

## EXECUTIVE SUMMARY

### AT A GLANCE...

- **A chart and detailed table comparing direct deposit rates are on pages 8 and 26, respectively.**
- **A national overview of prepaid card fees is in Table 1 on page 15.**
- **State-by-state fee summaries and ratings begin on page 28.**

The National Consumer Law Center's 2011 report, [\*Unemployment Prepaid Cards: How States Can Deal Workers a Winning Hand By Discarding Junk Fees\*](#),<sup>1</sup> highlighted the many junk fees and restrictions that created traps for unemployed workers and undermined the potential benefits of delivery of unemployment compensation benefits via prepaid cards. Two years later, NCLC's new survey shows that overdraft fees are gone and other fees have come down considerably, saving workers millions of dollars a year, though not in every state. But workers in five states incur prepaid card fees unnecessarily as those states violate federal law and require use of the prepaid card, without

offering the choice of direct deposit to the worker's own account. Other states impose hurdles to signing up for direct deposit. This report details changes in fee schedules since the 2011 report and includes a new survey of direct deposit rates.

Most workers choose direct deposit to their own account when offered the choice. But states vary in how easy they make it to sign up for direct deposit:

- Among the 36 jurisdictions that use prepaid cards but also offer direct deposit, Minnesota has the highest direct deposit rate of 82%. Arizona's is the lowest at 16%, and the median rate is 57%. Some states encourage direct deposit as the first choice. Others automatically enroll workers in the prepaid card, requiring them to go to extra effort to disenroll to select direct deposit.
- Five states (California, Indiana, Kansas, Maryland, and Nevada) violate federal law by requiring workers to receive benefits on the state vendor's prepaid card. In California, Kansas and Maryland, workers can set up automatic transfers to their bank account, but only 21% to 24% do so, which can result in a delay of one to four days in receiving payment.
- Indiana is the only state to fail to offer direct deposit, checks, or even an automatic transfer from the prepaid card to the worker's own account. Workers must use the prepaid card or do a manual transfer to their bank account after each deposit. Nevada is similar, though the state is looking at adding automatic transfer capability.

Many states have lowered fees on their UC prepaid cards:

- Overdraft fees are gone. U.S. Bank, the only bank that had overdraft fees in our last survey, has eliminated them. All nine of the bank's unemployment cards now receive a positive rating.
- In Pennsylvania, the state projects that workers will save \$5.2 million through several improvements to the card program.
- Point-of-service fees are nearly gone and ATM fees are easier to avoid.
- We now rate 18 cards as "thumbs up" and only 3 as "thumbs down" (out of 42 cards). In 2011, 8 cards merited a positive rating and 16 were negative (out of 40 cards).<sup>2</sup>

Even well-designed prepaid cards impose costs on workers, though the price is likely lower than the cost of cashing paper checks. In California, which continues to have the best card in our survey, workers paid nearly \$1.8 million in fees in the past year, not including ATM surcharges. Thus, offering workers the choice of direct deposit remains important even for prepaid cards with the fewest fees.

Recommendations for improving UC prepaid card programs include:

- Prominently offer direct deposit to the worker's own account first, at time of application, and make sign-up easy.
- Offer a minimum of one free ATM and teller withdrawal for each deposit and preferably more.
- Eliminate fees for balance inquiries, customer service and denied transactions.
- Monitor fees and involve workers and advocates to address excessive costs.
- Publicize methods of fee-free cash access and card use and improve information about the location of free ATMs.
- Offer prominent, complete and accurate fee information on the state website.

States have made many improvements in their UC prepaid cards, but work remains. For families struggling with unemployment, every dollar counts.