



# **Prepaid Cards: How They Rate on Value, Convenience, Safety and Fee Accessibility and Clarity**

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## Prepaid Cards: How They Rate on Value, Convenience, Safety and Fee Accessibility and Clarity

### Executive Summary

Prepaid cards are mainstream financial products, widely used and relied upon by consumers. Consumers Union, the policy and advocacy division of Consumer Reports has tracked the prepaid marketplace as it has matured. Recent changes, most prominently the introduction of prepaid cards by a number of large banks, have prompted a new review. Twenty-six prepaid cards were rated in four categories: **Value, Convenience, Safety and Fee Accessibility and Clarity.**

The best prepaid cards score well in each of these categories. All the best prepaid cards have few types of fees, and offer consumers opportunities to avoid fees. Each is safe to use, carrying FDIC insurance to the individual cardholder. All are convenient, with functionality that in many ways is on par with a checking account. Consumers looking to acquire these cards will find fee information accessible and easy to understand. Here are the **top five cards:**

- Bluebird with direct deposit (American Express)
- H&R Block Emerald Prepaid MasterCard
- Green Dot Card (Green Dot Bank)
- Approved Prepaid MasterCard (Suze Orman) with direct deposit
- Approved Prepaid MasterCard (Suze Orman) without direct deposit

The worst prepaid cards came up short in at least one, and usually multiple categories. All of the worst cards have high, unavoidable fees, including activation and monthly fees. Moreover, consumers are likely to have difficulty finding and understanding what those fees are. These are the **bottom four cards:**

- AccountNow Gold Visa Prepaid Card (MetaBank)
- Reach Visa Prepaid Card (Tom Joyner)
- Redpack Mi Promesa Prepaid MasterCard
- American Express for Target

**Additional findings include:**

- Bank prepaid cards are not necessarily cheaper than other prepaid cards. Furthermore, because they typically lack the option to use “bill pay,” they may be less attractive than other prepaid cards.
- Mobile remote deposit (mRDC), bill pay, and improved account management tools such as text message alerts are among features recently added to some prepaid cards that potentially benefit consumers. However, some prepaid cards fail to provide clear explanations of how these features work, and some do not include fee information. These failures may undercut the benefits of increased functionality.
- While all prepaid cards in this survey claim to offer some form of loss or fraud and recredit policy, these protections are often vaguely defined. Furthermore, when provided, card issuers include these protections voluntarily, and can revoke them at any time. This may leave consumers vulnerable.
- Fee information is often hard to find and difficult understand. This problem is compounded by a lack of consistency in fee names and descriptions across cards, which makes it difficult for consumers to compare fees and costs across prepaid cards.

Some prepaid cards, with their lower, simpler fees and increased functionality, may provide consumers with the features and benefits consumers need and want at a reasonable cost. However, consumers may not have meaningful access to the information that allows for comparison-shopping. Moreover, consumer protections for prepaid cards are not yet on par with debit cards linked to bank accounts. Without them, consumers, who rely on prepaid cards to purchase everyday necessities for important individual and household uses, are left vulnerable to losing these valuable funds.

## Introduction

### **Prepaid cards are mainstream products, widely used and relied upon by consumers.**

Consumers have many choices when it comes to payments. A growing number of consumers prefer the ease of non-cash payment cards such as credit, debit and prepaid cards.<sup>1</sup> In recent years, consumer use of credit cards has fallen, while use of debit and prepaid cards has increased.<sup>2</sup> Prepaid cards have proven very popular with consumers, with growth in prepaid card use outpacing that of every other non-cash payment option<sup>3</sup> and making prepaid cards the fastest growing segment of the payments industry.<sup>4</sup>

The Federal Reserve Bank of Boston estimates that one in three American households used some form of prepaid card in 2009.<sup>5</sup> Prepaid card popularity continues to increase. Over the course of 2012, General Purpose Reloadable (GPR) or prepaid cards were used in 1.3 billion transactions totaling \$77 billion.<sup>6</sup> By the end of 2014, a projected \$167 billion will be loaded into prepaid card accounts, an expected increase of 42% from the amount loaded in 2010.<sup>7</sup>

Prepaid cards often look like traditional debit cards, with payment network logos such as Visa, American Express or MasterCard on the front. Prepaid cards use these networks' existing payments infrastructure,<sup>8</sup> which allows them to be used in PIN or signature transactions like any other payment card. Prepaid cards can be used to withdraw cash from an ATM, pay bills or make purchases. However, prepaid cards, unlike debit cards, are not linked to individual bank accounts, and no credit check is required to open a prepaid

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<sup>1</sup> These three payment types account for 60% of all non-cash payments in the US. See FED. RESERVE SYS., THE 2010 FEDERAL RESERVE PAYMENTS STUDY: NONCASH PAYMENT TRENDS IN THE UNITED STATES: 2006 – 2009 14 (2011), available at [http://www.frb services.org/files/communications/pdf/press/2010\\_payments\\_study.pdf](http://www.frb services.org/files/communications/pdf/press/2010_payments_study.pdf).

<sup>2</sup> Kevin Foster, Erik Meijer, Scott Schuh & Michael A. Zabeck, *The 2009 Survey of Consumer Payment Choice*, 33 (Fed. Reserve Bank of Boston, Public Policy Discussion Paper No. 11-1, 2011), available at <http://www.bostonfed.org/economic/ppdp/2011/ppdp1101.pdf>.

<sup>3</sup> See *id.*

<sup>4</sup> FED. RESERVE SYS., *supra* note 1, at 17.

<sup>5</sup> Foster et al., *supra* note 2, at 13.

<sup>6</sup> CTR. FOR FIN. SERVS. INNOVATION & CORE INNOVATION CAPITAL, FINANCIAL TECHNOLOGY TRENDS IN THE UNDERBANKED MARKET 10 (2013), available at [http://www.cfsinnovation.com/system/files/Financial%20Technology%20Trends%20in%20the%20Underbanked%20Marketplace\\_Report\\_e-version\\_May\\_2013.pdf](http://www.cfsinnovation.com/system/files/Financial%20Technology%20Trends%20in%20the%20Underbanked%20Marketplace_Report_e-version_May_2013.pdf).

<sup>7</sup> Consumer Fin. Protection Bureau, Promoting Safety and Transparency in Prepaid, [http://files.consumerfinance.gov/f/201205\\_cfpb\\_prepaid\\_factsheet.pdf](http://files.consumerfinance.gov/f/201205_cfpb_prepaid_factsheet.pdf) (last visited July 8, 2013).

<sup>8</sup> Stephanie M. Wilshusen, Robert M. Hunt, James van Opstal, & Rachel Schneider, Consumers' Use of Prepaid Cards: A Transaction-Based Analysis 3 (Fed. Reserve Bank of Philadelphia Payment Cards Ctr., Discussion Paper, 2012), available at <http://www.philadelphiafed.org/consumer-credit-and-payments/payment-cards-center/publications/discussion-papers/2012/D-2012-August-Prepaid.pdf>.

account.<sup>9</sup> Prepaid cards are sold at a wide variety of retailers, banks and online outlets. Value is added at or after purchase of the prepaid card.<sup>10</sup> Most prepaid cards can be loaded without a fee by arranging for direct deposit of wages, benefits or other income.<sup>11</sup>

Large numbers of consumers are moving to prepaid as a means of receiving electronic payments. As of March 1, 2013, all recipients of Social Security or Supplemental Security Income are required to receive their payments electronically.<sup>12</sup> Consumers appear to be responding to this requirement by adopting prepaid cards. Two of the largest public prepaid companies reported double-digit increases in the number of accounts with direct deposit.<sup>13</sup> The trend toward direct deposit likely will lead to greater prepaid usage, as prepaid cards loaded by direct deposit are used more often and longer than cards without direct deposit.<sup>14</sup> Today, millions of Americans have their wages, government benefits payments, tax refunds and other income regularly loaded into prepaid card accounts. Once considered a fringe product, prepaid cards are mainstream financial products.

While many consumers are embracing prepaid, identifying a typical prepaid card usage pattern is elusive. In August 2012, researchers from the Federal Reserve Bank of Philadelphia released a report in which the authors analyzed data provided by Meta Payment Systems, the issuer behind a number of prepaid cards.<sup>15</sup> The Federal Reserve Bank of Philadelphia analysis revealed that there is no predictable way in which prepaid cards are used. Rather, consumer usage of prepaid cards generally follows a “U-shaped” pattern of distribution.<sup>16</sup> A large portion of prepaid cards was loaded only a few times,<sup>17</sup> used for 50 or fewer purchases,<sup>18</sup> and held for 6 months or

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<sup>9</sup> Prepaid cards are, however, subject to anti-money laundering regulations. 31 C.F.R. §§ 1010.100, 1022.210 (2012).

<sup>10</sup> There are cards with payment network logos that can be purchased “preloaded” with a specific value, but these are not GPR prepaid cards; they are gift cards.

<sup>11</sup> See e.g., AccountNow, Choose One of Two Ways to Add Money to Your Prepaid Account, <http://www.accountnow.com/services/deposit-center.aspx> (last visited July 8, 2013).

<sup>12</sup> U.S. Soc. Security Admin., Social Security Direct Deposit, <http://www.ssa.gov/deposit/> (last visited July 8, 2013).

<sup>13</sup> Approximately 54% of NetSpend’s active accounts are funded via direct deposit, up from 44% in 2012. NetSpend Holdings Inc., Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (Form 10-Q), at 27 (Apr. 30, 2013), available at [http://www.sec.gov/Archives/edgar/data/1496623/000110465913037150/a13-8320\\_110q.htm](http://www.sec.gov/Archives/edgar/data/1496623/000110465913037150/a13-8320_110q.htm). During the same period, Green Dot reported 12% growth in direct deposit customers. GREEN DOT CORP., 2013 FIRST QUARTER EXECUTIVE SUMMARY 4 (2013), available at <http://phx.corporate-ir.net/phoenix.zhtml?c=235286&p=quarterlyearnings> (click on link to Q113 Earnings Call Supplemental Materials).

<sup>14</sup> For example, nearly 87% of the purchase volume of NetSpend cards is generated by cards with direct deposit. NetSpend Holdings Inc., *supra* note 13, at 27. Green Dot reports that cards with direct deposit are held for around 20 months, while those with reloads are held for about 8 months less. GREEN DOT CORP., *supra* note 13, at 4.

<sup>15</sup> Wilshusen et al., *supra* note 8, at 4.

<sup>16</sup> *Id.* at 5.

<sup>17</sup> *Id.* at 66.

less.<sup>19</sup> These moderately used prepaid cards may have been acquired with limited use in mind. For example, each tax season many Americans have their refunds loaded onto prepaid cards.<sup>20</sup> Consumers often have multiple prepaid cards in their wallet<sup>21</sup> and some sign up for multiple prepaid cards, sometimes from the same vendor.<sup>22</sup> Prepaid cards are not “sticky” – meaning that unlike bank accounts, they are relatively easy to leave behind: consumers who are unhappy with their current prepaid card can discard it with little effort and move to a different prepaid card.<sup>23</sup>

At the other end of the usage “U” in the Federal Reserve Bank of Philadelphia study are the one in five prepaid cards used “intensely.”<sup>24</sup> Cards used a great deal generate the most revenue for prepaid companies<sup>25</sup> and prepaid companies make an extra effort to appeal to those likely to use cards frequently. Many prepaid cards are marketed as bank account substitutes<sup>26</sup> for people who cannot or chose not to have a traditional bank account. This message seems to resonate with the young and underserved.<sup>27</sup> Though the underserved are not a homogeneous group,<sup>28</sup> the young are more likely to be underserved.<sup>29</sup> By one estimate, one in six young people has a prepaid

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<sup>18</sup> *Id.* at 64.

<sup>19</sup> *Id.* at 63.

<sup>20</sup> There are a number of card issuers that initially focused on this market, including H&R Block and Jackson Hewitt. In 2011, the Internal Revenue Service launched a pilot program to urge low-income filers to have their refunds loaded onto its My Account prepaid card. See Blake Ellis, *Treasury launches tax refund prepaid card*, CNNMONEY, Jan. 13, 2011, available at [http://money.cnn.com/2011/01/13/pf/taxes/tax\\_refund\\_prepaid\\_card/index.htm](http://money.cnn.com/2011/01/13/pf/taxes/tax_refund_prepaid_card/index.htm).

<sup>21</sup> According to Federal Reserve Bank of Boston research, the average adopter of payment cards had 2.3 prepaid cards in his or her wallet. Foster et al., *supra* note 2, at 13.

<sup>22</sup> Prepaid companies may limit the number of cards a person can sign up for over the course of their lifetime. See, e.g., Green Dot, Help, <https://www.greendot.com/greendot/help> (last visited July 8, 2013) (scroll down to “Can I buy and register more than one Card?”). Fraud is one of the reasons why some companies limit the number of cards consumers can sign up to get. See Bank Talk, Bank Notes: Green Dot, Nicholas Financial, H&R Block, VISA, <http://banktalk.org/2013/06/17/bank-notes-green-dot-nicholas-financial/> (last visited July 8, 2013).

<sup>23</sup> The average lifespan of a prepaid card without direct deposit that was acquired at a retail store is 59 days. Wilshusen et al., *supra* note 8, at 67. In contrast, McKinsey & Company’s Consumer Financial Life Survey found the median age of consumers’ primary transaction account to be 10 years. Wilshusen et al., *supra* note 8, at 18 n. 29. See also Andrew Kahr, *Once-‘Sticky’ Bank Customers Are Coming Unstuck*, AM. BANKER, Mar. 11, 2013, available at <http://www.americanbanker.com/bankthink/once-sticky-customers-are-coming-unstuck-1057363-1.html> (noting shorter lifespan of prepaid cards compared with checking accounts).

<sup>24</sup> Wilshusen et al., *supra* note 8, at 5.

<sup>25</sup> *Id.* at 68.

<sup>26</sup> For example, the American Express Bluebird card’s tagline is “Your Checking & Debit Alternative,” see Bluebird, <https://www.bluebird.com/?SOLID=BBSEMGENERIC> (last visited July 8, 2013).

<sup>27</sup> FED. DEPOSIT INS. CORP., 2011 FDIC NATIONAL SURVEY OF UNBANKED AND UNDERBANKED HOUSEHOLDS 4 (2012), available at [http://www.fdic.gov/householdsurvey/2012\\_unbankedreport.pdf](http://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf).

<sup>28</sup> *Id.* at 5.

<sup>29</sup> *Id.* at 15.

card.<sup>30</sup> The embrace of prepaid by the young is occurring at the same time that many younger Americans are eschewing banks<sup>31</sup> and choosing not to have credit cards.<sup>32</sup> The financially underserved, which include those without bank accounts, cite lack of savings or discomfort dealing with banks as common reasons for not having a bank account, explaining the growth of prepaid with this demographic.<sup>33</sup> In 2009, approximately 12% of unbanked households used a prepaid card.<sup>34</sup> By 2011, approximately 18% of unbanked households used a prepaid card.<sup>35</sup>

No matter how long a prepaid card is used, all prepaid cards appear primarily to be used for a similar purpose: the purchase of everyday individual and household necessities. Both the Federal Reserve Bank of Philadelphia report<sup>36</sup> and other research<sup>37</sup> indicate that purchases at grocery stores, service stations and restaurants, along with telecommunications and utilities payments, make up more than half of the purchases made with prepaid cards.<sup>38</sup> Consumers are loading billions of dollars onto prepaid cards<sup>39</sup> and spending that money to meet their daily needs.<sup>40</sup>

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<sup>30</sup> See Press Release, Javelin Strategy & Research, Prepaid Cards Lure Underbanked and Gen Y Consumers (Apr. 12, 2012) (summarizing key findings of report titled *Prepaid Cards and Products in 2012*), available at [https://www.javelinstrategy.com/index.php?mact=NewsMenu.m23dd1.default.1&m23dd1parent\\_item=2012&m23dd1active\\_item=2012&m23dd1returnid=Pressroom-list&page=Pressroom-list](https://www.javelinstrategy.com/index.php?mact=NewsMenu.m23dd1.default.1&m23dd1parent_item=2012&m23dd1active_item=2012&m23dd1returnid=Pressroom-list&page=Pressroom-list).

<sup>31</sup> Luke Landes, *Young Americans Likely to Be Underbanked Regardless of Income Level*, FORBES, May 25, 2012, available at <http://www.forbes.com/sites/moneybuilder/2012/05/25/young-americans-likely-to-be-unbanked-regardless-of-income-level/>.

<sup>32</sup> Liz Weston, *Why Young People Hate Credit Cards*, MSN MONEY, June 24, 2013, available at <http://money.msn.com/credit-cards/why-young-people-hate-credit-cards>.

<sup>33</sup> FED. DEPOSIT INS. CORP., *supra* note 27, at 27.

<sup>34</sup> *Id.* at 6.

<sup>35</sup> *Id.*

<sup>36</sup> Wilshusen et al., *supra* note 8, at 65.

<sup>37</sup> See, e.g., MADELINE K. AUFSEESER, AITE GRP., GPR CARDHOLDERS: WHO ARE THEY REALLY? DISPELLING THE MYTHS 9 (2012), available at <http://www.nbpca.org/~media/E6E6F720492F4E42804FED2A795D3B5A.ashx>.

<sup>38</sup> Wilshusen et al., *supra* note 8, at 65.

<sup>39</sup> CTR. FOR FIN. SERVS. INNOVATION & CORE INNOVATION CAPITAL, *supra* note 6, at 10.

<sup>40</sup> Wilshusen et al., *supra* note 8, at 65.

## Changes in the prepaid marketplace have prompted a new review of prepaid cards by Consumers Union and Consumer Reports.

For many years, Consumers Union (CU) the policy and advocacy division of Consumer Reports has tracked the prepaid card market. Our first report, *Prepaid Cards: Second-Tier Bank Account Substitutes*, noted the high fees and lack of essential consumer protections of some prepaid cards.<sup>41</sup> In 2011, We examined the costs of prepaid cards and compared them to the costs of the checking accounts they are often marketed to replace, and concluded that checking accounts provided more protection at a lower cost than most cards.<sup>42</sup> In 2012, we looked at the protections and costs of over a dozen prepaid cards, and concluded that prepaid costs varied widely, the voluntary consumer protections provided by many prepaid cards were insufficient to protect consumers, and features such as credit building were over-blown and unlikely to benefit consumers.<sup>43</sup>

Since the last prepaid report, there have been many changes in the prepaid marketplace. Acquisitions and partnerships are narrowing the number of independent prepaid providers.<sup>44</sup> In October 2012, Walmart and American Express announced the launch of Bluebird,<sup>45</sup> a card that has been hailed by the press for its low fees<sup>46</sup> and high functionality.<sup>47</sup> In recent years, many

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<sup>41</sup> MICHELLE JUN, CONSUMERS UNION, PREPAID CARDS: SECOND-TIER BANK ACCOUNT SUBSTITUTES (2009) (on file with author). This report was revised in September 2010 with a fee update; it is available at <http://www.defendyourdollars.org/pdf/2010PrepaidWP.pdf>.

<sup>42</sup> SUZANNE MARTINDALE & MICHAEL MCCAULEY, CONSUMERS UNION, ADDING IT ALL UP: HOW PREPAID CARD FEES COMPARE TO CHECKING ACCOUNT FEES 3-4 (2011), available at <http://www.defendyourdollars.org/pdf/Adding-It-All-Up.pdf>.

<sup>43</sup> CONSUMER REPORTS, PREPAID CARDS: LOADED WITH FEES, WEAK ON PROTECTIONS 2 (2012), available at [http://consumersunion.org/wp-content/uploads/2013/02/Prepaid\\_Cards\\_Report\\_2012.pdf](http://consumersunion.org/wp-content/uploads/2013/02/Prepaid_Cards_Report_2012.pdf).

<sup>44</sup> Among the largest are those involving Green Dot and UniRush, and Green Dot and GE Money. Green Dot and UniRush joined to offer the RushCard Live Reloadable Prepaid Visa Card. This partnership brings RushCards to retail locations for the first time. Unfortunately, these cards were not available in time to be included in this report. See Press Release, Green Dot, Green Dot and UniRush Introduce RushCard Live, a New Prepaid Card Launching at Retail Stores Nationwide (Apr. 8, 2013), available at <http://www.pymnts.com/news/businesswire-feed/2013/april/08/green-dot-and-unirush-introduce-rushcard-live-a-new-prepaid-card-launching-at-retail-stores-nationwide-20130408006121>. In June, Green Dot agreed to acquire Walmart MoneyCard from GE Capital Retail Bank. Green Dot Corp., Current Report (Form 8-K), at 1 (June 10, 2013), available at <http://www.sec.gov/Archives/edgar/data/1386278/000138627813000043/a2013-06gepurchaseagreement.htm>.

<sup>45</sup> Press Release, Walmart, American Express and Walmart Launch Bluebird: A New Alternative to Debit and Checking Accounts (Oct. 8, 2012), available at <http://news.walmart.com/news-archive/2012/10/08/american-express-walmart-launch-bluebird-a-new-alternative-to-debit-checking-accounts>.

<sup>46</sup> Karen Weise, *Walmart's New Prepaid Card May Be the Best Deal Yet*, BLOOMBERG BUSINESSWEEK, Oct. 9, 2012, available at <http://www.businessweek.com/articles/2012-10-09/wal-marts-new-prepaid-card-may-be-the-best-deal-yet>.

<sup>47</sup> Sean Sposito, *AmEx Makes Bluebird a True Checking Account*, AM. BANKER, Mar. 26, 2013, available at [http://www.americanbanker.com/issues/178\\_59/amex-makes-bluebird-a-true-checking-account-1057834-1.html](http://www.americanbanker.com/issues/178_59/amex-makes-bluebird-a-true-checking-account-1057834-1.html).

banks, including BB&T, Fifth Third, JPMorgan Chase, PNC, Regions and U.S. Bank, have launched prepaid card programs. The appeal of prepaid accounts to banks is that, if certain rules are followed, prepaid cards are exempt from caps on fees charged for interchange (aka “swipe fees”).<sup>48</sup>

In light of these developments, we decided both to evaluate and rate prepaid cards. Reviewed here are all the cards examined in past reports<sup>49</sup> plus Bluebird and a number of cards offered by the biggest national and regional banks.<sup>50</sup>

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<sup>48</sup> The move into prepaid by big banks is likely driven not only by the opportunity banks see in the exponential growth of prepaid, but also by a desire to recoup revenues lost when the Durbin Amendment took effect in October 2011. The Durbin Amendment effectively caps big banks’ interchange rate, for fees they charge merchants each time a debit card is swiped to make a purchase. 15 U.S.C. § 1693o-2(a)(2) (2012). While the interchange fee on a debit card swipe is about 24 cents, the interchange fee on a prepaid card swipe is about 43 cents. BD. OF GOVERNORS OF THE FED. RESERVE SYS., 2011 INTERCHANGE FEE REVENUE, COVERED ISSUER COSTS, AND COVERED ISSUER AND MERCHANT FRAUD LOSSES RELATED TO DEBIT CARD TRANSACTIONS 2 (2013), available at [http://www.federalreserve.gov/paymentsystems/files/debitfees\\_costs\\_2011.pdf](http://www.federalreserve.gov/paymentsystems/files/debitfees_costs_2011.pdf). This means banks make more each time a prepaid card is swiped than they do when one of their debit cards is used. There is no swipe fee limit to big banks’ prepaid cards so long as those cards have limited functionality. In order to avoid imposition of Durbin Amendment limits on swipe fees, big banks must limit the functionality of their prepaid cards.

<sup>49</sup> See *supra* notes 41, 42, 43. This report also features prepaid cards reviewed on Consumers Union’s financial services website, DefendYourDollars.org.

<sup>50</sup> In evaluating which of the big banks cards to include, we reviewed the Federal Financial Institutions Examination Council (FFIEC) bank list, and looked on these banks’ websites to see which cards were widely available to consumers. Fed. Fin. Inst. Examination Council, Fed. Reserve Sys., Nat’l Information Ctr., <http://www.ffiec.gov/nicpubweb/nicweb/Top50Form.aspx> (last visited July 8, 2013).

Card Name	Activation Fee	Monthly Fee		Reloading Fees		Point of Sale Fee		Online Bill Pay Fee	ATM Fee		Customer Service Fee		Card Replacement Fee
		Fee without a waiver or discount	Fee where waiver or discount available; if not, regular monthly fee listed	Most expensive	Least expensive	Signature transaction	PIN transaction		Where not available, price of money order inserted	In network	Out of network	Automated	
AccountNow Gold Visa Prepaid Card (MetaBank)	\$0.00	\$9.95	\$9.95	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$2.50	\$0.00	\$0.00	\$10.00
American Express for Target	\$3.00	\$0.00	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$1.20	N/A	1st \$0 then \$3.00	\$0.00	\$0.00	\$0.00
Approved Prepaid MasterCard (Suze Orman) without direct deposit	\$3.00	\$3.00	\$3.00	\$4.95	\$0.00	\$0.00	\$0.00	\$1.00	\$2.00	\$2.00	\$0.00	1st \$0 then \$2.00	\$3.00
Approved Prepaid MasterCard (Suze Orman) with direct deposit	\$3.00	\$3.00	\$3.00	\$4.95	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$2.00	\$0.00	1st \$0 then \$2.00	\$3.00
BB&T Prepaid Debit Card	\$0.00	\$5.00	\$3.00	\$3.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.50	1st \$0 then \$0.50	1st \$0 then \$2.95	\$10.00
Bluebird without direct deposit (American Express)	\$0.00	\$0.00	\$0.00	\$3.95	\$0.00	\$0.00	\$0.00	\$0.52	\$2.00	\$2.00	\$0.00	\$0.00	\$0.00
Bluebird with direct deposit (American Express)	\$0.00	\$0.00	\$0.00	\$3.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00	\$0.00	\$0.00	\$0.00
Chase Liquid	\$0.00	\$4.95	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	\$2.00	\$0.00	\$0.00	\$0.00
Access 360 Reloadable Prepaid Card (Fifth Third Bank)	\$0.00	\$7.00	\$4.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	\$2.00	\$0.00	\$0.00	\$10.00
Green Dot Card (Green Dot Bank)	\$4.95	\$5.95	\$0.00	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.50	\$0.00	\$0.00	\$4.95
H&R Block Emerald Prepaid MasterCard	\$0.00	\$0.00	\$0.00	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$2.50	\$2.50	\$0.00	\$0.00	\$0.00
Halogen Reloadable Prepaid Card (Kmart)	\$3.95	\$5.95	\$0.00	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.50	\$0.00	\$0.00	\$3.95
Reach Visa Prepaid Card (Tom Joyner)	\$9.95	\$8.95	\$8.95	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$2.50	\$0.00	\$0.00	\$0.00
Magic Prepaid MasterCard (Magic Johnson)	\$4.95	\$4.95	\$4.95	\$4.95	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	2 free then \$2.50	\$0.00	1st \$0 then \$2.00	\$4.95
Mango Prepaid MasterCard	\$0.00	\$5.00	\$0.00	\$4.95	\$0.00	\$0.00	\$0.00	\$1.20	N/A	\$2.00	\$0.50	\$0.50	\$0.00
NetSpend Prepaid Visa FeeAdvantage	\$0.00	\$9.95	\$9.95	\$3.95	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$2.50	\$0.00	\$0.00	\$9.95
NetSpend Prepaid Visa Pay-As-You-Go	\$0.00	\$0.00	\$0.00	\$3.95	\$0.00	\$1.00	\$2.00	\$1.00	N/A	\$2.50	\$0.00	\$0.00	\$9.95
PNC SmartAccess Prepaid Visa Card	\$0.00	\$5.00	\$5.00	\$3.95	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	\$2.50	\$0.00	\$0.00	\$7.50
Redpack Mi Promesa Prepaid MasterCard	\$19.95	\$4.00	\$4.00	\$4.95	\$0.00	\$0.00	\$0.95	\$1.20	N/A	\$1.75	\$0.00	\$2.00	\$5.00
Regions Now Card	\$4.00	\$5.00	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	\$2.50	\$0.00	\$0.00	\$3.00
Prepaid Visa RushCard pay-as-you-go plan	\$3.95	\$0.00	\$0.00	\$4.95	\$0.00	\$1.00	\$1 up to \$10	\$0.00	\$0.00	\$2.50	\$0.00	\$0.00	\$0.00
Prepaid Visa RushCard monthly plan	\$3.95	\$9.95	\$9.95	\$4.95	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00	2 free then \$2.50	\$0.00	\$0.00	\$0.00
Prepaid Visa RushCard Rush unlimited plan	\$3.95	\$7.95	\$5.95	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.50	\$0.00	\$0.00	\$0.00
Univision MasterCard Prepaid Card	\$0.00	\$9.95	\$9.95	\$4.95	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	\$1.95	\$0.00	\$0.00	\$9.95
UPside Visa Prepaid Card classic plan (MetaBank)	\$0.00	\$4.95	\$0.99	\$4.95	\$0.00	\$0.00	\$0.00	\$2.00	N/A	\$1.95	\$0.99	\$2.00	\$9.95
U.S. Bank Convenient Cash Card	\$3.00	\$3.00	\$3.00	\$3.95	\$0.00	\$0.00	\$0.00	\$1.20	\$0.00	\$2.00	\$0.00	2 free then \$2.00	\$15.00
Walmart MoneyCard	\$3.00	\$3.00	\$0.00	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00	\$0.00	\$0.00	\$3.00
Western Union MoneyWise Prepaid MasterCard	\$0.00	\$0.00	\$0.00	\$4.95	\$0.00	\$0.00	\$0.00	\$1.20	N/A	\$1.95	\$0.00	\$0.00	\$5.00

# Prepaid Card Evaluation Methodology

Ratings are based on four factors: **Value**, **Convenience**, **Safety**, and **Fee Accessibility and Clarity**. These factors were carefully chosen to reflect what in our experience is important and what consumer surveys indicate are features consumers value in prepaid cards.<sup>51</sup> Each factor, other than **Safety**, has two or more elements (described in more detail below). 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.

## 1. Value

The goal in assessing **Value** was to answer the question: "How much does it cost to use the prepaid card?" Prepaid card costs were evaluated using two different transaction patterns: modest use and heavy use, which take into account evidence from the Federal Reserve Bank of Philadelphia study of prepaid card usage<sup>52</sup> and other research as indicated. Card costs were valued over a six-month period, as most cards in the Federal Reserve Bank of Philadelphia report were held for six months or less.<sup>53</sup> The costs associated with modest and heavy usage transaction patterns were averaged in order to assign an overall rating for **Value**. This methodology was chosen because consumers may not know how they will use their prepaid cards when they acquire them. All prepaid card fee information used in making the **Value** calculations was drawn from the prepaid cards' websites between May 16 and May 23, 2013, and is compiled in the fee chart included on page 9.

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<sup>51</sup> Interviews and consumer surveys indicate that consumers value the monthly cost, safety and convenience. *See, e.g.*, Harris Interactive, Inc., Public Relations Research, The 2012 Consumer Financial Literacy Survey 4, 16 (2012), available at <http://www.nfcc.org/newsroom/FinancialLiteracy/files2012/FLS2012FINALREPORT0402late.pdf>; MICHAEL S. BARR, NO SLACK: THE FINANCIAL LIFE OF LOW-INCOME AMERICANS 34 (2012); CTR. FOR FIN. SERVS. INNOVATION, A TOOL FOR GETTING BY OR GETTING AHEAD? 17-20 (2009), available at [http://www.cfsinnovation.com/system/files/imported/managed\\_documents/voc-prepaidfinal.pdf](http://www.cfsinnovation.com/system/files/imported/managed_documents/voc-prepaidfinal.pdf); Wilshusen et al., *supra* note 8, at 8.

<sup>52</sup> Consumers Union created the transaction patterns by drawing on a range of sources, including information from the Federal Reserve Bank of Philadelphia's report on the following items: length of time that cards are used; value loads; purchases; and withdrawals (excluding payroll cards). Wilshusen et al., *supra* note 8, at 63, 64, 73.

<sup>53</sup> The median life of a prepaid card varies by the type of prepaid card (web, retail or financial institution). The median for all three types of cards was less than six months. Wilshusen et al., *supra* note 8, at 63.

The following fees are included in each transaction pattern:<sup>54</sup>

- **Activation**

Many prepaid cards charge an initial fee to acquire the card, usually called the activation fee,<sup>55</sup> though sometimes called an issuance fee,<sup>56</sup> a purchase fee,<sup>57</sup> or a set up fee.<sup>58</sup> Consumers sometimes have a range of fees that they can pay for the plastic card itself,<sup>59</sup> with special designs sometimes carrying higher fees. Here, the least expensive plastic card purchase option is included, and the activation fee is assessed only once and in the first month, as appears to be customary across the prepaid card programs we evaluated.<sup>60</sup>

- **Monthly Service**

Most prepaid cards assess a fee each month, whether the card is used or not.<sup>61</sup> Many prepaid cards offer discounts or waivers if a minimum amount is loaded onto the prepaid card<sup>62</sup> or if the card is used for a minimum number of purchases.<sup>63</sup> The transaction pattern here assumes consumers qualify for a discounted monthly fee or a waiver of that fee every other month because as

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<sup>54</sup> Excluded from this report are inactivity fees and paper statement fees. Inactivity fees, also known as dormancy fees, are assessed when the cards go unused for a certain period. Moderately-used cards are likely jettisoned before such a fee would take effect, and heavily-used cards are unlikely to incur such fees because they are always in use. Paper statement fees were omitted due to anecdotal evidence that consumers no longer rely on paper statements for account management. For example, 83% of Chase Liquid customers do not get paper statements. See GORDON SMITH, JPMORGAN CHASE & CO., CONSUMER & COMMUNITY BANKING 29 (2013) available at [http://files.shareholder.com/downloads/ONE/2572285544x0x638407/aee8aff2-70e5-4d6f-ad16-f7fc29815eac/CCB%20Investor%20Day\\_FINAL.pdf](http://files.shareholder.com/downloads/ONE/2572285544x0x638407/aee8aff2-70e5-4d6f-ad16-f7fc29815eac/CCB%20Investor%20Day_FINAL.pdf).

<sup>55</sup> See, e.g., AccountNow Prepaid Gold Visa (Meta Bank), Card Fees, <http://www.accountnow.com/services/fees-schedule.aspx> (last visited July 11, 2013).

<sup>56</sup> See, e.g., Walmart MoneyCard, Cardholder Agreement, <https://www.walmartmoneycard.com/walmart/getacardnow/cardholderagreement> (last visited July 8, 2013).

<sup>57</sup> See, e.g., Approved Card, Fee Schedule, <http://www.theapprovedcard.com/fees/> (last visited July 8, 2013).

<sup>58</sup> See, e.g., Magic Prepaid MasterCard, Fee Schedule, <https://www.onlymagiccard.com/Fees-for-the-MAGIC-prepaid-card/> (last visited July 11, 2013).

<sup>59</sup> See, e.g., RushCard, <https://www.rushcard.com/index3.aspx> (last visited July 8, 2013) (click “Apply Now” button to see different card designs and fees).

<sup>60</sup> Some cards charge the fee when the card is first loaded. See, e.g., AccountNow Gold Prepaid Visa Card, Card Fees, <http://www.accountnow.com/services/fees-schedule.aspx> (last visited July 11, 2013). Others charge the fee within the first month.

<sup>61</sup> See, e.g., NetSpend, What It Costs, [https://www.netspend.com/how\\_it\\_works/what\\_it\\_costs.shtml](https://www.netspend.com/how_it_works/what_it_costs.shtml) (last visited July 11, 2013).

<sup>62</sup> See, e.g., Access 360 Reloadable Prepaid Card, <https://www.53.com/personal-banking/reloadable-cards/access360.html#tab-fees> (last visited July 11, 2013).

<sup>63</sup> See, e.g., Green Dot, Our Simple Fee Plan, <https://www.greendot.com/greendot> (last visited July 11, 2013).

indicated earlier, there is evidence that consumers are increasingly using direct deposit, which is often the basis for a fee waiver.<sup>64</sup>

- **Load or Reload**

Money is added to prepaid cards via “loads.”<sup>65</sup> Loads can be done by direct deposit, point of sale or in some cases at ATMs. All cards in this survey can be loaded at no fee by arranging for direct deposit.<sup>66</sup> At the point of sale, prepaid cards can be loaded either by swipe or reload pack. With a swipe, the purchaser gives the sales clerk cash and the prepaid card is swiped at the terminal by the clerk and loaded with the amount paid minus any fees.<sup>67</sup> Reload packs, such as the “MoneyPak,”<sup>68</sup> work much the same way. The consumer purchases a reload pack, and that amount, minus a fee, is added to the card once the consumer confirms the purchase of the MoneyPak by calling or going online.<sup>69</sup> Some prepaid cards sold by banks can be loaded at the bank’s ATM either by depositing checks or cash without a fee.<sup>70</sup> Because there is such a range of load options for consumers, every other load was assumed to be the lowest cost method of loading money into the prepaid card account.

- **Point of Sale (PIN and Signature)**

Purchases made at the point of sale (POS) sometimes carry fees, which may vary depending on the type of purchase transaction: PIN or signature.<sup>71</sup> The percentage of purchases attributed to PIN or signature is based on 2013 Federal Reserve data on interchange fees, indicating a rough 60-40 split.<sup>72</sup> Therefore, in both transaction patterns, 60% of purchases in the model are signature-based and 40% are PIN-based.

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<sup>64</sup> Mango Prepaid MasterCard, for example, waives the monthly fee with the deposit of \$500 in the previous month. Mango Prepaid MasterCard, Simple Fees, <https://www.mangomoney.com/simple-fees> (last visited July 8, 2013).

<sup>65</sup> There are cards with payment network logos that can be purchased “preloaded” with a specific value, but these are not GPR prepaid cards; they are gift cards.

<sup>66</sup> See, e.g., Univision MasterCard Prepaid Card, Add Money to Your Card, <http://www.univisiontarjeta.com/en/add-money-to-prepaid-debit-card/> (last visited July 11, 2013).

<sup>67</sup> See, e.g., RushCard, Add money to your prepaid card, <https://www.rushcard.com/howitworks/add.aspx> (last visited July 8, 2013) (click “Cash Deposit” tab, then “Rapid Reload” icon).

<sup>68</sup> See, e.g., Green Dot, Reload a Prepaid Card, <https://www.moneypak.com/ReloadHowItWorks.aspx> (last visited July 8, 2013).

<sup>69</sup> See, e.g., Mango Prepaid MasterCard, Adding Money, <https://www.mangomoney.com/adding-money> (last visited July 8, 2013) (click on “Cash—Reload with MoneyPak®”).

<sup>70</sup> The Chase Liquid card has this feature. See Chase, Liquid Prepaid Card, <https://www.chase.com/debit-reloadable-cards/liquid-prepaid-card> (last visited July 8, 2013).

<sup>71</sup> See, e.g., NetSpend, What it Costs, [https://www.netspend.com/how\\_it\\_works/what\\_it\\_costs.shtml](https://www.netspend.com/how_it_works/what_it_costs.shtml) (last visited July 11, 2013).

<sup>72</sup> See BD. OF GOVERNORS OF THE FED. RESERVE SYS., *supra* note 48, at 2.

- **ATM Withdrawal**

Cards used to withdraw cash at ATM, may be subject to two fees: (1) a fee imposed by the prepaid card company for ATM withdrawals, and (2) a fee imposed by the owner, also called an owner surcharge fee. Prepaid cardholders whose cards do not include access to in-network ATMs usually incur both of these fees when making ATM withdrawals.<sup>73</sup> However, some prepaid cards that do not offer in-network ATM withdrawals waive this first fee for a set number of withdrawals.<sup>74</sup> Other prepaid cards offer access to in-network ATMs with neither fee assessed.<sup>75</sup> In contrast, some prepaid cards charge a fee for an in-network ATM withdrawal but those withdrawals are not subject to an owner surcharge.<sup>76</sup> Given the complexity of these calculations, the transaction pattern simply assumes that half of ATM withdrawals are in network and half out of network. The ATM owner surcharge fee is assigned the 2013 Bankrate average of \$2.50.<sup>77</sup>

- **Bill Pay**

Some prepaid cards offer the ability to pay bills and some do not. For the purposes of this review, bill pay functionality includes the ability to make both electronic payments and payment by paper check. Where this functionality is available, some cards offer it for free<sup>78</sup> while others charge a fee.<sup>79</sup> In determining the number of bills paid per month, we looked at a 2012 Fiserv survey that found that American households pay 10 bills a month on average, and half of them are paid electronically.<sup>80</sup> Extrapolating from this average, we assigned moderate users one bill pay per month via prepaid card, and heavy users five bills paid per month. All prepaid cards were evaluated using this

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<sup>73</sup> See, e.g., NetSpend, What it Costs, [https://www.netspend.com/how\\_it\\_works/what\\_it\\_costs.shtml](https://www.netspend.com/how_it_works/what_it_costs.shtml) (last visited July 11, 2013).

<sup>74</sup> See, e.g., American Express for Target, What It Costs, <http://www.americanexpress.com/us/content/prepaid/american-express-for-target-card/how-it-works.html> (last visited July 11, 2013).

<sup>75</sup> See, e.g., Regions Now Card Fees, [http://www.regions.com/personal\\_banking/now\\_banking.rf#Now-Card](http://www.regions.com/personal_banking/now_banking.rf#Now-Card) (last visited July 11, 2013).

<sup>76</sup> See e.g., Approved Prepaid MasterCard Fee Schedule, <http://theapprovedcard.com/fees/> (last visited July 11, 2013).

<sup>77</sup> Claes Bell, *Checking Fees Rise to Record Highs in 2012*, BANKRATE.COM, available at <http://www.bankrate.com/finance/checking/checking-fees-record-highs-in-2012.aspx>.

<sup>78</sup> See, e.g., BB&T Prepaid Debit Card Pricing, <http://www.bbt.com/bbt.com/banking/cards/prepaid-debit-card-pricing.page> (last visited July 11, 2013).

<sup>79</sup> Approved Card has no fee for electronic payment and \$1 for a paper check bill pay. See <http://theapprovedcard.com/fees/> (last visited July 11, 2013).

<sup>80</sup> Fiserv, 2012 Fiserv Billing Household Survey Gallery, <http://www.fiserv.com/2012-fiserv-billing-household-survey-gallery-2.htm> (last visited July 8, 2013) (click on “Bill Payment Methods of Consumers” and “How Americans Pay Bills”).

measure, and where bill pay was unavailable, \$1.20 (the fee for a money order of up to \$500 from the U.S. Postal Service) was included.<sup>81</sup>

- **Calls to Customer Service: Automated and Live**

All prepaid cards offer telephone customer service to assist consumers. Some prepaid cards charge for customer service calls, or charge a fee after a limited number of calls are made.<sup>82</sup> Others offer this service at no charge.<sup>83</sup> Fees for calls often vary between automated and live customer service, with live service costing more.<sup>84</sup> The data we found on the number of calls consumers make to prepaid cards' customer service centers failed to provide a clear number for this transaction pattern.<sup>85</sup> Therefore, we assumed what may be a low number of calls – two calls over the life of the card for moderate users and six calls for heavy users – for the transaction pattern, and arrived at these numbers based on our experiences in setting up and using cards in the survey.

- **Card Replacement**

Card replacement is necessary when a card is lost, stolen or compromised. Some cards charge a fee for a replacement card.<sup>86</sup> Some do not.<sup>87</sup> Here, one card replacement is included for both transaction patterns.

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<sup>81</sup> U.S. Postal Serv., Domestic & Int'l Money Orders, <https://www.usps.com/shop/money-orders.htm> (last visited July 8, 2013).

<sup>82</sup> See, e.g., Approved Card, Fee Schedule, <http://theapprovedcard.com/fees/> (last visited July 11, 2013).

<sup>83</sup> See e.g., RushCard, Prepaid Card Schedule of Fees, <https://www.rushcard.com/howitworks/scheduleoffees.aspx> (last visited July 11, 2013).

<sup>84</sup> See, e.g., Upside Visa Prepaid Card classic plan, Summary of Fees, <http://www.upsidecard.com/TC.aspx?sitemode=life#feeTable> (last accessed July 11, 2013).

<sup>85</sup> We were able to locate only a few reference points for this item. For example, Upside provides four free calls to customer service per year – three automated and one live – suggesting that it anticipates few consumer calls. See Upside Visa Prepaid Card classic plan, Terms & Conditions, <http://www.upsidecard.com/TC.aspx?sitemode=life#feeTable> (last visited July 8, 2013). However, a report on transit prepaid cards includes anecdotal evidence that a small number of customers may call up to five times a day. See Philip Keitel, *A Prepaid Case Study: Ready Credit's General-Purpose & Transit-Fare Programs*, 21 (Fed. Reserve Bank of Philadelphia, Discussion Paper, 2012), available at <http://www.phil.frb.org/consumer-credit-and-payments/payment-cards-center/publications/discussion-papers/2012/D-2012-April-Ready-Credit.pdf>. Given the lack of reliable data, we estimated that consumers using the cards a great deal would likely call more often than those using the card less and that all card users would likely call in the early months of having the card.

<sup>86</sup> See, e.g., PNC SmartAccess Card Schedule of Fees, <https://www.pnc.com/webapp/unsec/Solutions.do?siteArea=/pnccorp/PNC/Home/Personal/PNC+Smart+Access+Prepaid+Visa+Card/PNC+SmartAccess+Prepaid+Visa%20Card+-+Fees> (last visited July 11, 2013).

<sup>87</sup> See, e.g., Chase Liquid, A Guide to Chase Liquid, [https://www.chase.com/content/dam/chasecom/en/debit-reloadable-cards/documents/chase\\_liquid\\_v6.pdf](https://www.chase.com/content/dam/chasecom/en/debit-reloadable-cards/documents/chase_liquid_v6.pdf) (last visited July 11, 2013).

## 2. Convenience

Three elements went into assessing the **Convenience** of the prepaid cards reviewed: the availability of in-network ATMs, bill pay functionality, and wide acceptance of the card network brand. The availability of in-network ATMs allows consumers of some cards to make fee-free deposits.<sup>88</sup> ATM deposits save the cost of a reload pack and reduce the steps required to load the card. In-network ATMs, as noted above, can also be used to access cash at no fee or a reduced fee and without incurring an ATM owner surcharge.<sup>89</sup> Bill pay saves time and may save other costs associated with paying bills via money order. Wide acceptance is a measure of the likelihood that a consumer will be able to use the card at any particular merchant. Cards on the Visa and MasterCard networks are more often accepted by merchants than those on American Express,<sup>90</sup> and therefore were rated higher in the acceptance category for this factor. All **Convenience** elements were averaged in reaching a **Convenience** rating.

## 3. Safety

Consumers need to know that their funds are fully protected when using prepaid cards. FDIC deposit insurance protects consumers against loss should the bank holding the funds fail.<sup>91</sup> Many prepaid cards provide FDIC insurance to the individual cardholder, though not all. In this review, cards with FDIC insurance for individual prepaid cardholders receive an “excellent” **Safety** rating; those cards without FDIC insurance do not.

## 4. Fee Accessibility and Clarity

This factor is made up of two parts:

- Is fee information easy to find online? (**Accessibility**) and;
- Is fee information easy to understand once located? (**Clarity**).

In making these evaluations, card information available online was used because prepaid card program managers have control of websites but cannot always ensure that products purchased at retail have the most up-to-date disclosures.

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<sup>88</sup> See, e.g., Chase Liquid, A Guide to Chase Liquid, [https://www.chase.com/content/dam/chasecom/en/debit-reloadable-cards/documents/chase\\_liquid\\_v6.pdf](https://www.chase.com/content/dam/chasecom/en/debit-reloadable-cards/documents/chase_liquid_v6.pdf) (last visited July 11, 2013).

<sup>89</sup> See, e.g., RushCard, Prepaid Card Schedule of Fees, <https://www.rushcard.com/howitworks/scheduleoffees.aspx> (last visited July 11, 2013).

<sup>90</sup> NerdWallet, Visa Credit Cards vs Mastercard – Does it Make a Difference?, <http://www.nerdwallet.com/blog/credit-card-benefits/visa-credit-cards-mastercard-difference/> (last visited July 8, 2013).

<sup>91</sup> Fed. Deposit Ins. Corp., Your Insured Deposits, <http://www.fdic.gov/deposit/deposits/insured/basics.html> (last visited July 8, 2013).

In determining **Accessibility** prepaid card sites were evaluated based on web design principles by Consumers Union experts. Criteria included:

- The availability of fee information on the home page or links to fee information from the homepage;
- The prominence of either fee information or links to it;
- And the number of clicks required to reach fee information.

Prepaid cards that display fee information prominently received higher marks in this category.

Scores for fee **Clarity** are based on several elements, including whether such elements as following were present:

- Is all fee information available in one place;
- Are fee descriptions or definitions provided; and
- Is fee information easily readable (displayed in charts or lists with headings, and shading or other design elements used to promote readability, etc.).

The score for **Fee Accessibility and Clarity** is made up of the average of both scores.

# Findings

● Excellent ● Very good ○ Good ● Fair ● Poor

Recommendation	Prepaid Card	Value	Fee Accessibility & Clarity	Convenience	Safety	Overall score
						0 100 P   F   G   VG   E
<input checked="" type="checkbox"/>	Bluebird with direct deposit (American Express)	●	●	●	●	80
<input checked="" type="checkbox"/>	H&R Block Emerald Prepaid MasterCard	●	●	●	●	78
<input checked="" type="checkbox"/>	Green Dot Card (Green Dot Bank)	○	●	●	●	75
	Approved Prepaid MasterCard (Suze Orman) with direct deposit	●	●	●	●	69
	Approved Prepaid MasterCard (Suze Orman) without direct deposit	●	●	●	●	67
	Prepaid Visa RushCard pay-as-you-go plan	●	●	●	●	66
	Bluebird without direct deposit (American Express)	●	●	○	●	66
	BB&T Prepaid Debit Card	○	●	●	●	66
	Walmart MoneyCard	○	○	●	●	64
	Chase Liquid	○	●	●	●	63
	Western Union MoneyWise Prepaid MasterCard	●	●	●	●	63
	Halogen Reloadable Prepaid Card (Kmart)	○	●	●	●	62
	Prepaid Visa RushCard Rush unlimited plan	●	●	●	●	61
	Magic Prepaid MasterCard (Magic Johnson)	●	●	●	●	59
	Regions Now Card	○	○	●	●	58
	Access 360 Reloadable Prepaid Card (Fifth Third Bank)	●	●	●	●	56
	PNC SmartAccess Prepaid Visa Card	●	●	●	●	54
	Prepaid Visa RushCard monthly plan	●	●	●	●	54
	NetSpend Prepaid Visa Pay-As-You-Go plan	●	●	●	●	52
	Univision MasterCard Prepaid Card	●	●	●	●	51
	Mango Prepaid MasterCard	●	●	○	●	46
	NetSpend Prepaid Visa FeeAdvantage	●	●	●	●	46
	UPside Visa Prepaid Card classic plan (MetaBank)	●	●	●	●	45
	U.S. Bank Convenient Cash Card	●	●	●	●	43
	AccountNow Gold Visa Prepaid Card (MetaBank)	●	○	●	●	36
	Reach Visa Prepaid Card (Tom Joyner)	●	●	●	●	34
	Redpack Mi Promesa Prepaid MasterCard	●	●	●	●	33
	American Express for Target	○	●	●	●	17

## Overview: Prepaid Card Ratings

None of the prepaid cards earned an “excellent” score, but three “very good” cards are “recommended.” These are Bluebird with direct deposit (American Express)<sup>92</sup>, the H&R Block Emerald Prepaid MasterCard and the Green Dot Card. All of these “recommended” prepaid cards scored well across the board and have much in common. Compared to many of the other cards, the three recommended cards have relatively few fees, and skip annoying fees, such as charging card holders for calling customer service, and “surprise” fees, such as charging card holders for spending their own money with the card. The Green Dot Card has a waivable monthly fee, and neither Bluebird with direct deposit nor the H&R Block Emerald Prepaid MasterCard assess a monthly fee. The three recommended prepaid cards are convenient, and carry FDIC insurance that protects the individual cardholder. These prepaid cards also have easily accessed and clearly stated fee information, which is important because it enables comparison shopping.

In addition to the recommended three, there are nine prepaid cards that scored “very good” in our survey. These prepaid cards all scored “very good” or “excellent” in two or more categories, including “excellent” scores for each in the **Safety** category: the Approved Prepaid MasterCard (Suze Orman) both with and without direct deposit, Prepaid Visa RushCard pay-as-you-go plan (hereafter RushCard pay-as-you-go), Bluebird without direct deposit, BB&T Prepaid Debit Card, Walmart MoneyCard, Chase Liquid, Western Union MoneyWise Prepaid MasterCard, Halogen Reloadable Prepaid Card (Kmart), and Prepaid Visa RushCard Rush unlimited plan.

The Approved Prepaid MasterCard is rated both with direct deposit and without because, as with Bluebird, the fees for using the card vary depending on whether the card is loaded in this way. With Bluebird, there is a 14 point difference between the overall rating for Bluebird with direct deposit and the overall score for Bluebird without direct deposit. Bluebird without direct deposit scored lower than the “recommended” Bluebird with direct deposit because its **Value** and **Convenience** ratings fell below those of Bluebird with direct deposit. Unlike Bluebird, the scores for the Approved Prepaid MasterCard with and without direct deposit varied little, with only two points between the Approved Prepaid MasterCard with direct deposit and the Approved Prepaid MasterCard without direct deposit. Both Approved Prepaid MasterCards managed “excellent” scores for **Convenience** and “very good” **Fee Accessibility and Clarity**, and therefore were able to overcome otherwise lackluster “fair” scores for **Value**.

Rounding out the “very good” prepaid cards are several that scored “excellent” or “very good” in some categories, and merely “good” or even

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<sup>92</sup> Bluebird is just one prepaid card, but its pricing varies depending on whether the card is loaded via direct deposit. See Bluebird.com, Member Agreement, Bluebird Account Fee Summary, <https://www.bluebird.com/legal#a-schedule-of-bluebird-services-and-fees> (last visited July 12, 2013).

“fair” in at least one other. The RushCard pay-as-you-go scored similarly to the Approved Prepaid MasterCard. Despite only a “fair” rating for **Value**, the RushCard pay-as-you-go scored “excellent” in **Convenience** and “very good” for **Fee Accessibility and Clarity**. Two bank-issued and managed prepaid cards rated a “very good.” BB&T Prepaid Debit Card, which is the only bank prepaid card of those reviewed to offer bill pay functionality, scored “excellent” in **Convenience**. The Chase Liquid card scored “very good” in this category. Both banks’ prepaid cards had “very good” **Fee Accessibility and Clarity**.

The rest of the bank-issued prepaid cards fall in the “good” range of our overall ratings. The “good” bank prepaid cards are the Regions Now Card, Access 360 Reloadable Prepaid Card (Fifth Third Bank), PNC *SmartAccess* Card, and U.S. Bank Convenient Cash Card. Other than the Regions Now Card, these banks’ prepaid cards scored low on the **Value** scale, with “fair” or “poor” evaluations. These low scores in **Value** put these banks’ prepaid cards on par with non-bank prepaid cards such as the Magic Prepaid MasterCard and the Mango Prepaid MasterCard, which both scored “fair” for **Value**, and the Univision MasterCard Prepaid Card and NetSpend cards (Pay-As-You-Go and FeeAdvantage) which all scored “poor” for **Value**. While bank-issued prepaid cards have been lauded in the press for their low fees,<sup>93</sup> their monthly fees - while low - are generally not waivable. Therefore these cards are not as competitive on **Value** as the non-bank prepaid cards that also received a rating of “good.”

Prepaid cards with fees that are relatively high compared to others, such as the Prepaid Visa RushCard monthly plan (hereafter RushCard monthly) and the NetSpend prepaid cards in this survey, also earned an overall “good” rating. All of the non-bank prepaid cards in the overall “good” category, with the exception of the Mango Prepaid MasterCard, have high functionality. Most “good” cards are competitive with the overall “very good” cards because they offer in-network ATMs and bill pay, and – with two exceptions - provide “very good” or “excellent” fee information. While beneficial, these largely “very good” and “excellent” ratings in the **Convenience** and **Fee Accessibility and Clarity** categories were not enough to overcome the aforementioned shortcoming in **Value** to merit a higher overall rating.

At the bottom of the ratings are the prepaid cards that score “fair” or “poor” in one more categories. The American Express for Target prepaid card is the only prepaid card to receive a “poor” rating for **Safety**. It scored the worst for **Fee Accessibility and Clarity**, and lacks essential convenience since it is not widely accepted and doesn’t provide access to in-network ATMs. Second from the bottom is Redpack Mi Promesa Prepaid MasterCard, which we rated

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<sup>93</sup> According Greg McBride, senior financial analyst at Bankrate.com, “Big national and regional banks are also making fees less complicated by offering low, fixed monthly costs.” *Prepaid Card Competition Is Bringing Down Fees*, USA TODAY, Apr. 15, 2013, available at <http://www.usatoday.com/story/money/personalfinance/2013/04/15/prepaid-card-fees/2078317/>.

“fair.” Despite scoring in the mid-range in the other three factors, Redpack Mi Promesa is among the worst in **Value**. Similarly, AccountNow Gold Visa Prepaid Card (MetaBank) and the Reach Visa Prepaid Card by Tom Joyner (hereafter, the Reach card) received only a “fair” rating due to poor **Value** scores, although these prepaid cards’ scored mid-range in the other factors. The Reach card, with the second highest non-waivable monthly fee and a high activation fee escaped a “poor” overall rating because it earned a “very good” score for **Convenience**.

In addition to the findings above, these themes emerged during our card evaluations:

### **Findings: Value**

- **Bank prepaid cards are not necessarily cheaper than other prepaid cards. Furthermore, because they typically lack the option to use “bill pay,” they may be less attractive than other prepaid card options.**

Bank prepaid cards have been widely lauded for their low monthly fees<sup>94</sup> but in some instances these fees are on par with non-bank prepaid cards. For example, the U.S. Bank Convenient Cash Card has a \$3 monthly fee, as does the Approved Prepaid MasterCard. Chase Liquid’s non-waivable \$4.95 fee is the same as the Upside Visa Prepaid Card classic plan (hereafter UPside classic), but UPside classic offers a discounted fee of \$.99 if the card is loaded with more than \$500 in a month.<sup>95</sup>

Big-bank-issued prepaid cards may lack essential functionality. While some bank prepaid cards offer consumers access to technology such as mobile remote deposit capture and ATMs that take deposits – features advantageous to consumers – bank cards often do not offer bill pay so as to avoid the imposition of limits on fee swipe revenue.<sup>96</sup> None of the bank prepaid cards reviewed here made it clear that the cards cannot be used to initiate electronic payments.

- **A number of prepaid cards have few types of fees, and many cards offer consumers more opportunities to avoid fees. However, some prepaid cards’ fees remain high, and some prepaid cards have inappropriate fees such as dormancy fees.**

A number of prepaid cards in the survey have relatively streamlined fees, meaning there are very few fees that the consumer incurs using the card. For example, an AccountNow Gold Visa Prepaid card carries four fees: a monthly

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<sup>94</sup> *See id.*

<sup>95</sup> UPside Visa Prepaid Card classic, Terms & Conditions, <http://www.upsidecard.com/TC.aspx?sitemode=life#feeTable> (last visited July 8, 2013).

<sup>96</sup> In order to avoid imposition of Durbin Amendment limits on swipe fees, big banks must limit the functionality of their prepaid cards. *See* 15 U.S.C. § 1693o-2(a)(2) (2012).

fee, an out of network ATM fee, a fee for a reload at retail, and a replacement card fee.<sup>97</sup> Very few cards in the survey charge a point of sale (POS) or purchase fee, and the few cards that charge a fee for making purchases, with the exception of the Redpack Mi Promesa Prepaid MasterCard, do not charge a monthly fee – a trade-off that consumers seem willing to make.<sup>98</sup>

Consumers also have more ways to avoid fees. Two of the AccountNow fees, the retail reload fee and the out of network ATM fee, can be avoided with careful planning by consumers. Fees that can be avoided are increasingly common. More than two thirds of the prepaid cards reviewed here provide consumers access to free or reduced-fee ATM networks. For example, since the publication of our last prepaid report, RushCard offers access to Money Pass ATMs without incurring an out of network fee.<sup>99</sup> In-network ATMs can lead to substantial savings, as together out of network card fees and owner surcharge fees may combine to cost consumers \$5 or more each time the prepaid cards are used to withdraw cash. Many cards offer waivers or reduced monthly fees if certain conditions, such as direct deposit or a minimum number of card transactions, are met. (Direct deposit may make cards stickier; consumers will have to redirect monies they would otherwise receive via direct deposit should they choose to drop the card.)

While lower costs for consumers are a positive development, problems remain. There are still several prepaid cards whose fees appear high. For example, with a \$19.95 activation fee,<sup>100</sup> the Redpack Mi Promesa Prepaid MasterCard is twice as expensive to acquire as the Reach card, the card with the next most expensive activation fee of \$9.95.<sup>101</sup> While these are one-time fees, several cards carry substantial fees for regular services, such as calls to customer service.<sup>102</sup> These fees can cost consumers dearly if they need to call to have a feature explained or a problem resolved, which is likely for new customers in particular. Most worrisome is the persistence of overdraft fees. While only one card brand reviewed in this survey – NetSpend – offers overdraft,<sup>103</sup> overdraft fees are likely to blindside consumers, many of whom

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<sup>97</sup> AccountNow Gold Visa Prepaid Card (MetaBank), Card Fees, <http://www.accountnow.com/services/fees-schedule.aspx> (last visited July 11, 2013).

<sup>98</sup> This is according to RushCard CEO Rob Rosenblatt, who, in a meeting with Consumers Union, explained that decision to keep Pay as You Go is “customer-driven.” Interview with Rob Rosenblatt, CEO, RushCard (Mar. 14, 2013).

<sup>99</sup> RushCard, Customer Care, Using your RushCard at the ATM, <https://www.rushcard.com/faq/question.aspx?id=68> (last visited July 8, 2013).

<sup>100</sup> Redpack Mi Promesa Prepaid MasterCard Schedule of Fees, <http://www.mipromesa.com/RedpackFeesWH.aspx> (last visited July 11, 2013).

<sup>101</sup> The REACH Card, Terms and Conditions, <http://www.thereachcard.com/docs/terms.pdf> (last visited July 11, 2013).

<sup>102</sup> Upside Classic charges \$2 for each call to live customer service, and \$.99 for automated IVR access. See Upside Classic, Terms & Conditions, <http://www.upsidecard.com/TC.aspx?sitemode=life#feeTable> (last visited July 8, 2013).

<sup>103</sup> NetSpend, What it Costs, [https://www.netspend.com/how\\_it\\_works/what\\_it\\_costs.shtml](https://www.netspend.com/how_it_works/what_it_costs.shtml) (last visited July 11, 2013).

turn to prepaid cards as a means of avoiding bank fees and controlling their spending.<sup>104</sup>

### ***Findings: Convenience***

- **Mobile remote deposit (mRDC), bill pay, and improved account management tools such as text message alerts are among features recently added to some prepaid cards that potentially benefit consumers. However, some prepaid cards fail to provide clear explanations of how these features work, and some do not include fee information. These failures may undercut the benefits of increased functionality.**

Today, many prepaid accounts offer features that make them, in many ways, functionally equivalent to traditional checking accounts.<sup>105</sup> Such features may include new and improved account management tools and mobile remote deposit. Account management tools such as text alerts give consumers real-time information about their accounts,<sup>106</sup> often saving a call to customer service, a declined transaction or a trip to the ATM to check a balance. Some cards offer mobile remote deposit capture (mRDC), by which checks are deposited via a picture taken with a mobile device, such as a smart phone. Where available, mRDC allows consumers to load funds more conveniently, and often more cheaply, than making a trip to an ATM or to a retail location. MRDC, in addition to being available through some cards directly, is available through the Ingo (formerly Chexar) app for a number of prepaid cards in this survey, such as the UPSide classic and RushCards reviewed here.<sup>107</sup> Hold times can be a concern, as the delay can be five days or more before the funds appear in the card account if the consumer does not pay a fee for immediate access where this feature is available.<sup>108</sup>

These features, while available across prepaid card programs, are not included in the card ratings, as there is no reliable data on the extent to which consumers use and value these features. It is likely that consumers who use these features are saving time and money. However, it can be difficult to determine exactly how these features work. Explanatory text and videos on

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<sup>104</sup> PEW HEALTH GROUP, KEY FOCUS GROUP FINDINGS ON PREPAID DEBIT CARDS 1-2 (2012), available at [http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Fact\\_Sheets/Safe\\_Checking/Pew-Prepaid-Debit-Cards-Fact-Sheet.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Fact_Sheets/Safe_Checking/Pew-Prepaid-Debit-Cards-Fact-Sheet.pdf).

<sup>105</sup> Andrew Kahr, 'Prepaid Card' = Checking Account, AM. BANKER, Mar. 6, 2013, available at <http://www.americanbanker.com/bankthink/prepaid-card-equals-checking-account-1057174-1.html>.

<sup>106</sup> See e.g., RushCard, Features and Benefits, Rush Text & Email Alerts, <https://www.rushcard.com/featuresandbenefits/text.aspx> (last visited July 8, 2013).

<sup>107</sup> Ingo, <http://www.ingomoney.com/#Cards> (last visited July 8, 2013) (scroll down to see compatible cards).

<sup>108</sup> Felix Salmon, *When Check Cashing Goes Mobile*, REUTERS, June 7, 2013, available at <http://blogs.reuters.com/felix-salmon/2013/06/07/when-check-cashing-goes-mobile/>.

card websites are sometimes long on hype and short on explanation.<sup>109</sup> Some prepaid cards do not provide complete information until the card is activated. For example, the Halogen Reloadable Prepaid Card website does not include bill pay disclosures, promising only that once the consumer signs up will they be provided.<sup>110</sup>

### **Findings: Safety**

- **While all prepaid cards in this survey claim to offer some form of loss or fraud and recredit polices, these protections were often vaguely defined. Furthermore, when provided, card issuers include these protections voluntarily, and can revoke them at any time. This may leave consumers vulnerable.**

While almost all cards in the survey promised FDIC insurance to the individual consumer, prepaid cards lack the guaranteed consumer protections available to bank account-linked debit cardholders. Moreover, while all prepaid cards in this survey purport to provide consumers some type of loss protection, these polices are often out of sight of consumers, buried in the “terms and conditions” or “membership agreements.”<sup>111</sup> (These are the contracts that govern prepaid card use, and they can be tough to understand.) Many prepaid card providers offer consumer protections that appear to mirror those provided to debit cardholders under the Electronic Fund Transfer Act, the law that limits consumer liability in the event of unauthorized use.<sup>112</sup> However, these promised protections are voluntarily provided by the prepaid card companies, and can be withdrawn at any time leaving consumers vulnerable to loss.

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<sup>109</sup> For example, the Reach card site explains that cards can be set up to make automatic payments but not how, and the bill pay explanation ends with an appeal to “Get Your Card!” The Reach card, Benefits and features, Easy Bill Pay, <http://www.thereachcard.com/paybills.html> (last visited July 8, 2013).

<sup>110</sup> Halogen Reloadable Prepaid Card, Cardholder Agreement, <https://www.halogenprepaid.com/halogen/cardholder-agreement-bank?issuingBank=HGN> (last visited July 8, 2013).

<sup>111</sup> See, e.g., Magic Prepaid MasterCard, Features & Benefits, <https://www.onlymagiccard.com/features-and-benefits-of-the-MAGIC-prepaid-card/> (last accessed July 11, 2013). (This page says, “Protects you from unauthorized purchases, fraud and theft if your MAGIC prepaid card is ever lost or stolen with the MasterCard® Zero Liability policy.” However, no other information is provided unless the consumer reads the Prepaid Card Agreement, where the dispute process is outlined on the last page of the nine page document. MAGIC Prepaid MasterCard Agreement, <https://www.onlymagiccard.com/uploadedFiles/Global/Documents/CardAgreement.pdf> (last visited July 11, 2013).

<sup>112</sup> 15 U.S.C. § 1693g (2012); 12 C.F.R. § 1005.6 (2012).

## ***Findings: Availability and Clarity of Fee Information***

- **Fee information is often hard to find and difficult to understand. This problem is compounded by a lack of consistency in fee names and descriptions across cards, which makes it difficult for consumers to compare fees and costs across cards.**

Prepaid card fee information is sometimes hard to find and often difficult to understand. For example, to find fee information for the US Bank Convenient Cash Card, website visitors must scroll to the bottom of the card's homepage and, in the fine print, find and click on the cardholder agreement and fee schedule. Consumers must then scroll through 5259 words (98 paragraphs) before they reach the fee schedule.<sup>113</sup> Even when prepaid card information is relatively easy to find, it can still be confusing. Halogen Reloadable Prepaid Card links to fees from its homepage, but the fee box that consumers first encounter does not list all the relevant fees. Consumers would have to dig deep into the Halogen disclosures to find out that not only will Halogen continue to assess a monthly fee until the card balance is exhausted, but also will do so until the balance is negative two months' worth of monthly fees.<sup>114</sup> Moreover, as noted above, different prepaid cards often use different terms to describe the same fees, such as "activation fee" or "purchase fee." Ultimately, consumers likely still have trouble comparing card fees and features before buying, and may not be aware of all the fees they may incur until those fees are deducted from their accounts.

## **Conclusion**

Some prepaid cards with their lower simpler fees and increased functionality may provide consumers with the features and benefits consumers need and want at a reasonable cost. However, consumers may not have meaningful access to the information that allows for comparison-shopping. Moreover, consumer protections for prepaid cards are not yet on par with debit cards linked to bank accounts. Without them, consumers, who rely on prepaid cards to purchase everyday necessities for important individual and household uses, are left vulnerable to losing these valuable funds.

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<sup>113</sup> US Bank Convenient Cash Card, Cardholder Agreement, <https://www.usbconvenientcash.com/index.cfm?pageid=g07> (last visited July 8, 2013).

<sup>114</sup> Halogen Reloadable Prepaid Card, Cardholder Agreement, <https://www.halogenprepaid.com/halogen/cardholder-agreement-bank?issuingBank=HGN> (last visited July 8, 2013).

## Appendix A: Policy Recommendations from Consumers Union

Consumers Union, the policy and advocacy division of Consumer Reports, has urged the Consumer Financial Protection Bureau (CFPB) to require prepaid card issuers to improve fee disclosure, provide FDIC insurance, and extend the same mandatory protections consumers are guaranteed when using debit cards linked to bank accounts. To that end, Consumers Union recommends the following:

### **Fees: Abusive Prepaid Fees Must Be Eliminated and All Fees Should Be Presented in an Accessible and Clear Way.**

While many prepaid card fees have come down, surprising fees remain, including overdraft and inactivity fees. These fees should be eliminated. At present, there is no uniform display of fees, nor is there a uniform terminology in describing fees across prepaid card account offerings. Moreover, fee information is often hard to find and sometimes harder to read. As a result, consumers cannot easily comparison shop. Change is needed so that consumers can easily compare and understand prepaid card fees up front, before handing over any money or personal information. These changes are essential:

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

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

- ***Inactivity fees should be eliminated.***

Inactivity fees, often also called dormancy fees, are another example of fees that should not be assessed on accounts. 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.

- ***Prepaid card fees should be displayed in a simple comprehensive chart with clear definitions of each fee.***

A standard, simple chart<sup>115</sup> 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 understand and compare costs between 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 cost to use a prepaid card so that they are not blindsided by hidden or unexpected fees. Explanations for fees should be uniform and straightforward.

- ***Fee information should be provided before consumers sign up for cards. Fee information should be available on the outside of prepaid card packages and displayed prominently on prepaid account website homepages.***

Consumers should be provided fee information for prepaid card accounts before loading funds or providing personal information. Fee information should be provided on the outside of prepaid card packages, displayed prominently on prepaid card website homepages, and found wherever it is likely 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 provided sensitive personal information. Websites also often make fee information difficult to find. Links are often provided in small font from confusing hyperlinks 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. Fee information should be easy to find and readily available.

### **Account Information: Statements and Transactional Information Must Be Provided Online at No Fee and Paper Statements Provided to Consumers Who Request Them at No Fee or a Nominal Fee.**

Access to 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. All of the cards analyzed allow consumers to check their accounts online or to obtain text or email alerts for each transaction. Card companies should continue to improve these services and to allow consumers to access transaction information electronically from the web and from mobile devices without cost. This information should be provided even

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<sup>115</sup> This is similar to the “Schumer Box” that is required for credit card terms and fees. 12 C.F.R. § 226.5a (2012).

for those consumers who may not have 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 that 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.

### ***Expand EFTA's Right of Recredit***

Taking the step to expand the Electronic Fund Transfer Act (EFTA) and Regulation E to protect all reloadable prepaid cards and reloadable "gift cards" with a balance of at least \$250 is not a giant leap,<sup>116</sup> but rather comes full circle to providing guaranteed consumer protections to consumers who use plastic payment cards to manage their household funds. This is the overarching intent of the EFTA.

The CFPB should ensure that consumers using prepaid cards have the same protections as debit cardholders.<sup>117</sup> All prepaid cards marketed or used as account substitutes should be expressly covered by Regulation E. The Consumer Financial Protection Bureau should clarify<sup>118</sup> that protected "accounts" include all prepaid card products marketed or used as account substitutes or which provide significant sources of income or assets to an individual or household. 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 have error resolution rights.

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<sup>116</sup> The \$250 balance amount is based on a minimum wage earner's weekly income at the Federal minimum wage of \$7.25 an hour. *See* U.S. Dep't of Labor, Wages, Minimum Wage, <http://www.dol.gov/dol/topic/wages/minimumwage.htm> (last visited July 8, 2013).

<sup>117</sup> 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.

<sup>118</sup> 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 (2012).

Regulation E should be extended to include all prepaid 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.<sup>119</sup>

The Consumer Financial Protection Bureau should amend Regulation E by adding:

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.

This could be accomplished by deleting 15 U.S.C. § 1693g(a)(2) and the “or” at the end of § 1693g(a)(1).<sup>120</sup>

### ***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 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.<sup>121</sup> Consumers should have the same chargeback rights when using debit cards or prepaid cards as consumers who use credit cards.

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<sup>119</sup> See U.S. Dep’t of Labor, *supra* note 116.

<sup>120</sup> 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).

<sup>121</sup> 12 C.F.R. § 226.12(b) (2012).

Include in 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

(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.”<sup>122</sup>

### ***Guarantee Deposit Insurance to Each Prepaid Cardholder***

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 Counsel Opinion No. 8’s “pass-through” requirements to provide pass through insurance to individual cardholders.<sup>123</sup> 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.<sup>124</sup>

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<sup>122</sup> Hillebrand, *supra* note 120, at 798.

<sup>123</sup> 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>.

<sup>124</sup> 12 C.F.R. §§ 328.2, 328.3 (2012).

## Appendix B: Consumer Tips for Using Prepaid Cards

### What is a prepaid card?

A prepaid card is a plastic card that you “load” with money that you can then spend at stores and online. When you buy the card, you load money onto it. Then, when you use the card, you spend the money. You can add money to the card and keep using it over and over. Prepaid cards also allow you to take money out at an ATM.

### What should I know if I use a prepaid card?

- Each card has different fees. Before you buy a card, compare:
  - ✓ What it costs to buy and use the card.
  - ✓ Fees for withdrawing and depositing money, paying bills, and checking your balance. Ask about the least amount of money required to make a direct deposit.
  - ✓ Fees for not using the card often enough. These can be called “dormancy” or “inactivity” fees.
  - ✓ Fees to use the “credit” instead of “debit” option or a signature instead of a PIN.
  - ✓ Monthly and customer service fees.
- Ask if there are any other fees or hidden fees.
- Each card has different things that it can do; make sure the card you choose can do what you need it to do.
- Keep track of your balance and how much money you’ve used so you know how much you have to spend.
- A prepaid card will not help you build a credit record.

*If it’s not easy to find out about fees for a card, think twice before buying it.*

### When should I avoid using a prepaid card?

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.

### Are there other options instead of a prepaid card?

- If you can, get a secured credit card where you make a deposit and get a credit line of the same size. Make sure that the credit card only has an annual fee and no other monthly or special fees.
- Consider using a regular checking account instead of prepaid cards, if you can. With a checking account, you’ll get a debit card and guaranteed consumer protections against losing your money from fraud or theft. If you’re worried about paying overdraft bank fees, tell your bank that you do not want “overdraft protection.”

#### **What if I have a problem with my prepaid card?**

Contact the Consumer Financial Protection Bureau (CFPB) if you have any complaints.

Go online: [www.consumerfinance.gov/Complaint](http://www.consumerfinance.gov/Complaint)

Call: 1-855-411-2372 (TTY/TDD: 1-855-729-2372)