ Green Dot, Simple Fee Plan, <https://www.greendot.com/greendot> (last visited Feb. 22, 2012).

³⁵ RushCard, Cardholder Agreement, <http://www.rushcard.com/cardholder.aspx> (last visited Feb. 22, 2012).

³⁶ Claes Bell, *ATM Fees March Upward in 2011*, BANKRATE.COM, <http://www.bankrate.com/finance/checking/atm-fees-march-upward-in-2011.aspx> (survey conducted from Aug. 1-11, 2011).

³⁷ MoneyPass, <http://www.moneypass.com/>

There can also be a fee for ATM declines, which may occur when there aren't enough funds in the prepaid card account. This fee is assessed by most of the prepaid cards we reviewed and ranges from about \$0.40 to \$2 for each decline. Again, the ATM owner's surcharge fee is not included in this fee.

- **Fees to Withdraw Cash at a Financial Institution**

Most of the prepaid cards we reviewed provide the option to withdraw cash from tellers at financial institutions who accept card network brands. These withdrawals are often referred to as "cash advances" although consumers are withdrawing from existing funds. These cash withdrawals come with higher fees and may trigger additional fees assessed by the financial institution. The fees for such transactions can be higher, typically about \$4 to \$5, than ATM withdrawal fees. However, some prepaid cards such as the Univision prepaid card, the Approved Card, the Walmart Money Card and the Green Dot prepaid cards offer in-person cash withdrawals at around \$2, while consumers with the Western Union's MoneyWise Card and H&R Block's Emerald Card will pay a significantly higher fee of \$25.³⁸

- **Balance Inquiry and Statement Fees**

Twelve of the 16 prepaid cards impose a fee for checking balances at ATMs, ranging from \$0.45 to \$1 per balance inquiry. The ATM owner may also impose an additional fee, often referred to as an ATM surcharge fee. Many prepaid cards provide other methods to obtain balance information without charge, such as by email or text message. For those prepaid cards that provide balance information by phone, such as the Western Union MoneyWise card, there is also no fee.³⁹

Consumers who use prepaid cards should and need to carefully track their prepaid card activities. However, consumers using prepaid cards do not automatically obtain monthly paper statements as consumers using debit cards do. A number of prepaid cards no longer provide information about fees or the availability of paper statements on their websites or in their terms. Only about half of the prepaid cards reviewed explicitly state that they offer paper statements. In those cases, paper statements must be requested and the fees per request range from \$1 for the RushCard to \$5.95 for the NetSpend Visa card.⁴⁰

- **Fees to Call Customer Service**

Prepaid cards offer customer service with an automated service or live representative.⁴¹ Customer service fees vary significantly among the prepaid cards we examined. Some prepaid cards offer free customer service; for example, Western Union offers either automated or live customer service calls at no charge, and a number of other prepaid cards offer free live customer service calls.⁴² Other cards offer free customer service if the consumer sets up direct deposit, or makes only a limited number of free calls per month. NetSpend provides free customer

³⁸ See Appendix A, *infra*.

³⁹ American Express, Univision, Bank Freedom, RushCard, NetSpend Premier, nFinanSe, the Approved Card, AccountNow Gold Customers with Direct Deposit can check their balances by calling automated service lines without cost. BuyRight provides 2 free calls per month. See *id*.

⁴⁰ RushCard, How it Works, <http://www.rushcard.com/howitworks/scheduleoffees.aspx>; NetSpend, What it Costs, https://www.netspend.com/how_it_works/what_it_costs.shtml (last visited Feb. 22, 2012).

⁴¹ We could not find information regarding fees for customer service for all of the prepaid cards we reviewed.

⁴² Walmart Money, RushCard, Bank Freedom, nFinanSe, Western Union, AccountNow Gold and Univision offer free calls to live customer service agents. See Appendix A, *infra*.

services calls for their Premier cardholders and charge \$0.50 for each call for other NetSpend cardholders.⁴³

- **Bill Pay Fees**

Not all prepaid cards offer bill pay, but for those that do, consumers using prepaid cards may pay for bills online, by check or by phone. The prepaid cards we examined had lower fees for online bill payment than for other forms of bill payment. For example, AccountNow offers bill pay for free online and the Wired Prepaid Card offers online bill pay for a fee of \$0.45 per payment. To pay by check, BuyRight has a \$0.50 fee per check and the Approved Card has a \$1 per check fee.⁴⁴

- **Adding Money**

Customers can add, or “load” funds using direct deposit for free but are usually charged a fee to add funds by any other method. All of the prepaid cards we assessed do not charge a separate fee to add money to the cards. These fees are determined by the reload packs, which consumers must purchase to reload their prepaid cards rather than by direct deposit. The Walmart Money Card provides an example of various ways to add funds onto prepaid cards. There is no cost to load funds if a consumer cashes a check, although Walmart charges a fee of up to \$3 to cash a check at their stores.⁴⁵ Or, a consumer can choose to pay a \$3 fee to load more money onto the card. A consumer can also load more funds by purchasing a Green Dot reload pack or MoneyPak, which typically costs \$4.95 and is sold at retail locations such as grocery and convenience stores.⁴⁶

- **Fees For Inactivity**

Five of the 16 cards charged fees when cards are not used after a certain period of time. These dormancy or inactivity fees range from \$2.50 per month for the H&R Block Emerald Card (after three months of inactivity) and the Western Union Money Wise card (after 13 months) to \$5.95 for the NetSpend Visa card (after 90 days of inactivity). Eight of the sixteen prepaid cards we examined do not charge dormancy fees according to their card agreements.

⁴³ To qualify for a NetSpend Premier card, the cardholder must set up at least one deposit of at least \$500 in one calendar month. NetSpend, Cardholder Agreement, https://www.netspend.com/account/terms/Standard_NS_Premier_GPR-Terms-Direct-Eng-05Jul11.pdf (last visited Feb. 23, 2012).

⁴⁴ AccountNow had a \$5 fee per check when we reviewed prepaid cards in 2010. See MICHELLE JUN, *supra* note 2, at 22.

⁴⁵ Walmart MoneyCenter, Check Cashing, <http://www.walmart.com/catalog/catalog.gsp?cat=632047>; Walmart MoneyCard, Cardholder Agreement, <https://www.walmartmoneycard.com/AcctMgmt/Controls/Walmart/Support/CardholderAgreement.aspx?siteid=walmart> (last visited Feb. 23, 2012).

⁴⁶ The website states that most of the MoneyPak’s are sold for up to \$4.95. Green Dot MoneyPak, How Reloading a Prepaid Card Works, <https://www.moneypak.com/ReloadHowItWorks.aspx> (last visited Feb. 23, 2012).

- **Fees To Get Your Remaining Funds When Closing The Account**

Even closing a card account can trigger a fee unless the balance has been successfully spent down to the last penny. The AccountNow prepaid card imposes a fee of \$15.95 and the Bank Freedom card has a \$25 “card account liquidation fee” to redeem any remaining money in the account by check.⁴⁷ Western Union’s Cardholder Agreement doesn’t disclose the up to \$25 fee customers must pay to get a check for their remaining funds when closing a prepaid card account.⁴⁸ We were unable to locate any information online or in the terms and conditions on account closure fees for the other prepaid cards we reviewed. The Approved Card agreement specifically states that it is free to close the account.⁴⁹

- **Overdraft/”Shortage” Fee**

Perhaps the most significant change in fees since our initial report on prepaid cards is with overdraft or “shortage” fees. Most of the prepaid cards we reviewed in 2009 charged overdraft or shortage fees. Today, there are no longer references to “shortages” or to shortage fees, nor does it appear that many prepaid cards impose fees for going over the amount of available funds.⁵⁰ Three of the 16 cardholder agreements still have provisions that cardholders who have incurred a negative balance may be subject to additional fees.⁵¹

Overdraft, or “shortage,” fees are charged when transactions are processed for more money than a card’s balance, creating a “negative balance.” In the past, overdraft or shortage fees ranged from \$14.95 to \$25 when fees were stated, and have often been referred to in the terms and conditions without disclosing the amount of the fee. Bank Freedom formerly assessed a fee of “up to \$25.” Now, the terms state the cardholder is liable for the negative balance and “any applicable fees.”⁵² It is unclear whether consumers would be assessed applicable fees or what the fees may be when a negative balance is created using a prepaid card.

⁴⁷ AccountNow, Terms and Conditions, http://www.accountnow.com/mkt-cap/signup9_mb_choice_LA.aspx, (click on “Terms and Conditions, E-Sign Act”); Bank Freedom, Terms and Conditions, <http://www.bankfreedom.com/terms&conditions.html> (last visited Feb. 23, 2012).

⁴⁸ Western Union MoneyWise Prepaid Card, Cardholder Agreement, <https://www.mycardplace.com/cards/onlinesales/wu/brands/wumw5/jsp/terms&cond.jsp> (last visited Feb. 23, 2012).

⁴⁹ The Approved Card, Cardholder Agreement, <http://theapprovedcard.com/moreinfo/agreement/> (last visited Feb. 23, 2012).

⁵⁰ Some prepaid cards assess ATM decline fees when a consumer is unable to obtain funds from a prepaid card account due to insufficient funds.

⁵¹ Bank Freedom, H&R Block Emerald Card, and Vision Premier cardholder agreements contain the provision: “you shall remain liable fully liable to us for the amount of the transaction and any applicable fees or charges.” Bank Freedom Prepaid Card, Cardholder Agreement, <http://www.bankfreedom.com/terms&conditions.html>; H&R Block Emerald Card, Cardholder Agreement, http://www.hrblock.com/bank/pdfs/card_account_terms_and_conditions.pdf; Vision Premier, Cardholder Agreement, <https://www.securecardsignup.com/enroll/terms/VisionPremierAuto4554.pdf> (last visited Feb. 23, 2012).

⁵² Bank Freedom Prepaid Card, Cardholder Agreement, <http://www.bankfreedom.com/terms&conditions.html> (last visited Feb. 23, 2012).

III. Case Study: What It Costs to Use a Prepaid Card

Costs can vary widely depending on which cards consumers choose and how they use them. Consumers can reduce costs by setting up direct deposit, obtaining cash at the point of sale from merchants, and for some cards, choosing “credit” instead of “debit” at the checkout.

Our sample consumer makes minimum wage (plus tips), works 40-hours per week, and over two months

To illustrate the variations in costs to consumers, for this case study we have analyzed the fees associated with the Walmart Money Card, the RushCard and the AccountNow Card.⁵³ These three prepaid cards have a total of four different pricing structures leading to multiple cost outcomes. We analyzed the impact of these cost variations on a sample consumer with the following profile:

Our sample consumer makes minimum wage (plus tips), works 40-hours per week, and over two months conducts:

- Three ATM withdrawals⁵⁴
- Three Bill Payments (Rent, Utilities, and Phone)
- Eight Point of Sale Purchases (Groceries and Meals once a week)
- Weekly balance inquiry
- Two deposits⁵⁵

Below is a narrative analysis of the cost variations as illustrated in eight scenarios involving the Walmart Money Card, the RushCard and the AccountNow Card.

Scenario 1. *Walmart MoneyCard* (without Direct Deposit):

1st Month: \$16.59

2nd Month: \$21.54

With the *Walmart MoneyCard* (without Direct Deposit), the sample consumer pays a One-Time Issuance Fee of \$3 and loads money onto the card. She pays \$2 for each ATM withdrawal (\$6 total for 3 ATM withdrawals). She pays for groceries and meals at no extra cost. In order to pay the bills, she pays \$0.88 for each bill payment with the Standard Bill Payment Option offered with the Walmart MoneyCard (\$2.64 total for 3 bills).⁵⁶ To reload funds the second time that first month, she pays \$4.95 to load funds by purchasing a MoneyPak.⁵⁷ She checks her balance for free by phone. Her monthly total is \$16.59 to use the Walmart MoneyCard the first month. For the second month, with the same usage pattern, the \$3 issuance fee is replaced with a

⁵³ Both the Walmart Money Card and the RushCard have reported billions of dollars have been loaded onto their cards. The AccountNow Prepaid Card is one of the cards featured in *One Size Does Not Fit All*, a survey on prepaid card usage published by the Center for Financial Services Innovation. RACHEL SCHNEIDER, CTR. FOR FIN. SERVS. INNOVATION, ONE SIZE DOES NOT FIT ALL 4 (2009), available at <http://cfsinnovation.com/node/330606>.

⁵⁴ According to a 2009 study commissioned by PULSE, an ATM operator network, active debit cardholders make three ATM withdrawals per month on average. Press Release, PULSE, Despite Recession, Card Issuers Expect Debit Grown in 2009 (June 4, 2009), available at <https://www.pulsenetwork.com/public/about/pulse-news/press-releases/2009/debit-issuer-study.html>.

⁵⁵ There would be no fee to upload funds from a recurring direct deposit. Our sample consumer deposits approximately \$1000 a month.

⁵⁶ Walmart MoneyCenter, Bill Pay & Money Order, <http://www.walmart.com/cp/Bill-Payment/632045> (last visited Feb. 27, 2012).

⁵⁷ Green Dot MoneyPak, <https://www.moneypak.com/> (last visited Feb. 27, 2012).

\$3 monthly fee, and \$9.90 to reload funds twice (\$9.90 for two reload packs at \$4.95 each). The total second month's cost is \$21.54.

Scenario 2. Walmart MoneyCard (with Direct Deposit):

1st Month: \$11.64
2nd Month: \$8.64

With the *Walmart MoneyCard (with Direct Deposit)*, the sample consumer pays a One-Time Issuance Fee of \$3 and loads money onto the card. She pays \$2 for each ATM withdrawal (\$6 total for 3 ATM withdrawals). She pays for groceries and meals at no extra cost. In order to pay the bills, she pays \$0.88 for each bill payment with the Standard Bill Payment Option offered with the Walmart MoneyCard (\$2.64 total for 3 bills).⁵⁸ She checks her balance for free by phone. Her monthly total is \$11.64 to use the Walmart MoneyCard the first month. For the second month, her monthly fee is waived because she had \$1000 directly deposited the previous month. The total second month's cost is \$8.64.

Scenario 3. RushCard's Pay Monthly Program (without Direct Deposit)

1st Month: \$11.40
2nd Month: \$22.35

With the *RushCard's Pay Monthly Program*, the same consumer pays \$3.95 Card Fee (for the physical card) and loads money onto the card. She would be able to make 2 free calendar month ATM withdrawals and pay \$2.50 for the additional ATM withdrawal (\$2.50 total for 3 ATM withdrawals). She pays for groceries and meals at no cost by selecting the Signature option instead of inputting her PIN, or selecting the "debit" option (the PIN option has a \$1 per transaction fee). She uses the bill payment option, which is provided for free.⁵⁹ To reload funds for the second time in the first month, she pays \$4.95 for the MoneyGram reload pack. She checks her balance for free by phone as she does not have easy internet access to view her spending activity. The total is \$11.40 to use the RushCard's Pay Monthly Program in the first month. For the second month, with the same usage pattern, she pays the monthly fee of \$9.95, and \$9.90 for two reload packs, making the total cost \$22.35.

Scenario 4. RushCard's Pay Monthly Program (with Direct Deposit)

1st Month: \$16.40
2nd Month: \$12.45

If the consumer has \$1000 direct deposited, given the same usage pattern, she pays \$16.40 for the first month and \$12.45 for the second month.

Scenario 5. RushCard's Pay As You Go Program (without Direct Deposit)

1st Month: \$22.75
2nd Month: \$23.75

If the consumer chooses instead the *RushCard's Pay As You Go Program*, the same consumer pays a \$3.95 Card Fee (for the physical card) and loads money onto the card. She pays \$1.95 for each ATM withdrawal (\$5.85 total for 3 ATM withdrawals).

⁵⁸ Walmart MoneyCenter, Bill Pay & Money Order, <http://www.walmart.com/cp/Bill-Payment/632045> (last visited Feb. 27, 2012).

⁵⁹ RushCard eliminated bill pay fees in February 2012. RushCard Cardholder Agreement, <http://www.rushcard.com/cardholder.aspx> (last visited Feb. 27, 2012).

For every grocery and meal purchase, she pays a \$1 Convenience Fee (\$8 total for 8 purchases). She uses the bill payment option, provided for free. To reload funds the second time that first month, she pays \$4.95 for the MoneyGram reload pack. She checks her balance for free by phone as she does not have easy internet access to view her spending activity. The total is \$22.75 to use the RushCard for the first month. For the second month, with the same usage pattern, the monthly cost is \$23.75 with no monthly fee and two reload fees (\$9.90 for two reload packs).

Scenario 6. RushCard's Pay As You Go Program (with Direct Deposit)

1st Month: \$17.80
2nd Month: \$13.85

If the consumer has \$1000 direct deposited, given the same usage pattern, she pays \$17.80 for the first month and \$13.85 for the second month.

Scenario 7. AccountNow Prepaid Card (without Direct Deposit)

1st Month: \$14.45
2nd Month: \$29.35

With the *AccountNow Prepaid Card*,⁶⁰ the same consumer pays no purchase fee and loads money onto the card. She pays \$2.50 for each ATM withdrawal (\$7.50 total for 3 ATM withdrawals). She pays for groceries and meals at no extra cost. She can pay for bills online at no cost. To reload funds for the second time in the month, she pays \$4.95 for the MoneyGram reload pack. She checks her balance for \$0.50 a call (\$2 total for 4 calls). Her monthly total is \$14.45 to use the AccountNow Prepaid Card for the first month. For the second month, with the same usage pattern and adding the \$9.95 Monthly Fee⁶¹ and two reload fees (\$9.90 total for 2 reloads); the total cost is \$29.35.

Scenario 8. AccountNow Prepaid Card (with Direct Deposit)

1st Month: \$ 9.50
2nd Month: \$ 19.95

If the consumer has \$1000⁶² direct deposited, given the same usage pattern, she pays \$9.50 for the first month and \$19.95 for the second month.

⁶⁰ AccountNow, Terms and Conditions, http://www.accountnow.com/mkt-cap/signup9_mb_choice_LA.aspx, (click on “[Terms and Conditions, E-Sign Act](#)”).

⁶¹ The \$9.95 Activation Fee is waived if a recurring direct deposit of at least \$2500 is set up. *See id.*

⁶² AccountNow waives the monthly fee if at least \$2500 is loaded the previous 30 days. *See id.*

The following charts illustrate the cost scenarios involving the sample consumer discussed above.

Without Direct Deposit

Card	Activation/ Issuance	Monthly total for 3 ATM Withdrawal 3 (transaction fee)	Monthly total for 8 Point of Sale purchases (transaction fee)	Monthly Total for 3 Bill Payments (bill payment fee)	Monthly Total for 2 Deposits (reload fee)	Monthly Total for Weekly Balance Inquires (inquiry by phone or text fee)	Total Monthly Cost –First Month (includes Activation or Issuance Fee if applicable and Fee for 1 deposit)	Total Monthly Cost – Second Month (includes Monthly Fee if applicable and Fee for 2 deposits)
Walmart Money Card	\$3.00	\$6.00	\$0.00	\$2.64 (\$0.88 each bill)	\$4.95 (1st Month); \$9.90 (2nd Month) (\$4.95 each Money Gram)	\$0.00	\$16.59	\$18.54
RushCard – Pay Monthly Program	\$3.95 Card fee; \$9.95 monthly fee	\$2.50 (first 2 ATM withdrawals in calendar month are free)	\$0.00 (Signature-based POS = free; PIN-based POS = \$1.00)	Free	\$4.95 (1st Month); \$9.90 (2nd Month) (\$4.95 each Money Gram)	\$0.00	\$11.40	\$22.35
RushCard – Pay As You Go Program	\$3.95 Card Fee (activation); \$0 (monthly fee)	\$5.85 (\$1.95 each)	\$8.00 (\$1.00 each)	Free	\$4.95 (1st Month); \$9.90 (2nd Month) (\$4.95 each Money Gram)	\$0.00	\$22.75	\$23.75
Account Now Prepaid Card	\$0; \$9.95 monthly fee	\$7.50 (\$2.50 each)	\$0.00	Free	\$4.95 (1st Month); \$9.90 (2nd Month) (\$4.95 each Money Gram)	\$2.00 (\$0.50 per call)	\$14.45	\$29.35

With Direct Deposit

Card	Activation/ Issuance	Monthly total for 3 ATM Withdrawal 3 (transactio n fee)	Monthly total for 8 Point of Sale purchases (transactio n fee)	Monthly Total for 3 Bill Payments (bill payment fee)	Monthly Total for 2 Deposits if applicable	Monthly Total for Weekly Balance Inquires (inquiry by phone or text fee)	Total Monthly Cost –First Month (includes Activation or Issuance Fee and Fee for 1 deposit if applicable)	Total Monthly Cost – Second Month (includes Monthly Fee and Fee for 2 deposits if applicable)
Walmart Money Card	\$3.00	\$6.00	\$0.00	\$2.64 (\$0.88 each bill)	Free	\$0.00	\$11.64	\$8.64 (monthly fee waived)
RushCard – Pay Monthly Program	\$3.95 Card fee; \$9.95 monthly fee	\$2.50 (first 2 ATM withdrawal s in calendar month are free)	\$0.00 (Signature- based POS = free; PIN- based POS = \$1.00)	Free	Free	\$0.00	\$6.45	\$12.45
RushCard – Pay As You Go Program	\$3.95 Card Fee (activation) ; \$0 (monthly fee)	\$5.85 (\$1.95 each)	\$8.00 (\$1.00 each)	Free	Free	\$0.00	\$17.80	\$13.85
Account Now Prepaid Card	\$0; \$9.95 monthly fee	\$7.50 (\$2.50 each)	\$0.00	Free	Free	\$2.00 (\$0.50 per call)	\$9.50	\$19.45

A Note About Rewards Programs

Prepaid cards offer a variety of reward programs and other attractive incentives to acquire new cardholders. Among these reward programs are cash back programs, such as the 1% cash back program on the Vision Prepaid card.⁶³ The RushCard and NetSpend provide health programs, such as “Discount Health Plans” and prescription drug savings cards.⁶⁴ Wired Prepaid provides “Wired Points” that can be redeemed for mobile phone minutes.⁶⁵

While rewards programs may seem appealing, they must be considered together with the fees associated with the card. The value of rewards could be undercut if the card still imposes high fees for ordinary uses. Reward programs may be withdrawn or changed so that the terms are less attractive.⁶⁶ Consumers should conduct comparisons based on fees for using the card on a day-to-day basis.

IV. Consumers Using Prepaid Cards Should Not Have to Worry About Lost Funds

Prepaid cards do not necessarily have the same legal consumer protections as traditional debit cards. Prepaid card information can be stolen and misused by identity thieves. One of the largest data breaches reported in 2011 was the Sony Playstation breach, which included over 12 million unencrypted credit card numbers.⁶⁷ Since the same processing systems are used to process prepaid cards as to process traditional debit cards, prepaid card account information was likely included in the breach. Experts predict identity fraud against prepaid cardholders. Fair Isaac, the company that produces the FICO scoring model, projects that “[t]he growing popularity of prepaid cards presents ample opportunities for fraudsters and likely will lead to the next wave of card fraud.”⁶⁸

Voluntary Protections Are Not Enough

Both Visa and MasterCard, the two major card networks, claim their cardholders can be worry free and have peace of mind with their zero liability policies. Visa’s Zero Liability policy states it will protect cardholders from unauthorized use, and requires financial institutions “to extend provisional credit for losses from unauthorized use

⁶³ Vision Prepaid Card, Get 1% Cash Back on Gas Purchases, http://www.visionprepaid.com/cash_back_on_gas_purchases.html (last visited Mar. 14, 2012).

⁶⁴ RushCard, Discount Health Plans from RushCard, <http://www.rushcard.com/featuresandbenefits/DiscountHealthPlans.aspx> (last visited Mar. 14, 2012) and NetSpend, Why NetSpend, Prescription Savings, https://www.netspend.com/why_netspend/powerful_tools/prescription_savings_program.shtml (last visited Mar. 14, 2012).

⁶⁵ Wired Plastic, Wired Points, <http://www.wiredplastic.com/points.php> (last visited Mar. 14, 2012).

⁶⁶ Debit card reward programs have been cut back or eliminated, citing response to federal regulation. Bill Hardekopf, *Debit Card rewards: beginning of the end?*, CHRISTIAN SCI. MONITOR, Apr. 1, 2011, available at <http://www.csmonitor.com/Business/2011/0401/Debit-card-rewards-beginning-of-the-end>

⁶⁷ Privacy Rights Clearinghouse, Data Breaches: A Year in Review, <http://www.privacyrights.org/data-breach-year-review-2011>; Absolute Sownage, A concise history of recent Sony attacks, http://attrition.org/security/rant/sony_aka_sownage.html (last visited Mar. 14, 2012).

⁶⁸ Fair Isaac: *Prepaid Cards Spread Fraud*, AM. BANKER, July 15, 2009.

within 5 business days of notification of the loss.”⁶⁹ MasterCard has a similar Zero Liability policy which will not hold “you responsible for ‘unauthorized purchases’.”⁷⁰

Voluntary consumer protections, like the Visa and MasterCard zero liability policies are insufficient. For instance, prepaid card holders may be subject to the whims of customer service representatives’ knowledge of the policies.⁷¹ Plus, these policies have significant loopholes. Visa’s zero liability policy does not cover ATM transactions or PIN transactions that are not processed on the Visa network.⁷² Card transactions may take place on other networks even if the card has a Visa logo.⁷³ MasterCard’s zero liability policy also has loopholes. That policy doesn’t give any protection if a consumer reported more than two or more unauthorized events in the past 12 months does not cover ATM or PIN transactions and may required the card to have been registered.⁷⁴

Traditional debit cards have statutory and regulatory protections that must be extended to all prepaid cards. The Electronic Funds Transfer Act (EFTA)⁷⁵ and Regulation E⁷⁶ provide debit card users important protection from unauthorized use and provide error resolution rights. If a consumer contacts a debit card issuer about a lost or stolen card within two business days, a consumer’s liability is limited to no more than \$50. If a lost or stolen debit card is not reported to the issuer within two business days, a consumer’s liability is capped at \$500. Unauthorized charges discovered on statements must be reported within 60 days to limit liability to \$500. If a consumer does not report unauthorized charges until after 60 days, a consumer may be responsible for all charges made after the 60 days and until the debit card issuer is contacted. For most consumers holding a debit card linked to a bank account, the maximum exposure for a lost or stolen debit card is \$50.⁷⁷

Consumers using debit cards also have error resolution rights, including a right to have the missing funds put back in the account within a certain period of time. When the EFTA applies, financial institutions must either resolve disputes or provisionally recredit missing funds within ten business days.⁷⁸ This is an important protection as it provides consumers access to missing funds and means that consumers are not left waiting for their funds if the investigation takes too long. This is particularly important when the money is needed to pay bills and other household needs.

⁶⁹ Visa Zero Liability, http://usa.visa.com/personal/security/visa_security_program/zero_liability.html (last visited Mar. 14, 2012).

⁷⁰ MasterCard Zero Liability, <http://www.mastercard.com/us/personal/en/cardholderservices/zeroliability.html> (last visited Mar. 14, 2012).

⁷¹ “A voluntary policy is subject to the risk of uneven application and to the discretion of employees about how and when to apply the policy, which may disadvantage consumers whose primary language is not English, who are less able to spend time on the phone with customer service due to the nature of their jobs, or who are less able to write a persuasive letter describing the problems—in many cases, the very consumers to whom prepaid debit cards are being marketed as account substitutes.” Gail Hillebrand, *Before the Grand Re-thinking: Five Things to Do Today With Payments Law and Ten Principles to Guide New Payments Products and New Payments Law*, 83 CHI.-KENT L. REV. 769, 790 (2008).

⁷² Visa Zero Liability, *supra* note 69.

⁷³ A merchant’s financial institution chooses a network to process debit transactions.

⁷⁴ MasterCard Zero Liability, *supra* note 70.

⁷⁵ 15 U.S.C. §§ 1693-1693r (2006 & Supp. V).

⁷⁶ 12 C.F.R. § 205 (2011).

⁷⁷ 21 C.F.R. § 205.6.

⁷⁸ 15 U.S.C. § 1693f. Under Regulation E, a financial institution may take up to 45 days to conduct an investigation but must provisionally recredit the consumer with the missing funds within 10 business days. 12 C.F.R. § 205.11(c).

But with prepaid cards, consumers might be out of all their money due to an unauthorized transaction regardless of how quickly the loss is reported, and may not have access to missing money when money is needed to pay bills and for daily essentials. Some prepaid card issuers appear to give unauthorized transaction protections and error resolution rights by contract in their cardholder agreements or terms and conditions. For example, the Walmart Money Card provides unauthorized use protections in its Cardholder Agreement, limiting losses at \$50 if the terms and conditions are met.⁷⁹ The Walmart Money Card also provides error resolution rights to existing customers which are similar to those provided for debit cards.⁸⁰ AccountNow also provides error resolution rights in its Terms and Conditions.⁸¹ However, like the Visa and MasterCard Zero Liability policies, these unauthorized use protections provided by prepaid card issuers may be changed or rescinded at any time because the companies reserve the right to change the terms of the contract at any time for any reason.⁸²

The Consumer Financial Protection Bureau (CFPB) has jurisdiction over the EFTA, and has the authority to amend Regulation E. However, it has not yet clarified whether prepaid cards, other than payroll cards, are protected under the EFTA and

⁷⁹ The Cardholder Agreement states: “Tell us AT ONCE if you believe your Walmart MoneyCard or PIN has been lost or stolen. Telephoning is the best way of notifying us. You will not lose any part of the money on your Walmart MoneyCard based on unauthorized use if you have exercised reasonable care in safeguarding your card and PIN from risk of loss or theft. However, if these conditions are NOT met, you could lose the lesser of \$50 or the amount of unauthorized use from your Walmart MoneyCard before you notify us that your card has been lost or stolen. If you believe your Walmart MoneyCard or PIN has been lost or stolen, report it on-line at walmartmoneycard.com or call (877) 937-4098, or write to Our Mail Address,” Walmart Money Card Cardholder Agreement, <https://www.walmartmoneycard.com/AcctMgmt/Controls/Walmart/Support/CardholderAgreement.aspx?siteid=walmart> (last visited Mar. 19, 2012) (scroll down to “Your Liability for Unauthorized Use of Your Walmart MoneyCard or PIN”).

⁸⁰ “We will determine whether an error occurred within 10 business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days to investigate your complaint or question. If we decide to do this, we will credit your Walmart MoneyCard within 10 business day for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your Walmart MoneyCard. For errors involving new customers, point-of-sale, or foreign-initiated transactions, loads, or reloads, we may take up to 90 days to investigate your complaint or question. For new customers, we may take up to 20 business days to credit your Walmart MoneyCard for the amount you think is in error.” *Id.* (scroll down to “IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR WALMART MONEYCARD”).

⁸¹ “If you provide this information orally we may require that you send your complaint or question in writing within ten (10) business days. We will determine whether an error occurred within ten (10) business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to forty-five (45) days to investigate your complaint or question. If we ask you to put your complaint or question in writing and you do not provide it within ten (10) business days, we may not credit your Card. For errors involving new Cards, point-of-sale, or foreign-initiated transactions, we may take up to ninety (90) days to investigate your complaint or question. We will tell you the results within three (3) business days after completing the investigation. If we decide that there was no error, we will send you a written explanation.” AccountNow Prepaid Card Terms and Conditions, <https://www.accountnow.com/secure/SignUp.aspx> (last visited Mar. 19, 2012) (click on “Terms and Conditions, E-Sign Act”; scroll down to “Information About Your Right to Dispute Errors”).

⁸² Prepaid card contracts such as those of the Walmart Money Card and the American Express Prepaid Card have provisions allowing the terms to be changed at any time for any reason. See Walmart MoneyCard Cardholder Agreement, *supra* note 79 (scroll down to “Changes; Waiver”); American Express, Cardmember Agreement, *supra* note 31 (scroll down to “Changing These Terms and Conditions/Notices”).

its regulations.⁸³ In 2004, the Federal Reserve Board (who then had jurisdiction over Regulation E) declined requests from consumer groups to extend protections to prepaid cards, stating that there would be little benefit to consumers to provide Regulation E protections for cards that “may be used for limited purposes or on a short-term basis, and which may hold minimal funds.”⁸⁴ However, prepaid cards are just the opposite. They are used for everyday use, with many consumers depositing important household funds, and even their wages, onto prepaid cards. The Federal Reserve estimated that in 2009, 1.3 billion transactions were conducted using general purpose prepaid cards, up from 300 million in 2006.⁸⁵

V. Prepaid Cards Are Unlikely to Boost Credit Records

Prepaid cards are now offering credit-like features, which include “credit building” features and small credit lines. Close inspection of these features indicate that consumers should stay away from signing up for credit building and credit lines offered by prepaid cards. These prepaid products do not provide sufficient information to build the type of credit report that consumers get with mainstream credit products, nor will consumers obtain fairly priced short term credit lines. Unfortunately, with these products, consumers using prepaid cards to build credit may find themselves more deeply embedded in a more costly and less secure second-tier banking system.

Uncertain “Credit Building”

Although credit building features may seem attractive to unbanked and underbanked consumers trying to establish credit files or consumers with bad credit trying to rebuild credit, it is not clear whether these nontraditional reporting mechanisms help consumers establish good credit files and credit scores.

There have been different attempts to help build or supplement consumers’ credit files using prepaid card information.⁸⁶ Prepaid card companies have partnered with nontraditional credit reporting agencies as well as with the major credit bureaus, reporting monthly prepaid card fee payments. One such alternative credit reporting agency was Payment Reporting Builds Credit (PRBC), which allowed consumers to sign up to self report their bill payments. PBRC has since been acquired by Microbilt.⁸⁷

More recently, in early 2012, the Approved Card launched The Credit Project. The 18 to 24 month project will anonymously share transaction data from Approved Cardholders to determine whether this data can help consumers build credit files using transaction data from prepaid cards.⁸⁸

⁸³ The CFPB obtained authority over enumerated consumer financial protection laws on the new agency’s transfer date, July 21, 2011, which includes Regulation E from the Federal Reserve Board. *See* Designated Transfer Date, 75 Fed. Reg. 57252, 57252 (Sept. 20, 2010).

⁸⁴ Electronic Fund Transfers, 71 Fed. Reg. 51437, 51,441 (Aug. 30, 2006).

⁸⁵ FED. RESERVE SYS., *supra* note 5, at 17.

⁸⁶ One prepaid card, the Eufora prepaid card (no longer available), had a Credit Builder program. The Preferred program required a \$59.95 annual fee and a \$6.65 monthly fee for the first year, and the Elite program required a \$99.95 annual fee, and a \$6.65 monthly fee for the first year. *See* MICHELLE JUN, *supra* note 2, at 24-25 (Appendix A).

⁸⁷ Microbilt provides information on consumers with thin or no credit files with PBRC’s information, which includes “Traditional and bill payment Trade Lines.” *See* Microbilt, <http://www.microbilt.com/nontraditional-credit-report.aspx> (last visited Mar. 19, 2012).

⁸⁸ The Approved Card, The Credit Project, <http://theapprovedcard.com/whychoosetac/thecreditproject/> (last visited Mar. 19, 2012).

As one researcher accurately commented in a publication of the Federal Reserve Bank of Philadelphia in May 2005; “[s]imply put...they [stored-value cards] will necessarily be an imperfect vehicle for building a credit history.”⁸⁹ Until prepaid card transaction data is recognized by the big three credit bureaus, consumers should not rely on prepaid cards to build credit history.

Very Pricey Credit Lines

Some prepaid cards offer small lines of credit which must be paid within a short period of time. These short term loans are expensive and need to be paid quickly, like a payday loan. Banks that include prepaid lines of credit may not be limited even by lax state payday loan laws. First, the bank is able to avoid state usury limits, small loan laws, and/or payday loan laws. While payday lenders hold personal checks or in some states take an authorization to debit the borrower’s bank account to secure the loan, banks that extend credit through prepaid cards have direct access to the next paycheck or exempt benefits that are direct deposited to the card. Just as payday lenders can extract exempt funds from federal recipients’ bank accounts, prepaid cards on which exempt funds are loaded can be tapped to repay lines of credit and associated fees.

One example was the iAdvance line of credit on prepaid cards provided as a feature by some prepaid card companies. The iAdvance feature operated like a payday loan. The loans are small and provided short term credit with a flat fee (i.e. \$25 per \$200); required that borrowing consumers have recurring direct deposits such as of paychecks or government benefits and led to frequent rollovers and triple digit Annual Percentage Interest Rates (APRs). The disclosed APR was 150%, but this assumed that the loan is outstanding for 30 days. This would be highly unlikely, as the loans would most likely be taken out at the end of the pay cycle. The APR was 650% if the loan was taken out a week before payday, and even higher if the loan is taken out only for a few days. The Office of Thrift Supervision (OTS) put an end to the iAdvance product in October 2010 using the agency’s power to shut down unfair and deceptive acts or practices.⁹⁰

VI. Depository Insurance Caps May Not Apply To Each Prepaid Cardholder

Consumers with traditional bank accounts have peace of mind that their money will not be lost if their banks go into receivership, up to a sizable dollar cap. Consumers know that as long as their money has been deposited into Federal Deposit Insurance Corporation (FDIC) member banks, their funds (typically in checking or savings accounts) are insured up to the FDIC limit.⁹¹ Consumers with traditional bank accounts can easily find out if their banks are FDIC member banks by using the FDIC’s lookup site;⁹² looking for gold and black FDIC logos on the banks’ windows; or finding the phrase “Member of FDIC” or “Member FDIC” on banks’ websites.⁹³

⁸⁹ James McGrath, *The Cost Effectiveness of Stored-Value Products for Unbanked Consumers* 10 (Fed. Reserve Bank of Philadelphia, Discussion Paper No. 05-06, 2006), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=927073.

⁹⁰ iAdvance, Important Notice to iAdvance Line of Credit Customers, <https://secure.myiadvance.com/>; Bank Talk, OTS Slams the Door on Meta Payment Systems, <http://banktalk.org/2010/10/13/ots-slams-the-door-on-meta-payment-systems/>.

⁹¹ 12 U.S.C. § 1813(l) (2006 & Supp. V); 12 C.F.R. § 330.1(n) (2011).

⁹² To find out if the bank is a FDIC-insured institution, see http://www2.fdic.gov/idasp/main_bankfind.asp.

⁹³ 12 C.F.R. § 328.2 (2011).

The FDIC requires member banks to “continuously display the official sign at each station or window where insured deposits are usually and normally received.”⁹⁴

However, consumers who use or are considering using prepaid cards do not have the same guarantee that they would recover all their money in the event of a bank failure. Even if a prepaid card website displays the familiar FDIC logo or phrase, that means the funds are insured but it is not always clear whether the \$250,000 deposit insurance cap applies to the whole pooled account in which many cardholders’ money is held, or applies individually to each cardholder. For example, the ReadyDebit prepaid card’s website displays the FDIC logo, but does not clearly inform consumers whether or not the funds on the cards are FDIC insured to each individual cardholder.⁹⁵

Consumers using prepaid cards should have peace of mind that their money is safe if the issuing bank fails. There has been some progress on this issue, but more remains to be done. The FDIC clarified that prepaid card funds qualify for FDIC coverage as long as the funds are maintained in accounts that satisfy “pass through” requirements set forth in the FDIC’s new General Council Letter No. 8.⁹⁶ Pass through matters because without it the funds of thousands of cardholders would be subject to the single allowable cap, currently at \$250,000. However, whether FDIC insurance passes through to the cardholder depends on the choices made by the card issuer in setting up the account.

Some prepaid cards are providing clearer information to consumers that the consumer’s money will be protected by the FDIC up to \$250,000, which is the current allowable cap. For instance, the UPSide Card website states, “Your money is safe in a reloadable UPSide Visa Prepaid Debit Card. Funds are kept in an FDIC-insured account. That means you are protected for up to \$250,000.”⁹⁷ Similarly, the AccountNow website states, “Keep your money safe in a prepaid card account instead of carrying it around in cash. Your deposits are FDIC insured up to \$250,000.”⁹⁸ On the other hand, Bank Freedom’s website and Cardholder Agreements remain vague. Their cards are FDIC insured, but it isn’t clear if the individual cardholder is fully protected in the event of a bank failure.⁹⁹

This confusion may be easily alleviated by the CFPB declaring it an unfair practice to offer a prepaid card unless it is set up to qualify for either direct or pass through FDIC insurance. In addition, the FDIC should clarify its regulations concerning the use of the term “FDIC insured” to prevent that use unless the insurance in fact is in place and passes through on a per-cardholder basis.

⁹⁴ 12 C.F.R. § 328.2(a). Credit unions are insured by the National Credit Union Administration (NCUA), which imposes similar requirements.

⁹⁵ Ready Debit Prepaid Card, <https://www.readydebit.com/> (last visited Mar. 19, 2012).

⁹⁶ Stored Value Cards and Other Electronic Payment Systems, 61 Fed. Reg. 150 (Aug. 2, 1996). The FDIC’s “pass-through” requirements are: 1) the account records at the insured depository institution must disclose the existence of a custodial relationship; 2) the records of the insured depository institution or records maintained by the custodian or other party must disclose the identities of the actual owners of the funds and the amount owned by each such owner; and 3) the funds are owned by the cardholders. A card issuer’s choices will determine whether these requirements are met.

⁹⁷ Every webpage for the UPSide Prepaid Card provides this information. UPSide Prepaid Card, <http://www.upsidecard.com/> (last visited Mar. 19, 2012).

⁹⁸ AccountNow Prepaid Card, <http://www.accountnow.com/> (last visited Mar. 19, 2012).

⁹⁹ Bank Freedom Prepaid Card, FAQ, <http://www.bankfreedom.com/faq.html#A4> (last visited Mar. 19, 2012).

VII. Policy Recommendations from Consumers Union

Consumers Union, the advocacy arm of Consumer Reports, has urged the Consumer Financial Protection Bureau to require prepaid card issuers to improve fee disclosure and abide by the same mandatory protections consumers are guaranteed by law when using debit cards linked to their bank accounts. Consumers Union recommends the following:

Fees: Prepaid Card Fees Must Be Lowered, Presented and Simplified

The proliferation of fees just described interferes with comparison shopping. Change is needed so that consumers can easily compare and understand prepaid card fees up front, before handing over any money. These changes are essential:

- **Overdraft and other penalty fees should be eliminated.**

Overdrafts may occur when a card is processed using a signature rather than a PIN. Prepaid cardholders owe repayment if they spend more money than they have placed in the card account. However, overdraft fees in prepaid cards, whether called overdraft, shortage, negative balance, or by some other name should be prohibited.

Other penalty should be eliminated. Prepaid card issuers should not profit from or grow their profits from assessing abusive fees.

- **Dormancy or inactivity fees should be eliminated.**

Dormancy or inactivity fees are another example of fees which should not be assessed on accounts. If an account is dormant for over 90 days, they should be closed with the remaining balance returned to the consumer without a fee.

- **Prepaid card fees should be displayed in a simple comprehensive chart which displays important fees with clear explanations for what the fees are for.¹⁰⁰**

A standard, simple chart which lists and describes every fee with the name of the fee, the amount, and what the fee is for is essential for consumers to compare costs among prepaid cards.

Consumers need to be able to see fees up front to decide which prepaid card best suits their needs. Consumers should be informed about the costs to use a prepaid card so that they are not blindsided by hidden or unexpected fees.

Explanations for fees should be more straightforward and obvious. Inconsistent fee descriptions also make cost comparisons difficult. For example, fees for dormancy or inactivity may be referred to differently prepaid card to prepaid card such as “account maintenance fee,” or “conditional monthly fee.”¹⁰¹

¹⁰⁰ This is similar to the “Schumer Box” for credit card terms and fees. 12 C.F.R. § 226.5a (2011).

¹⁰¹ Cards such as the NetSpend Visa Prepaid Card refers to a dormancy fee as an “account maintenance fee” for no activity for 90 days and Vision Preferred assesses a “conditional monthly fee” for inactivity after 60 days. NetSpend Cardholder Agreement, https://www.netspend.com/account/terms/Standard_NS_Premier_GPR-Terms-Direct-Eng-05Jul11.pdf

- **Fee information should be provided in plain sight: on the outside of prepaid card packages; prominently on prepaid card website homepages; and, in other places consumers find prepaid cards.**

Consumers should be provided fee information before loading funds onto prepaid cards. Fee information should be provided on the outside of prepaid card packages, prominently on prepaid card website homepages, and wherever they may be sought and expected.

Consumers should be able to easily see or find important prepaid card fee information. Consumers should not have to wait to obtain complete fee schedules after having already loaded funds and providing sensitive personal information.

Websites also make fee information difficult to find. Links are often provided in small font and not placed prominently on homepages as compared to the large signup buttons and registration forms. Consumers must know which selections to choose to locate important information on the websites. For example, when a consumer visits the Account Now website, the fee information cannot be seen until two-clicks after using the “Open an Account” link on the homepage.¹⁰²

- **Statements and transactional information should be provided to consumers at no fee or for a nominal fee.**

Statements or other account information is essential for consumers to be able to monitor unauthorized charges, to be aware of fees that deplete their funds, and to avoid overdrafts. Most of the cards we analyzed allow consumers to check their accounts online or to obtain text or email alerts for each transaction. Consumers should be able to access transaction information electronically from the web and from mobile devices without cost. This information should be provided even for those consumers who may have no reason to check transaction activity due to the lack of use of the card.

Prepaid card issuers should provide consumers with transaction information for every transaction, and provide transactional histories which reflect each activity that has occurred. Consumers should be able to print complete monthly statements and transactional histories without a fee.

Prepaid card issuers should also be required to give consumers the right to sign up for paper statements for no fee or a nominal fee and should not be allowed to hold consumers liable for unauthorized charges unless and until a statement or other account information revealing the charge has been provided to the consumer.

- **Costs should be simplified.**

Prepaid card issuers should simplify fees so that prepaid cardholders are not subject to numerous fees which end up nickel and diming them. One example of a way to provide a simplified fee structure would be to provide a low monthly fee for the total cost of use of the card, which is prominently disclosed before purchase.

(last visited Mar. 28, 2012); Vision Preferred Prepaid Card Cardholder Agreement, https://www.securecardsignup.com/enroll/terms/VP3_Cardholder_Agreement.pdf (last visited Mar. 28, 2012). The Vision Preferred Prepaid Card is a different card from the Vision Premier Card which is assessed in this report. The Vision Preferred Prepaid Card has a “pay as you go” fee structure.

¹⁰² AccountNow Prepaid Home Page, <https://www.accountnow.com> (last visited Mar. 28, 2012).

Expand EFTA's Right of Recredit

Taking the step to expand the Electronic Funds Transfer Act and Regulation E to include all reloadable prepaid cards and reloadable "gift cards" with a balance of at least \$250 is not a giant leap, but rather comes full circle to provide consumer protection to consumers who use plastic payment cards which transfer funds using electronic systems. This is the overarching intent of the EFTA.

Consumer advocates have long urged the Board to ensure consumers using prepaid cards have the same protections as debit card users. All prepaid cards marketed or used as account substitutes should be expressly covered by Regulation E. The Consumer Financial Protection Bureau should clarify that "'account' includes all prepaid card products which are marketed or used as account substitutes or which provide significant sources of income or assets to an individual or household."¹⁰³ By clarifying that the definition of "account" in Regulation E includes prepaid cards, important household funds for the growing number of consumers using prepaid cards would be protected in the event of unauthorized use and provide error resolution rights.¹⁰⁴

The Electronic Funds Transfer Act's Regulation E should be extended to include all prepaid payment cards that function like debit cards or that serve the functions of a checking account, as well as reloadable "gift cards" with a balance of at least \$250.¹⁰⁵

The Federal Reserve Board should amend Regulation E by adding:

12 C.F.R. § 205.2 Definitions

...

(b)(1) Account means:

...

(b)(3) The term includes a 'spending account,' which is an account that is directly or indirectly established by the consumer and to which prepayments are to be made on behalf of the consumer by the consumer or by others, or to which recurring electronic fund transfers may be made at the discretion of the consumer. This definition includes an account operated or managed by a retailer, third-party processor, a depository institution or any other person, an account held in the name of the consumer or the name of another entity, and an account where the funds are pooled with the funds of others.

EFTA as the Floor: Payroll Card Protections

To encourage uniformity among different payment cards and methods, we also recommend that all cards, devices, and other plastic payments should have loss caps at no more than \$50. Congress should amend the EFTA to reduce the EFTA's dollar cap applicable to debit cards to the level of the credit card cap—no more than \$50.

¹⁰³ October 28, 2004 letter to Secretary of the Federal Board of Governors, Jennifer Johnson from advocates, including Consumers Union, Consumer Federation of America and NCLC, *available at* <http://www.consumersunion.org/pdf/payroll1004.pdf>. The FRB previously held jurisdiction over the Electronic Funds Transfer Act and its regulations.

¹⁰⁴ The \$250 balance amount is based on a minimum wage earner's weekly income. Federal minimum wage will be \$7.25 beginning July 24, 2009. See U.S. Dep't of Labor, *Wages, Minimum Wage*, <http://www.dol.gov/dol/topic/wages/minimumwage.htm> (last visited Mar. 28, 2012).

¹⁰⁵ This figure is based on minimum wage and biweekly payments. See U.S. Dep't of Labor, *Compliance Assistance: Minimum Wage, Minimum Wage, Wages*, <http://www.dol.gov/compliance/topics/wages-minimum-wage.htm> (last visited Mar. 28, 2012).

This could be accomplished by deleting 15 U.S.C. § 1693g(a)(2) and the “or” at the end of § 1693g(a)(1).¹⁰⁶

Extend Chargeback Rights to Prepaid Cards

Congress should amend the EFTA to include a chargeback provision for both bank account debit cards and prepaid cards to provide protections consumers already have when paying with credit cards. Chargeback is an important consumer protection which allows the cardholder to dispute a charge when goods or services are not accepted by the cardholder or not delivered as agreed.¹⁰⁷ Consumers should have the same chargeback rights when using debit cards or prepaid cards as consumers who use credit cards.

Include in Section 908 of the Electronic Funds Transfer Act (15 U.S.C. § 1693f) by adding at the end of the following:¹⁰⁸

(g) Rights of Consumers With Respect to Accepted Cards and Other Means of Access

- (1) In General—Subject to the limitation contained in paragraph (2), the issuer of an accepted card or other means of access to a consumer shall be subject to all claims (other than tort claims) and defenses arising out of any transaction in which the accepted card or other means of access is used as a method of payment, if
 - (A) the consumer has made a good faith attempt to obtain satisfactory resolution of a disagreement or problem relative to the transaction from the person honoring the accepted card or other means of access;
 - (B) the amount of the initial transaction exceeds \$50; and
 - (C) the transaction was initiated by the consumer in the same State as the mailing address previously provided by the consumer, or within 100 miles from such address, except that the limitations set forth in subparagraphs (A) and (B) with respect to the right of a consumer to assert claims and defenses against the issuer of the card or other means of access shall not be applicable to any transaction in which the person honoring the accepted card or other means of access
 - (i) is the same person as the issuer;
 - (ii) is controlled by the issuer;
 - (iii) is under direct or indirect common control with the issuer;
 - (iv) is a franchised dealer in the products or services of the issuer; or
 - (v) has obtained the order for such transaction through a mail solicitation made by or participated in the issuer in which the cardholder or other means of

¹⁰⁶ Hillebrand, *supra* note 71, at 790.

¹⁰⁷ Regulation Z, 12 C.F.R. § 226.12(b) (2011).

¹⁰⁸ Hillebrand, *supra* note 71, at 798.

access holder is solicited to enter into such transaction by using the accepted card issued by the issuer.

(2) Limitation—The amount of claims or defenses asserted by the holder of the card or other means of access under this subsection may not exceed the amount paid by the holder of the card or other means of access with respect to the subject transaction at the time in which the holder first notifies the issuer or the person honoring the accepted card or other means of access of such claim or defense.”

Guarantee Deposit Insurance to Each Prepaid Cardholder

The Federal Reserve Board should require that prepaid card issuing banks set up these programs to qualify for FDIC insurance for each cardholder. This could be done by setting up individual card accounts or by complying with the FDIC General Council Opinion No. 8’s “pass through” requirements to provide pass through insurance to individual cardholders.¹⁰⁹ Additionally, the FDIC should clarify its regulations to stop prepaid card product advertisements, including websites, from displaying the FDIC logo or phrase “FDIC insured” unless the prepaid card funds in fact are insured to the individual cardholder directly or on a pass through basis.¹¹⁰

VIII. Conclusion

Prepaid cards function much like traditional debit cards. They can be used like a bank account – to make debit purchases, withdraw cash at ATMs and from tellers, receive direct deposits and pay bills online or with checks. Consumers should be able to see and compare the cards’ fees up front before handing over any money. Prepaid card issuers should provide fee information in a simple comprehensive chart, and the cost of using prepaid cards should be capped monthly. The consumer protections on these cards must be improved to equal those of bank accounts linked to debit cards; so that consumers using prepaid cards do not find themselves empty-handed as a result of unauthorized transactions, lost or stolen cards, identity theft or fraud or a bank failure.

A growing number of consumers are using and relying upon prepaid cards to manage household funds and conduct daily financial transactions, making consumer protections increasingly critical for prepaid cards. Until those protections are required, prepaid cards are second-tier substitutes for bank accounts which do not provide cardholders with the same stability or protections that all consumers expect and deserve.

¹⁰⁹ In a November 23, 2008 letter, Consumers Union asked the Office of the Comptroller of the Currency to ensure their national banks only issue prepaid cards with accounts backed by the FDIC to the individual cardholder. In the OCC’s January 23, 2009 response, the agency stated that they lacked the authority to direct their banks. Letter from Julie L. Williams, First Senior Deputy Controller and Chief Counsel, OCC, to Michelle Jun, Staff Attorney, Consumers Union, Jan. 23, 2009, *available at* http://www.defendyourdollars.org/2009/01/occ_response_on_prepaid_cards.html.

¹¹⁰ 12 C.F.R. §§ 328.2-328.3 (2011).

Appendix A: Fee Schedule

		NetSpend Visa	H&R Block Emerald Card	Rush Card	Vision Premier	Walmart Money Card	Green Dot
Issuing Bank (Card Network)		MetaBank (Visa)	H&R Block Bank (MC)	The Bancorp Bank (Visa)	The Bancorp Bank (Visa)	E Money Bank (MC/Visa)	Synovus Bank(MC/Visa)
Activation Fee/Initial Load		\$0 (not stated)	\$0 (not stated)	\$3.95-\$14.95 depending on card selected card design (\$0.01 initial load)	\$9.95 (\$20 initial load)	\$3 in stores; Free online (not stated)	No fee if obtain card online In stores up to \$4.95 (\$6.95 for NASCAR Prepaid Card) (\$10 initial load)
Monthly Fee		\$0 Pay As You Go; \$9.95 Fee Advantage Plan; \$5 NetSpend Premier Plan		\$0 Pay As You Go; \$9.95 Pay Monthly Program	\$9.95 Without Direct Deposit; \$7.95 With Direct Deposit	\$3 (waived if load >\$1000 in prior month)	\$5.95, waived if load >\$1,000 in prior month or have 30 posted purchase transactions (excludes all ATM declined withdrawals, ATM balance inquiries and teller cash advances)
Point of Sale Fees: Purchase Fees	Signature	\$1 Pay As You Go; Free for Fee Advantage and NetSpend Premier Plan		"Convenience Fee" \$1 Pay As You Go (capped at 10 per calendar month); Free Pay Monthly Program	\$0.00		
	PIN	\$2 Pay As You Go; Free for Fee Advantage and NetSpend Premier Plan		1	\$0.00		
Cash Withdrawal: ATM	Domestic	\$2. 50	\$2.50 (no surcharge fee at Allpoint ATMs)	\$1.95 Pay As You Go; 2 Free each calendar month, \$2.50 after	\$2.50	\$2	Free at in-network ATMs (MoneyPass); otherwise \$2.50
	International	\$4. 95	\$3	\$1.95 Pay As You Go; \$2.50 Pay Monthly Program	2.5	2	
Cash Advance from Financial Institution			\$25 Over the counter withdrawal fee			\$2	\$2. 50
Balance Inquiry: ATM		\$0.50	\$1	\$0.50	\$0.00	\$1.00	Free at in-network ATMs (MoneyPass); otherwise \$0.50
Decline: unable to complete transaction	ATM	\$1	1		\$0		
	Purchase						
Statements	Paper	\$5. 95		\$1			
	Online	Free		Free		Free	
	Alerts: Email/Text	Free		Free		Free	Free

		NetSpend Visa	H&R Block Emerald Card	Rush Card	Vision Premier	Walmart Money Card	Green Dot
Replacement Card: to replace lost/stolen card (for expedited card delivery)		9.95	\$35 for express delivery	Free (\$30 express delivery)	Free	\$3 (\$20 rush delivery)	\$4.95 (\$19.95 expedited delivery)
Reload: Add funds		Determined by reload network	Determined by reload network	Determined by reload network	Determined by reload network	\$3 at Walmart Locations; Other methods determined by reload network	Determined by reload network
Dormancy: inactivity/nonuse fee		"Account Maintenance Fee" \$5.95/mo if no activity for 90 days	"Monthly inactivity fee" \$2.50/mo after 3 mo inactivity	"Maintenance Fee" \$1.95 Pay As You Go, N/A Pay Monthly Program after 90 consecutive days if no card transactions or loads			Fees will continue to be assessed until the balance on the card is -\$11.90
Direct Deposit		Yes, Free		Yes, Free	Yes, Free	Yes, Free	Yes, Free
Customer Service	IVR	Free for NetSpend Premier; \$0.50 each call for others		Free			
	Customer Service Representative	\$0.50 each call for all cardholders		Free	First 30 days free; \$1.95 after without Direct Deposit; Free with Direct	Free	
Bill Pay	Online	No cost through third party service providers		Free	Free	Free	
	Check			N/A	N/A		
	Phone			N/A	Free		
Overdraft/Shortage		\$10 purchase cushion for Premier you will be eligible to incur a negative balance of up to \$10.00 on your Card without incurring any negative balance fees. Have 30 days to pay the negative balance. If not paid within 60 days, may be sent to collections	You shall remain fully liable to us for the amount of the transaction and any applicable fees or charges. You agree to pay us the amount of any Over Limit transaction on demand		If a transaction exceeds the balance of the funds available on your Card, you shall remain fully liable to us for the amount of the transaction and any applicable fees.	You must pay us immediately on demand if, for any reason, your Walmart MoneyCard does not have a sufficient balance to cover the amount of a transaction and amounts owed to us.	responsible for overdrawn balance
Cancellation		not stated	"You may request a check or one-time ACH transfer of your card balance for any reason" No stated fee		Not stated		
Credit Line		N/A					
Other Fees				elim plan change fee, replacement card fee, bill pay fee			

		Western Union MoneyWise	AccountNow	nFinanSe *cardholder agrmt could not be found on website	the Approved Card	Wired Plastic
Issuing Bank (Card Network)		MetaBank (MC)	The Bancorp Bank (Visa)	First California Bank (Discover)	The Bancorp Bank (MC)	The Bancorp Bank (Visa)
Activation Fee/Initial Load		\$0 (\$5 initial load)	\$4.95 Pay As You Go; \$0 Gold Customers (\$0.01 initial load)	\$3; \$1.75 personalized card (not stated)	\$3 (\$20 min load)	9.95 (\$10 initial load)
Monthly Fee		Free	\$0 Pay As You Go; \$9.95 Gold Customers (waived if load >\$2500 in previous 30 days)	2.95	\$3 (first month is waived)	5.95
Point of Sale Fees: Purchase Fees	Signature	Free	\$1 Pay As You Go; \$0 Gold Customers	Free	Free	Free
	PIN	Free	\$1 Pay As You Go; \$0 Gold Customers	Free	Free	0.95
Cash Withdrawal: ATM	Domestic	\$1.95	\$2.50	\$0.99	\$2 (waived for 30 days with >\$20 direct deposit/bank transfer)	\$1.95
	International		4.95	not stated	\$2	\$4.95
Cash Advance from Financial Institution		\$25	\$4.95 "bank teller cash advance"	not stated	\$2	\$4.95 "bank teller cash advance"
Balance Inquiry: ATM		\$0.45	\$1	\$0.49	\$1 (waived for 30 days with >\$20 direct deposit/bank transfer)	\$0.95
Decline: unable to complete transaction	ATM	\$0.45	\$0.40	\$0.49	\$1 (waived for 30 days with >\$20 direct deposit/bank transfer)	\$0.95
	Purchase					
Statements	Paper	\$3	2.95		\$2	fee not stated
	Online	Free	Free		Free	Free
	Alerts: Email/Text		Free	Free	Free	Free
Replacement Card: to replace lost/stolen card (for expedited card delivery)		\$5	\$10 or Free for One Card per year for Gold Customers with Direct Deposit	\$0 (\$19.95 overnight delivery)	\$3 (\$20 express delivery)	\$3.95 (\$19.95 express delivery)
Reload: Add funds		\$4.95 "agent location cash load fee"	Determined by reload network	\$2.95 for non Money Gram, Money Gram set by agent	Determined by reload network	\$1 via ReadyLink, others determined by reload network
Dormancy: inactivity/nonuse fee		\$2.50 monthly charge in month 13 of inactivity	not stated	not stated	Account is closed if no money is loaded for 3 months and balance is \$0	
Direct Deposit		Yes, Free	Yes, Free	Yes, Free	Yes, Free	

		Western Union MoneyWise	AccountNow	nFinanSe *cardholder agrmt could not be found on website	the Approved Card	Wired Plastic
Customer Service	IVR	Free	\$0.50 Pay As You Go & Gold Customers without Direct Deposit; \$0 Gold Customers with Direct Deposit	Free	Free (Balance Check)	Free
	Customer Service Representative	Free	\$1 Pay As You Go & Gold Customers without Direct Deposit; \$0 Gold Customers with Direct Deposit	Free	1 free call per calendar month, \$2 each call after	2 free per month, \$0.95 each call after
Bill Pay	Online		Free	\$0.44	Free	\$0.45
	Check				1	\$0.95
	Phone					
Overdraft/shortage		Must pay the negative balance promptly, and may close the account due to one or more negative balances.	You will remain responsible to reimburse us for any negative balance resulting from funds we have paid on your behalf.	not stated		
Cancellation		Up to \$25 check processing fee for remaining balance	\$15.95 card account liquidation fee	not stated	Free close account request check fee. Cardholder agreement states there is a fee	Free close account request check fee. Cardholder agreement states there is a fee

		American Express	Univision	UPSide	Bank Freedom	BuyRight
Issuing Bank (Card Network)		Not issued by a bank (AmEx)	The Bancorp Bank (MC)	MetaBank (Visa)	The Bancorp Bank (MC)	MetaBank (MC)
Activation Fee/Initial Load		\$0 (\$0 initial load)	\$0 (\$20 min load)	\$0 (\$25 min load)	\$0 (\$20 min load, \$0.01 for direct deposit)	\$9.95 (\$10 initial load)
Monthly Fee		Free	\$9.95	\$0.99 Classic (if load >\$500 within calendar month); otherwise \$4.95; Premium has monthly fee waived for calendar year	\$5 unless load >\$500 prior month	\$7.95
Point of Sale Fees: Purchase Fees	Signature	Free	Free	Free (up to \$60 a transaction, up to 15 transactions a month)	Free	Free
	PIN	Free	Free	Free (up to \$60 a transaction, up to 15 transactions a month)	Free	\$1
Cash Withdrawal: ATM	Domestic	1 Free per calendar month \$2 after	Free at Allpoint ATMs; otherwise \$1.95	\$1.95	\$2.50	\$2
	International		\$2		\$4	
Cash Advance from Financial Institution			\$1.95 over the counter withdrawal		\$5 over the counter withdrawal	\$4.50
Balance Inquiry: ATM				\$0.99	\$0.50	\$1
Decline: unable to complete transaction	ATM			\$3	\$0.50	\$1
	Purchase					\$0.50 (PIN only)
Statements	Paper	60 day transaction history available upon request; fees not disclosed			\$2	\$5
	Online	Free	Free	Free		
	Alerts: Email/Text	Free	Free	Free		Free
Replacement Card: to replace lost/stolen card (for expedited card delivery)		Free	\$9.95 (\$9.95 express shipping)	\$9.95 (\$15 express delivery)	\$10 (\$40)	Free for re-issue; \$2 for non re-issue (\$20 express mail)

		American Express	Univision	UPSide	Bank Freedom	BuyRight
Reload: Add funds		Determined by MoneyPak	Determined by reload network		Determined by reload network	Determined by reload network
Dormancy: inactivity/nonuse fee				none		
Direct Deposit		No	Yes, Free	Yes, Free		Yes, Free
Customer Service	IVR	Free	Free	0.99	Free	2 free per month; \$0.50 after
	Customer Service Representative	Free	Free	\$2	Free	2 free per month, \$3 after
Bill Pay	Online	N/A	Free		1	Free
	Check	N/A		2		\$0.50
	Phone	N/A	Free			
Overdraft/Shortage		you shall remain fully responsible for the Shortage amount and we reserve the right to require that you immediately forward payment to us for any such Shortage	no direct reference to negative balances	you shall remain fully liable to us for the amount of the transaction. We reserve the right to bill you for any negative balance. You agree to pay us promptly for the negative balance	you shall remain fully liable to us for the amount of the transaction and any applicable fees (fee not stated)	you shall remain fully liable to us for the amount of the transaction. We reserve the right to bill you for any negative balance. You agree to pay us promptly for the negative balance. We also reserve the right to cancel this Card and close your Card account
Cancellation		not stated	not stated	\$12 Reimbursing remaining funds on card	\$25 card account liquidation fee (closing account)	subject to fee stated in agreement (not stated)
Credit Builder		Make Your Move program (build history with American Express to apply for charge card, does not build credit score	N/A	N/A		
Credit Features		N/A	N/A	N/A		
Other Fees						

		American Express	Univision	UPSide	Bank Freedom	BuyRight
Other Features				Savings Account "Rainy Day Reserve" and "SaveUP"		
				Fund Prepaid Cell Phone Account		

Appendix B: Consumer Advice and Tips When Using Prepaid Cards

- Consider a regular bank account instead—you get a debit card, a monthly statement, and full consumer protections. Ask to opt-out of “overdraft protection” if you are concerned about overdraft bank fees.
- Find and read the fee schedule before you buy the card.
- Your cost will vary widely depending on which card you pick. Try to figure out the costs for two months.

Make a list of how you will use the card and compare the fees.

- Fees for making purchases
 - Monthly fees
 - Fee for depositing money
 - Will you set up direct deposit? Do you meet the minimum amount if there is a requirement?
 - Fee to make cash withdrawals
 - Fee for bill pay (if you use it)
 - Fees to check your balance
 - Dormancy or inactivity fees
 - Customer Service Fees
- Keep track of your balance –you might face high fees for going over your card balance.
 - We strongly recommend signing up to receive a written statement in the mail to keep track of your money.
 - Do not use prepaid cards to purchase gas at the pump, for hotels or rental cars. If you do, you may find you will not have access to more funds than the purchase and for a long period of time.
 - See if your card has different fees to choosing signature instead of PIN, or selecting the “credit” option instead of choosing the “debit” option.
 - Don’t rely on a prepaid card to build a credit record.
 - If you can, get a secured credit card, where you make a deposit and get a credit line of the same size. Be sure that credit card has only an annual fee and no additional monthly or other special fees.
 - Contact the Consumer Financial Protection Bureau (CFPB) if you have any complaints or stories regarding your experience with a prepaid card, www.cfpb.gov.