



PREPAID CARDS: How They Rate 2014

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Summary

Prepaid cards have rapidly become essential plastic. General purpose reloadable prepaid cards look and work like bank debit cards except no bank is required. Moreover, prepaid cards do not come with the federal consumer protections that consumers with bank debit cards enjoy. But consumers continue to choose prepaid cards in ever growing numbers. Today, these cards are in the wallets of consumers both with and without bank accounts. The prepaid card market has shifted dramatically in the past several years. A number of providers have entered then rapidly exited the market, and competition and regulatory scrutiny have driven down fees.

To help consumers choose the best prepaid cards, Consumer Reports first rated prepaid cards in 2013. This year we found that while there are some good prepaid card choices for consumers, the shopping experience can be difficult. Terms differ among providers and fees and charges are hard to find in the small print if they are there at all. We also remind consumers that although the Consumer Financial Protection Bureau is expected to issue preliminary rules covering prepaid cards late this year, consumers should carefully consider the lack of mandatory legal protections when using prepaid cards today.

The Prepaid Boom

Though a relatively new product, prepaid cards have rapidly become essential plastic in many American consumers' wallets alongside credit and debit cards. Prepaid usage is growing faster than debit and credit too, standing atop the Federal Reserve Board's rankings as the fastest growing noncash payment type.¹ Prepaid even gives cash a run for its money: once

¹ FED. RESERVE SYS., THE 2013 FEDERAL RESERVE PAYMENTS STUDY 126 (2014), *available at* http://www.frbservices.org/files/communications/pdf/general/2013_fed_res_paymt_study_det_ailed_rpt.pdf.

consumers have prepaid cards, many say they prefer prepaid even to cash² and report using cash less often.³

General-purpose reloadable prepaid cards are a type of prepaid card that can be used much like a debit card linked to a bank account but without the bank. By one estimate, they are used by one in four U.S. households.⁴ How regularly those cards get used is another question. The Pew Charitable Trusts found that about one in twenty households uses a prepaid card every month,⁵ but other estimates of regular prepaid card use vary.⁶ Regardless of the number of regular prepaid card users, studies indicate that the cards are used by a wide variety of consumers.⁷

Prepaid cards are often marketed as bank account substitutes,⁸ and underserved consumers appear to use prepaid cards at higher rates than the general population.⁹ However, prepaid cards are not just for the unbanked.

² SUSAN HERBST-MURPHY & GREG WEED, PHILADELPHIA FED. RESERVE BANK, MILLENNIALS WITH MONEY: A NEW LOOK AT WHO USES GPR PREPAID CARDS 9 (2014), available at <http://www.phil.frb.org/consumer-credit-and-payments/payment-cards-center/publications/discussion-papers/2014/D-2014-Millennials.pdf>.

³ *Id.* at 25.

⁴ *Id.* at 5.

⁵ THE PEW CHARITABLE TRUSTS, WHY PEOPLE USE PREPAID CARDS: A SURVEY OF CARDHOLDERS' MOTIVATIONS AND VIEWS 1 (2014), available at http://www.pewtrusts.org/~media/legacy/uploadedfiles/pes_assets/2014/PrepaidCardsSurveyReportpdf.pdf

⁶ Estimates range from 7.9% of US households, see FED. DEPOSIT INS. CORP., 2013 FDIC NATIONAL SURVEY OF UNBANKED AND UNDERBANKED HOUSEHOLDS 7 (2014), available at <https://www.fdic.gov/householdsurvey/2013report.pdf>, to 15%, see FED. RESERVE BD., CONSUMERS AND MOBILE FINANCIAL SERVICES 2014 8 (2014), available at <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201403.pdf>, to about 28%, see NAT'L COUNCIL OF LA RAZA, LATINO FINANCIAL ACCESS AND INCLUSION IN CALIFORNIA 13 (2013), available at http://www.nclr.org/images/uploads/publications/CA_Latino_Financial_Access_ReportWeb.pdf. The variety of numbers is not surprising. A Boston Federal Reserve study shows that how you ask people about prepaid cards matters - a lot - in terms of the numbers who report using them. See MARCIN HITCZENKO & MINGZHU TAI, BOSTON FED. RESERVE BANK, MEASURING UNFAMILIAR ECONOMIC CONCEPTS: THE CASE OF PREPAID CARD ADOPTION 5 (2014), available at <http://www.bostonfed.org/economic/wp/wp2014/wp1409.pdf> (number of users goes up as you ask more detailed questions, changing the number of reported users in statistically significant ways).

⁷ See HERBST-MURPHY & WEED, *supra* note 2, at 5 (both high- and low-income individuals use prepaid cards; THE PEW CHARITABLE TRUSTS, *supra* note 5, at 3 (African-Americans are more likely to use prepaid cards); FUMIKO HAYASHI & EMILY CUDDY, KANSAS CITY FED. RESERVE BANK, GENERAL PURPOSE RELOADABLE PREPAID CARDS: PENETRATION, USE, FEES AND FRAUD RISKS 12 (2014), available at <https://www.kansascityfed.org/publicat/reswkpap/pdf/rwp14-01.pdf> (showing that as the share of Hispanics in a population rises, so does prepaid card use).

⁸ NetSpend, <https://www.netspend.com/> (landing page advertises NetSpend's prepaid cards as "The Better Way to Bank").

⁹ See FED. DEPOSIT INS. CORP., *supra* note 6, at 7 (estimating that nearly 8% of consumers used prepaid cards in the last month, while 22 % of unbanked and about 13% of underbanked households did so).

Research shows that a majority of prepaid card users have bank accounts.¹⁰ Moreover, prepaid card users all report using prepaid cards for the same purposes. Those with bank accounts and without use prepaid cards to assert control of their financial lives, including limiting spending, avoiding bank and check cashing fees, and making electronic payments.¹¹

Despite Growth, Protections Lag

As much as consumers have found prepaid cards to be useful, there is a worrying aspect. Prepaid cards lack the federal consumer protections against fraud and merchant mistakes that come with debit cards linked to bank accounts. Because prepaid cards look and work much like bank debit cards, consumers cannot reliably distinguish between a bank debit product that comes with strong legal protections and one that does not. This is a particular concern because consumers consistently say that they value safety when it comes to payments.¹²

Consumers Union, the advocacy arm of Consumer Reports, has long advocated that all payment cards should come with the same strong mandatory protections,¹³ and the Consumer Financial Protection Bureau (CFPB) is expected to issue preliminary prepaid card rules in late 2014, though the content of such rules remains uncertain as of the date of this writing.¹⁴ While all but one of the prepaid cards reviewed here voluntarily provide customers deposit insurance and protections that mirror those afforded to debit card holders under the Electronic Fund Transfer Act,¹⁵ these voluntary protections can be withdrawn or changed anytime and are no substitute for strong federal protections. Consumers considering prepaid cards are encouraged to carefully consider the prepaid cards evaluated here against this backdrop.

¹⁰ See THE PEW CHARITABLE TRUSTS, *supra* note 5, at 7; HERBST-MURPHY & WEED, *supra* note 2, at 2.

¹¹ See, e.g., HERBST-MURPHY & WEED, *supra* note 2, at 2-3; THE PEW CHARITABLE TRUSTS, *supra* note 5, at 14.

¹² MICHAEL S. BARR, NO SLACK: THE FINANCIAL LIVES OF LOW-INCOME AMERICANS 34 (2012).

¹³ See, e.g., MICHELLE JUN, CONSUMERS UNION, PREPAID CARDS: SECOND-TIER BANK ACCOUNT SUBSTITUTES (2010), available at <http://defendyourdollars.org/Prepaid%20WP.pdf>; CONSUMER REPORTS, PREPAID CARDS: LOADED WITH FEES, WEAK ON PROTECTIONS (2012), available at http://consumersunion.org/wp-content/uploads/2013/02/Prepaid_Cards_Report_2012.pdf; CONSUMER REPORTS, PREPAID CARDS: HOW THEY RATE ON VALUE, CONVENIENCE, SAFETY AND FEE ACCESSIBILITY AND CLARITY (2013), available at http://consumersunion.org/wp-content/uploads/2013/07/Prepaid_Report_July_2013.pdf.

¹⁴ See Carter Dougherty & Jesse Hamilton, *Prepaid Debit Cards Said to Face Rules on Overdrafts, Disclosure*, BLOOMBERG, Oct. 16, 2014, available at <http://www.bloomberg.com/news/2014-10-16/prepaid-debit-cards-said-to-face-rules-on-overdrafts-disclosure.html>.

¹⁵ 15 U.S.C. §§ 1693—1693r (2012 & Supp. II).

Scrutiny and Competition Stoke Changes to Prepaid Offerings

In the past several years, the prepaid card market has shifted dramatically. Once dominated by smaller prepaid card programs, there is now intense competition between banks, payment networks and prepaid card program managers for customers. Competition and scrutiny have influenced prepaid offerings: fees have come down; features have improved; and a number of prepaid cards have gone off the market.

Last year, Consumer Reports rated 26 prepaid cards on **Value, Convenience, Safety and Fee Accessibility and Clarity**. A number of those prepaid cards are no longer available, including the top-rated Suze Orman Approved Card,¹⁶ the mid-rated MAGIC Card¹⁷ and Western Union's MoneyWise Prepaid MasterCard,¹⁸ lower rated U.S. Bank Convenient Cash card¹⁹ and two of the lowest-rated prepaid cards, The REACH Card²⁰ and the Redpack Mi Promesa Prepaid MasterCard.²¹

In addition to prepaid cards closing up shop, competition and scrutiny have driven down fees. Year over year, common fees such as monthly fees held steady or fell slightly²² and none of the prepaid cards included in the 2013 Consumer Reports survey raised their core fees this year. It is also worth noting that the core monthly fees for most prepaid cards in the survey are lower than many of the monthly fees big banks charge for their basic

¹⁶ Ron Lieber, *Suze Orman's Approved Prepaid Debit Cards Are Quietly Discontinued*, N.Y. TIMES, June 16, 2014, available at http://www.nytimes.com/2014/06/17/business/suze-ormans-approved-prepaid-debit-cards-are-quietly-discontinued.html?_r=0 (reporting that Approved Card would be discontinued as of July 1, 2014). The website, <http://www.theapprovedcard.com/>, no longer has any content.

¹⁷ Ian Mohr, *Credit card company promoted by Magic Johnson closes up shop*, PAGE SIX (N.Y. POST), Apr. 19, 2014, available at <http://pagesix.com/2014/04/19/credit-card-company-promoted-by-magic-johnson-closes-up-shop/>. The MAGIC Card's website, onlvmagiccard.com, now redirects to <https://www.onewestbank.com/>.

¹⁸ Email from Western Union Customer Care (thewesternunion1@mailpc.custhelp.com) to author re: Has the MoneyWise prepaid card been discontinued (Sept. 30, 2014) confirming discontinuation of MoneyWise prepaid card (on file with author).

¹⁹ Email from U.S. Bank customer service to author re: Has the US Bank Convenient Cash Card been replaced by the Contour Prepaid Card for new users? (Oct. 23, 2014) confirming discontinuation of the Convenient Cash Card (on file with author). See also U.S. Bank Convenient Cash, <https://www.usbconvenientcash.com/> (website appears to be usable only by existing cardholders).

²⁰ Author call to REACH Customer Care (1-866-331-3067), November 5, 2014. Customer service agent Cara confirmed that REACH prepaid card operations shut down April 21, 2014.

²¹ The website for the Mi Promesa prepaid card, <http://www.mipromesa.com/>, is defunct and cannot be opened.

²² Fifth Third Bank Access 360's monthly fee went from \$7 to \$4. See Fifth Third Bank, Access 360 Reloadable Prepaid Card, <https://www.53.com/personal-banking/reloadable-cards/access360.html#tab-feeInformation> (2013 screenshot on file with author). The Mango Prepaid MasterCard monthly fee went from \$5 down to \$3. See Mango, Simple Fees, <https://www.mangomoney.com/simple-fees> (2013 screenshot on file with author).

checking accounts, including big banks that offer prepaid cards.²³ Direct deposit is popular with prepaid card users,²⁴ in part perhaps because it leads to fee discounts or waivers, particularly monthly fees. All of these developments are good news for consumers.

The Need for Transparency Remains

While the fee environment has improved, the need for greater transparency remains. The number of fees charged and how those fees are triggered varies by prepaid card, which means it is crucial for consumers to comparison shop. However, comparison shopping can be very hard for consumers.

One barrier to easy comparison shopping is the lack of standard terms to describe common fees. The fees associated with opening an account provide an example: on the landing page for the Chase Liquid prepaid card, the site advertises “\$0 Fee to Open”²⁵ while the RushCard has a “Get Started One-Time Card Fee” of \$3.95 - \$9.95²⁶ and the U.S. Bank Contour Card charges a \$4.00 “Enrollment Fee.”²⁷

It can also be maddeningly difficult to locate customer service fee information. While most prepaid cards make fee charts available either on the website landing page or a click or two away, these charts sometimes do not provide a full list of services with accompanying applicable fees. For example, it is not uncommon for prepaid cards to charge a fee for calling customer service,²⁸ and if prepaid cards do charge a fee, consumers need to know about it.

As part of this survey of prepaid cards, Consumer Reports reviewed prepaid card websites and disclosures to determine whether there was a customer service fee. We found that some prepaid cards list customer service in their fee charts, even when no fee is charged.²⁹ Other prepaid cards do not list

²³ The highest monthly fee for all the surveyed prepaid cards is \$9.95. Chase Total checking, an entry level checking account has a waivable \$12 monthly fee, *see* Chase, Total Checking, <https://www.chase.com/checking>, while the monthly fee for using its Liquid prepaid card is \$4.95, *see* Chase Liquid Prepaid Card, <https://www.chase.com/debit-reloadable-cards/liquid-prepaid-card>.

²⁴ *See, e.g.*, Press Release, American Express Serve® and Bluebird® Show You Where Your Money Goes with Free Tools that Track Spending and Budgets (June 5, 2014), *available at* <http://about.americanexpress.com/news/pr/2014/serve-bluebird-show-you-where-money-goes.aspx> (stating that more than 40% of funds loaded onto Bluebird and Serve were loaded via direct deposit).

²⁵ Chase Liquid Prepaid Card, <https://www.chase.com/debit-reloadable-cards/liquid-prepaid-card>.

²⁶ RushCard, Fee Chart, <https://www.rushcard.com/Fee-Chart>.

²⁷ U.S. Bank, Contour, Fees, <https://usbankcontour.com/fees>.

²⁸ *See, e.g.*, UPSide Visa Prepaid Card, Summary of Fees, <http://www.upsidecard.com/TC.aspx?sitemode=life#feeTable>.

²⁹ *See, e.g.*, RushCard, Fee Plan Details, <https://www.rushcard.com/Fee-Chart?clicksource=cardsandplans>.

customer service in their fees or disclosures.³⁰ When searching for this information, if we found no definitive statement about customer service fees, we next tried the customer service telephone numbers. Consumers trying to comparison shop may get caught up in the automated customer service systems that in some instances cannot be penetrated without a prepaid card account number.³¹ In order to get past this block, consumers would need to have an account number, which only comes if one signs up for a prepaid card first.³² While in each instance fee information eventually came to light and in all cases there was no fee for new customers, consumers should not have to sign up for products in order to learn how much they will be charged to use them.

Some Fees Are Hard to Quantify

Consumers may also find it difficult to quantify monthly fees because not all fees that consumers may incur in using a prepaid card are charged by the prepaid card program manager. Reloading fees are an example. Most prepaid cards can be reloaded (meaning value is added to a prepaid card) in a variety of ways, and few prepaid cards charge cardholders a fee to load. However, third-party reload fees are very common. These fees are not charged by the prepaid card program manager, therefore prepaid card websites cannot list the exact amount a reload will cost, since they are not the party setting or charging the fee.³³ This leaves consumers without

³⁰ For example, Serve by American Express does not charge a fee for calling customer service, but does not list any information on customer service in the fee chart; we had to call Serve customer service to verify that there is no fee. *See* Serve, <https://www.serve.com/> (scroll down to click on “Serve Fee Chart” button). We also had trouble deciphering some fee charts. For example, the Walmart MoneyCard Basic plan does not list a customer service fee in the fee chart, but also indicates that “Optional services may also be offered for a fee.” (*See* Walmart Money Card Basic, Fee Plan, <https://www.walmartmoneycard.com/walmart/account/legal-info-page?productname=basic&doc=feeplan>) Is calling customer service an optional service? That was not clear. In order to verify that in fact there was no fee, we had to email the Walmart MoneyCard customer service. Email from Walmart MoneyCard Email Support to author re: Needs Assistance (Oct. 24, 2014) (on file with authors).

³¹ This was our experience with Walmart MoneyCard Basic when we called their customer service phone number 866-633-9096.

³² We also used customer service email addresses in an effort to get fee information. We had very slow response times when we tried to get information from some of the customer service email accounts. For example, it took PayPower 16 days to respond to an email about ATM access. Email from author to PayPower customer service re: About PayPower (Oct. 10, 2014), Reply from PayPower Customer Service (paypower.cs@blackhawk-net.com) to author (Oct. 26, 2014) (on file with author).

³³ In reading prepaid card fee disclosures, consumers will find lines like this on the H&R Block site: “Cash Reload at Retail Location [Fee] Varies by location, up to \$4.95” and footnotes with explanations such as this: “118. Emerald Card Retail Reload Providers may charge a convenience fee. Any Retail Reload Fee is an independent fee assessed by the individual retailer only and is not assessed by H&R Block Bank.” *See* H&R Block, Emerald Prepaid MasterCard, <https://www.hrblock.com/financial-services/emerald-card-services/> (scroll down and click on “Offer Details and Disclosures” to see footnotes).

essential information, making it difficult to calculate what it will cost to use a prepaid card before they enroll in a prepaid card program.

Features Are Hard to Compare Across Prepaid Cards

Consumers may struggle to compare features across prepaid cards. As with fee disclosure, the lack of a common language makes it difficult to compare prepaid cards. Prepaid card account features vary, so comparison shopping is essential. Bill pay is an example of the confusion consumers may encounter trying to compare prepaid card features, even when those features are useful. Bluebird lists “bill pay” separately from the paper checks Bluebird customers can use.³⁴ By contrast, RushCard offers bill pay, which includes allowing consumers to have a paper check sent to a payee from a RushCard account.³⁵ The Univision MasterCard Prepaid Card website advertises that it is “Easy to Pay Bills”³⁶ with its prepaid card, but upon clicking through to the “Easier Way to Pay Bills” page, consumers will find that there is no bill pay feature comparable to that of Bluebird or RushCard. Rather, to pay a bill consumers are told: “Simply contact your provider and present your card as the form of payment.” There is also a disclaimer: “*Not all merchant [sic] allow payments on a prepaid card. Check with your service provider for further details.”³⁷

The bottom line is that it can still be very difficult for consumers to comparison shop among prepaid cards. Therefore, Consumer Reports has rated prepaid cards to help consumers choose safe, transparent, convenient prepaid cards that provide good value.

Ratings Results

As with the 2013 ratings, this year’s Consumer Reports prepaid card ratings evaluate prepaid cards in four categories: **Value, Convenience, Safety and Fee Accessibility and Clarity**. The ratings categories reflect what consumers have said they look for when it comes to payments³⁸ and

³⁴ Each of these features is described in a separate tab on the Bluebird.com landing page. See American Express, Bluebird, <https://www.bluebird.com/> (click on “Bill Pay” and then “Bluebird Checks”).

³⁵ See RushCard, Frequently Asked Questions, Bill Pay FAQs, <https://www.rushcard.com/faq/Paying-Bills> (click on “How do I pay a bill with my RushCard?”).

³⁶ Univision MasterCard Prepaid Card, <http://www.univisiontarjeta.com/en/> (scroll to the bottom under the “How It Works” heading to see “Easy to Pay Bills”).

³⁷ See Univision MasterCard Prepaid Card, Easier Way to Pay Bills, <http://www.univisiontarjeta.com/en/pay-bills-prepaid-card/>.

³⁸ Interviews and consumer surveys indicate that consumers consider monthly cost, safety and convenience when it comes to choosing payment methods. See, e.g., HARRIS INTERACTIVE, INC., PUBLIC RELATIONS RESEARCH, THE 2012 CONSUMER FINANCIAL LITERACY SURVEY 4, 16 (2012), available at

practices that are regulated for bank accounts but not (yet) for prepaid cards. The rating for each factor is an average of the elements that make up that factor. Overall ratings reflect a weighted average of the prepaid cards' performance in each category.

The 23 prepaid cards reviewed here are evaluated for two different types of users:

- **Prepaid Cards Used in Addition to a Bank Account; and**
- **Prepaid Cards Used as a Bank Account Substitute**

The reason for the two ratings categories is that while prepaid cards are largely used for the same purposes - limiting spending, avoiding bank and check cashing fees, and making electronic payments³⁹ - the ways in which they are used appear to vary. For example, consumers looking to replace their primary transaction account with a prepaid card may load their prepaid cards more often,⁴⁰ make more ATM withdrawals⁴¹ and use bill pay.⁴² In contrast, consumers with bank accounts who are looking for an adjunct spending tool may be likely to rely on a prepaid card primarily for purchases⁴³ while being less likely to withdraw cash⁴⁴ or use bill pay.⁴⁵

<https://active.nfcc.org/newsroom/FinancialLiteracy/files2012/FLS2012FINALREPORT04021ate.pdf>; BOSTON FED. RESERVE BANK, SURVEY OF CONSUMER PAYMENT CHOICE, 2010 HIGHLIGHTS (2014), available at <http://www.bostonfed.org/economic/cprc/SCPC/2010-Data/scpc2010visual-summary.pdf> (showing that consumers care most about security, convenience, cost and ubiquity of acceptance when it comes to rating payment attributes); BARR, *supra* note 12, at 34.

³⁹ See, e.g., See, e.g., HERBST-MURPHY & WEED, *supra* note 2, at 2-3; THE PEW CHARITABLE TRUSTS, *supra* note 5, at 14.

⁴⁰ In 2014, researchers released a report that in part attempted to examine the end-user prepaid card experience by looking at usage data over the course of a year. FUMIKO HAYASHI & EMILY CUDDY, KANSAS CITY FED. RESERVE BANK, GENERAL PURPOSE RELOADABLE PREPAID CARDS: PENETRATION, USE, FEES AND FRAUD RISKS 4 (2014), available at <https://www.kansascityfed.org/publicat/reswkpap/pdf/rwp14-01.pdf>. The authors found that load and debit activity influence how long a consumer uses a prepaid card. The more loads, the more transactions, the longer the prepaid card was used for debit transactions. *Id.* at 18-20, 50. While consumers using prepaid cards in addition to a bank account may also load prepaid cards with direct deposit, the transaction model used here extrapolates from these data that the more intensive use of bill pay, cash withdrawals and person to person transfers indicate greater reliance on a prepaid card account than is likely to be found for consumers choosing to use a prepaid card in addition to a bank account.

⁴¹ *Id.* at 22, 53 (showing that while 97% of prepaid cards are used for purchase transactions, only half are used to access cash at an ATM).

⁴² *Id.* at 20 (showing that the more loads to an account, the more purchases made and the more bill payments).

⁴³ *Id.* at 53. Table 4.6 shows that 95.2% of prepaid cards with only occasional loads are used for purchases, these prepaid cards are used far less often for ATM withdrawals, bill pay, and person-to-person transfers.

⁴⁴ *Id.* at 22, 53 (showing that while 97% of prepaid cards are used for transactions, only half are used to access cash at an ATM). This appears to be confirmed by the Pew survey of prepaid card users, which indicated about half of users surveyed had withdrawn cash at an ATM. THE PEW CHARITABLE TRUSTS, *supra* note 5, at 15.

⁴⁵ HAYASHI & CUDDY, *supra* note 42, at 22.

Ratings: Prepaid Cards Used in Addition to a Bank Account

Recommended

● Excellent ● Very Good ○ Good ● Fair ● Poor

| | PREPAID CARD | SCORE | | | | |
|-------------------------------------|--|-----------|-------|-----------------------------|-------------|--------|
| Rec. | | | Value | Fee Accessibility & Clarity | Convenience | Safety |
| <input checked="" type="checkbox"/> | Bluebird (American Express and Walmart) | 90 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | H&R Block Emerald Prepaid MasterCard | 86 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Chase Liquid (Visa) | 86 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | American Express Serve | 85 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Fifth Third Bank Access 360° (MasterCard) | 81 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | U.S. Bank Contour Card (Visa) | 81 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | Green Dot Prepaid Visa (issued by Green Dot Bank) | 80 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | Walmart MoneyCard Basic (Visa) (issued by Green Dot Bank) | 80 | ○ | ● | ○ | ● |
| <input checked="" type="checkbox"/> | Prepaid Visa RushCard, RushUnlimited Plan (issued by The Bancorp Bank) | 79 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | BB&T MoneyAccount Card (Visa) | 77 | ○ | ○ | ● | ● |
| <input checked="" type="checkbox"/> | Prepaid Visa RushCard, Pay As You Go Plan (issued by The Bancorp Bank) | 77 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Regions Now Card (Visa) | 76 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | Halogen Reloadable Prepaid Card (MasterCard, Kmart, issued by Green Dot Bank) | 74 | ○ | ○ | ● | ● |
| <input checked="" type="checkbox"/> | Walgreens Balance Financial Prepaid MasterCard | 72 | ○ | ● | ● | ● |
| | PNC SmartAccess Prepaid Visa Card | 68 | ● | ○ | ● | ● |
| | Mango Prepaid MasterCard (issued by First Bank & Trust) | 66 | ○ | ● | ○ | ● |
| | PayPower Prepaid Visa Prepaid Card (MetaBank) | 63 | ● | ● | ● | ● |
| | Univision MasterCard Prepaid Card | 63 | ● | ○ | ○ | ● |
| | UPside Visa Prepaid Card, Classic Plan (issued by MetaBank) | 60 | ● | ○ | ● | ● |
| | NetSpend Prepaid Visa, FeeAdvantage Plan (issued by MetaBank) | 59 | ● | ○ | ● | ● |
| | NetSpend Prepaid Visa, Pay-As-You-Go Plan (issued by MetaBank) | 59 | ● | ○ | ● | ● |
| | AccountNow Gold Visa Prepaid Card (issued by MetaBank) | 44 | ● | ● | ● | ● |
| | American Express for Target | 17 | ● | ○ | ● | ● |

Ratings Analysis: Prepaid Cards Used in Addition to a Bank Account

The top prepaid cards rated for use in addition to a bank account all have relatively low monthly fees and few other fees.⁴⁶ Bluebird comes out on top, as it did in 2013. This year, there is no distinction between Bluebird with direct deposit and without, as Bluebird now has the same fee structure for all users. This makes fees to use Bluebird more transparent, a positive development. H&R Block Emerald Prepaid MasterCard, a top performer in 2013, did well again this year, and with no purchase fees or monthly fees; it is a good choice for consumers who do not plan to use their prepaid card daily. Chase Liquid does an exceptional job of disclosing its fees, and comes with features consumers who already have bank accounts are likely to value, such as fee-free ATM access. Rated for the first time this year, American Express Serve, which is similar to Bluebird in fees and features, comes in a strong fourth overall.⁴⁷ Fifth Third Bank Access 360° (MasterCard), which had a middling score last year, came in fifth, in part due to its lower monthly fee in 2014.

The lowest rated prepaid cards, including NetSpend Prepaid Visa FeeAdvantage Plan and NetSpend Prepaid Visa Pay-As-You-Go-Plan, along with the AccountNow Gold Visa Prepaid Card, are expensive for users who want to rely on them primarily for purchases and budgeting. The lowest rated card, American Express for Target, is without FDIC insurance. While it is unlikely American Express or Target will fold anytime soon, consumer funds are vulnerable when prepaid cards lack this important protection, and we cannot recommend consumers use any prepaid card that does not offer it.

⁴⁶ There's evidence that banked consumers are more sensitive to fees than unbanked consumers. See BARR, *supra* note 12, at 106-07.

⁴⁷ Bluebird and Serve consumers appear to be using their cards for savings, a feature which was not included in our evaluation, but may be helpful to consumers. American Express reports that Bluebird and Serve customers are putting aside money into Set Aside and Reserve accounts three times a month, and are saving 25% of funds loaded. Press Release, American Express Serve® and Bluebird® Show You Where Your Money Goes with Free Tools that Track Spending and Budgets (June 5, 2014), available at <http://about.americanexpress.com/news/pr/2014/serve-bluebird-show-you-where-money-goes.aspx>.

Ratings: Prepaid Cards Used as a Bank Account Substitute

Recommended

● Excellent ● Very Good ○ Good ● Fair ● Poor

| | PREPAID CARD | SCORE | | | | |
|-------------------------------------|--|-----------|-------|-----------------------------|-------------|--------|
| Rec. | | | Value | Fee Accessibility & Clarity | Convenience | Safety |
| <input checked="" type="checkbox"/> | Bluebird (American Express and Walmart) | 88 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Chase Liquid (Visa) | 86 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | American Express Serve | 85 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Prepaid Visa RushCard, RushUnlimited Plan (issued by The Bancorp Bank) | 83 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Green Dot Prepaid Visa (issued by Green Dot Bank) | 83 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | U.S. Bank Contour Card (Visa) | 81 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | H&R Block Emerald Prepaid MasterCard | 81 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | Prepaid Visa RushCard, Pay As You Go Plan (issued by The Bancorp Bank) | 80 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Fifth Third Bank Access 360° (MasterCard) | 80 | ● | ● | ○ | ● |
| <input checked="" type="checkbox"/> | BB&T MoneyAccount Card (Visa) | 80 | ○ | ○ | ● | ● |
| <input checked="" type="checkbox"/> | Walmart MoneyCard Basic (Visa, issued by Green Dot Bank) | 79 | ○ | ● | ● | ● |
| <input checked="" type="checkbox"/> | Halogen Reloadable Prepaid Card (MasterCard, Kmart, issued by Green Dot Bank) | 76 | ○ | ○ | ● | ● |
| <input checked="" type="checkbox"/> | Regions Now Card (Visa) | 72 | ● | ● | ● | ● |
| <input checked="" type="checkbox"/> | Walgreens Balance Financial Prepaid MasterCard | 71 | ○ | ● | ● | ● |
| | PNC SmartAccess Prepaid Visa Card | 70 | ○ | ○ | ● | ● |
| | PayPower Prepaid Visa Prepaid Card (MetaBank) | 68 | ● | ● | ● | ● |
| | Mango Prepaid MasterCard (issued by First Bank & Trust) | 65 | ● | ● | ○ | ● |
| | Univision MasterCard Prepaid Card | 63 | ● | ○ | ● | ● |
| | UPside Visa Prepaid Card, Classic Plan (issued by MetaBank) | 63 | ● | ○ | ● | ● |
| | NetSpend Prepaid Visa, FeeAdvantage Plan (issued by MetaBank) | 63 | ● | ○ | ● | ● |
| | NetSpend Prepaid Visa, Pay-As-You-Go Plan (issued by MetaBank) | 60 | ● | ○ | ● | ● |
| | AccountNow Gold Visa Prepaid Card (issued by MetaBank) | 47 | ● | ● | ● | ● |
| | American Express for Target | 16 | ● | ○ | ● | ● |

Ratings Analysis: Prepaid Cards Used as a Bank Account Substitute

About one in thirteen U.S. households is “unbanked,” meaning no one in the household has a bank or credit union account.⁴⁸ The reasons people go without banking vary. Some consumers may find that a checking account is too expensive, with monthly fees being a particular barrier.⁴⁹ Others may find it onerous to wait for check deposits to clear before being able to access funds.⁵⁰ Some may lack the necessary identification for opening an account.⁵¹ Others may have “bounced out” of the banking system due to repeated overdrafts, which can lead to involuntary account closures and negative entries in ChexSystems, a consumer reporting agency with a database many banks consult to avoid offering accounts to “risky” consumers.⁵² But it’s not just low income consumers who are unbanked. Some younger Americans are eschewing banks because they find alternatives to banking more convenient.⁵³

Often, unbanked consumers rely on check cashers to turn paychecks into ready cash and money orders to pay bills. This can be a time consuming and expensive hassle. A person with a \$20,000 annual income may spend up to \$1,200 a year on fees for alternative financial services, such as check cashing and money orders.⁵⁴ A low-fee prepaid card that allows consumers to make deposits, spend money and pay bills can return a significant portion of those funds back to consumers’ pockets. There’s also some evidence that carrying a prepaid card may be safer than carrying cash by making a consumer less vulnerable to street crime.⁵⁵

⁴⁸ See FED. DEPOSIT INS. CORP., *supra* note 6, at 4.

⁴⁹ See Lisa Servon, *Are Banks Too Expensive to Use?*, N.Y. TIMES, Oct. 29, 2014, available at http://www.nytimes.com/2014/10/30/opinion/are-banks-too-expensive-to-use.html?_r=0.

⁵⁰ CHRISTOPHER BERRY, TO BANK OR NOT TO BANK? A SURVEY OF LOW-INCOME HOUSEHOLDS 7 (2004), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/babc_04-3.pdf. Existing federal law requires the first \$200 of a check deposit to be made available on the first business day after the deposit was made; additional funds may take longer. See 12 U.S.C. § 4002(a)(2)(D) (2012 & Supp. I.) (next-day availability of first \$200); § 4002(b) (most other funds available on second business day after deposit); § 4003 (exceptions allowing for further delays in certain circumstances).

⁵¹ See FED. DEPOSIT INS. CORP., *supra* note 6, at 26.

⁵² DENNIS CAMPBELL, ET AL., BOUNCING OUT OF THE BANKING SYSTEM: AN EMPIRICAL ANALYSIS OF INVOLUNTARY BANK ACCOUNT CLOSURES 1-2 (2008), available at http://www.bostonfed.org/economic/cprc/conferences/2008/payment-choice/papers/campbell_jerez_tufano.pdf.

⁵³ See, e.g., Luke Landis, *Young Americans Likely to be Unbanked Regardless of Income Level*, CONSUMERISM COMMENTARY, http://www.consumerismcommentary.com/young-americans-likely-to-be-unbanked-regardless-of-income-level/?WT.qs_osrc=FBS-118706010.

⁵⁴ Martha Perine Beard, *Reaching the Unbanked and Underbanked*, CENTRAL BANKER, Winter 2010, available at <http://www.stlouisfed.org/publications/cb/articles/?id=2039>.

⁵⁵ There is some evidence that in neighborhood where there is less cash, there is less crime. A recent study found that the introduction of electronic benefits transfer led to a drop in predatory street crime. See Richard Wright, et al., *Less Cash, Less Crime: Evidence from the*

Consumers looking to sidestep traditional banking have some good prepaid card choices. Bluebird again tops the list, with all the features a consumer could want, including bill pay, no monthly fee, no inactivity fees and no fees for calling customer service. Bluebird is versatile; features include no-overdraft paper checks.⁵⁶ Chase Liquid is another low-fee, high-feature account, though it does not have bill pay, Chase Liquid card is Visa branded, and thus consumers may find it more widely accepted than the Bluebird and its sibling card Serve, which both are American Express. Prepaid Visa RushCard, RushUnlimited Plan solves both problems, with a Visa brand, and bill pay that allows consumers to have a paper check sent to a payee from a RushCard account. Rounding out the top five is Green Dot Prepaid Visa, a top performer in 2013 which continues to be an excellent choice for consumers.

At the bottom of the ratings are the less-convenient, more expensive prepaid cards, including NetSpend Prepaid Visa, Pay-As-You-Go Plan and AccountNow Gold Visa Prepaid Card. Consumers who wish to use a prepaid card as a bank account substitute are likely to incur high fees with the lowest rated prepaid cards, none of which offer entirely fee-free in-network ATM access, as the top rated prepaid cards do. As with the ratings for prepaid cards used as an adjunct to a bank account, the lowest rated prepaid card here, American Express for Target, cannot be recommended because it lacks the most basic consumer protection - insurance for deposited funds.

Conclusion

The best prepaid cards are convenient, affordable tools for financial management, whether those cards are used in conjunction with a traditional bank account or instead of one. However, consumers may find it difficult to pick the best prepaid cards because comparison shopping is hobbled by the lack of uniform fee terms and disclosures. Prepaid users deserve the same high level protections that come with credit and debit cards, and regulators should move to implement such protections.

Electronic Benefit Transfer Program 1 (Nat'l Bureau of Econ. Research, Working Paper No. w19996, 2014), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2413344.

⁵⁶ Consumers using Bluebird checks must log into their Bluebird account online or mobile to authorize a check. The funds are then immediately deducted from the account, ensuring that once the check is cashed by the payee, the funds are available. American Express, Bluebird, <https://www.bluebird.com/> (click on "Bluebird Checks" tab).

APPENDIX I

Policy Recommendations

Consumers Union, the policy and advocacy division of Consumer Reports, has called on regulators and lawmakers to ensure that prepaid card users have the same protections that debit and credit card users now enjoy.⁵⁷ To that end, the following reforms should be enacted:

- The Consumer Financial Protection Bureau (CFPB) should require that all prepaid card fees be displayed in a simple comprehensive chart with clear definitions of each fee and that explanations for fees should be uniform and straightforward, and this information provided to consumers before signing-up;
- The CFPB should clarify existing regulations to ensure that prepaid card users have full protection under the Electronic Fund Transfer Act, including limited liability for unauthorized transactions and the right of recredit for funds that go missing.⁵⁸ The CFPB should clarify⁵⁹ that protected “accounts” include all prepaid card products marketed or used as account substitutes, or which provide a repository for significant sources of income or assets for an individual or household. Clarifying that the definition of “account” in Regulation E includes prepaid cards would protect important household funds in the event of unauthorized use for the growing number of consumers using prepaid cards, and provide error resolution rights. This could be achieved by adding:

C.F.R. § 1005.2 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;

- The CFPB 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 deposit insurance to individual cardholders.⁶⁰ In addition, the Bureau should work with the FDIC to stop prepaid card product

⁵⁷ Consumers Union has advocated for these protections for years. *See, e.g.*, Letter from Consumers Union et al. to Jennifer Johnson, Secretary, Bd. of Governors, Fed. Reserve Sys. (Oct. 28, 2004), *available at* <http://consumersunion.org/wp-content/uploads/2013/04/payroll1004.pdf>. The Federal Reserve Board previously held jurisdiction over the Electronic Fund Transfer Act and its regulations.

⁵⁸ *See supra* note 57.

⁵⁹ Current regulations appear to exempt funds held and managed in pooled accounts, a common retail prepaid card arrangement. *See* Regulation E, Official Staff Interpretations, 12 C.F.R. § 1005, Supplement I (2014).

⁶⁰ Op. Gen. Counsel, Fed. Deposit Ins. Corp. 8 (2008), *available at* <http://www.gpo.gov/fdsys/pkg/FR-2008-11-13/pdf/E8-26867.pdf>.

advertisements, including websites, from displaying the FDIC logo or phrase “FDIC insured” unless the prepaid card funds are in fact insured to the individual cardholder directly or on a pass-through basis;⁶¹

- The CFPB should ban overdraft, linked credit and abusive fees. Overdrafts are likely to occur more often with signature-based transactions than PIN-based transactions. Prepaid cardholders owe repayment to make the account whole if they spend more money than they have placed in the card account. However, overdraft fees in prepaid cards, which can be called overdraft, shortage, negative balance, or some other name, should be prohibited. Prepaid should mean prepaid and no credit should be offered linked to a prepaid card. Prepaid card issuers should not profit from or grow their profits from assessing abusive fees, such as inactivity fees or dormancy fees. If an account is dormant for over 90 days, the account should be closed with the remaining balance returned to the consumer without a fee;
- To encourage uniformity among different payment cards and methods, all cards, devices, and other plastic payments should have loss caps of 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. This could be accomplished by deleting 15 U.S.C. § 1693g(a)(2) and the “or” at the end of § 1693g(a)(1);⁶²
- Congress should amend the EFTA to include a “chargeback” provision for both bank account debit cards and prepaid cards to provide to those payment methods the protections that consumers already have when paying with credit cards. The chargeback is an important consumer protection that allows the cardholder to resolve a dispute with a merchant when goods or services are not accepted by the cardholder or not delivered as agreed.⁶³ Consumers should have the same chargeback rights when using debit cards or prepaid cards as when using credit cards. This can be done by adding the following to Section 908 of the Electronic Funds Transfer Act (15 U.S.C. § 1693f) by adding at the end of the following:

(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

⁶¹ 12 C.F.R. §§ 328.2, 328.3 (2014).

⁶² See 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).

⁶³ 12 C.F.R. § 226.12(b) (2014).

(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 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.”⁶⁴

⁶⁴ Hillebrand, *supra* note 62, at 798.

APPENDIX II

Consumer Tips for Using Prepaid Cards

When choosing a prepaid card, shop around.

Before you buy a prepaid card, compare what it costs to buy and use it by looking out for these specific fees:

- ✓ Fees for withdrawing money. Look for prepaid cards that have free access to ATMs, sometimes called “in-network” ATMs.
- ✓ Fees for loading money onto the prepaid card. Look for prepaid cards that have no- or low-fee load options at places that are convenient for you.
- ✓ Fees for not using the card often enough. These can be called “dormancy” or “inactivity” fees. If you don’t plan to use your prepaid card much, these can eat up a balance, so look for prepaid cards that do not charge them or plan to close your account before these fees eat up any money left on your card.
- ✓ Fees for calling customer service. Some prepaid cards charge a fee for automated or live customer service. Look for prepaid cards that make account information and help available at no fee.
- ✓ Ask if there are any other fees or hidden fees.

If it’s not easy to find out about fees for a prepaid card, don’t buy it.

Compare what the prepaid card can do. Each prepaid card has different features, so you want to make sure that the prepaid card you choose can do what you need it to do. Some things that might be important include:

- ✓ Bill pay, especially with the ability to have a paper check sent.
- ✓ Apps where you can locate in-network ATMs, manage your account, and even deposit checks via your mobile phone.
- ✓ Linked savings accounts or the ability to create sub-accounts.

As with fee information, if you can’t easily find a card’s features and clear explanations of how they work, think twice before buying it.

Once you have a prepaid card, take these steps.

Register your prepaid card. Registering your prepaid card by providing personal information is usually necessary to ensure that you are eligible for the protections against loss and fraud that some prepaid cards voluntarily offer.

Avoid using a prepaid card where the merchant is likely to put a hold on your money. Try not to use prepaid cards to buy gas at the pump or to pay for hotels or rental cars. These types of companies can put extra holds on your card for a certain amount of time. During this time, you won’t be able to use all of your money.

Prepaid card problem? Report it. Contact the Consumer Financial Protection Bureau (CFPB) if you have any complaints.

Go online: www.consumerfinance.gov/Complaint
Call: 1-855-411-2372 (TTY/TDD: 1-855-729-2372)