

Prepaid Card Protections Likely to Escape Congressional Veto

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More than 12 Million Americans Will Benefit from Fee Transparency and Fraud Protections

(Washington) Advocates are celebrating strong signs that the Senate will not act before the clock runs out on Thursday for resolutions filed in the U.S. Senate by Senator David Perdue (GA) and in the U.S. House by Rep. Roger Williams (TX) that would have forced a vote to block prepaid card protections created by the Consumer Financial Protection Bureau (CFPB). Texas is the home state of prepaid card firm NetSpend and Georgia is the home of its parent company TSYS. Repealing the rule would have allowed NetSpend to keep charging customers up to \$85 million a year in overdraft fees while blocking basic fraud protections and fee disclosures set to go into effect for all prepaid cards, 98% of which don't have overdraft fees.

"This will be a victory for the 12 million Americans who use prepaid cards, including rural and inner city Americans who live far from a bank, workers who receive wages on payroll cards, and households who can't get a bank account," said Lauren Saunders, associate director of the National Consumer Law Center (NCLC). "People use prepaid cards to control their finances and avoid overdraft fees, and it would have been a travesty if Congress had vetoed fee and fraud protections on all cards just so that one company could charge overdraft fees. We hope that Congress will support the Consumer Financial Protection Bureau's other work to protect families from predatory financial products.

Consumers shut out of the banking system or trying to avoid bank account overdraft fees use prepaid cards to get direct deposits and manage their money. Prepaid cards are a rapidly growing market, used by 9.8 percent of households in 2015, according to the FDIC.

"This rule will give consumers, including people who rely on prepaid debit cards instead of a bank account, the basic protections they need to manage their finances more safely and securely," said Lisa Donner, executive director at Americans for Financial Reform. "When people learned it was under threat, they made the case that this rule is important and workable, and it looks like enough lawmakers paid attention."

Last fall, the CFPB issued a rule that extends to prepaid cards the basic protections against fraud, unauthorized charges, and errors that consumers have with bank account debit cards. The rule, which is effective April 1, 2018, also gives consumers a simple chart of fees to help them shop for a prepaid card.

Although the rule does not prohibit overdraft fees, it does require overdraft features to be affordable on the few cards that can be overdrawn. Companies must wait 30 days before adding overdraft credit features and must comply with the rules for credit cards, including limits on fees in the first year, consideration of ability to pay, payments only once a month, and a ban on requiring automatic repayment from incoming deposits.

Only 2% of prepaid cards have overdraft fees, according to a survey by the CFPB. NetSpend, the

only major prepaid card provider with overdraft fees, primarily sells its cards at payday loan and check cashing stores and through payroll cards used by fast food chains, retail stores, and other employers of low-wage workers. The biggest prepaid card company, Green Dot, does not charge overdraft fees and supports the CFPB prepaid rule.

“This is welcome news for consumers across the country. Rescinding this important protection would have left consumers at risk for abuse by bad prepaid card practices, including charging fees just for checking their account balance and denying customers access to their own money. The effort to preserve this rule would not have been possible without the support of consumer advocates, civil rights organizations, faith leaders, and state organizations and partners who organized at the local level and urged their senators to keep this essential consumer protection intact,” said Center for Responsible Lending (CRL) Director of Federal Advocacy Scott Astrada.

The prepaid card resolution was filed under the Congressional Review Act (CRA), an obscure law that gives Congress, with the President’s signature, a window to veto a rule from going into effect. The CRA has special provisions to expedite a vote and prevent a filibuster. If a rule is blocked by a CRA vote, the agency is forever barred from doing a substantially similar rule unless Congress authorizes it.

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Since 1969, the nonprofit **National Consumer Law Center®** (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. nclc-old.org/sense.net

Americans for Financial Reform is a coalition of labor unions, civil rights organizations, consumer advocates and community groups that fights for a fairer, more inclusive and more stable financial system.

The **Center for Responsible Lending** is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices.

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