

A.G. Schneiderman Calls On Congress To Preserve Protections For Consumers Who Use Prepaid Cards

In Letter To Congressional Leaders, 18 AGs Make Strong Case In Support Of CFPB's Final Rule On Prepaid Cards

CFPB Rule Aims To Protect Millions Of Consumers Who Use Prepaid Cards From Fraud, Hidden Fees, And More

NEW YORK – Attorney General Eric T. Schneiderman joined his fellow Attorneys General in calling on Congressional leadership to oppose three resolutions, each of which could derail a Final Rule announced by the Consumer Financial Protection Bureau (“CFPB”) that seeks to protect the millions of consumers who use prepaid cards. The rule was first considered by the CFPB in May 2012 and is scheduled to go into effect on April 1, 2018 barring the passage of S.J. Res.19, H.J Res. 62 or H.J. Res. 73.

Joining Attorney General Schneiderman in support of the CFPB’s Final Rule are the Attorneys General for the District of Columbia, California, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Mississippi, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia and Washington State, as well as the Executive Director of the Hawaii Office of Consumer Protection.

Prepaid cards represent one of the fastest growing consumer financial products in the United States, often used by consumers who have limited or no access to a traditional bank account. Today, more consumers – especially low-wage, hourly workers – receive their wages via prepaid cards than by paper checks. Although most consumers use these cards to avoid overdraft fees, some of the payday lenders who provide funds through these cards subject consumers to overdraft fees. Additionally, these consumers frequently incur hidden or undisclosed fees, even in cases where the cards are used to receive their salary or student loan deposits. In fact, a 2014 report by the non-partisan Pew Charitable Trusts estimated that the median consumer using one of the 66 major prepaid cards incurs fees of \$10 to \$30 each month.

“No consumer should be charged fees just to receive their paycheck,” said **Attorney General Schneiderman**. “Today, I’m proud to stand with attorneys general from across the country who are committed to protecting consumers from fraud, unauthorized charges, and hidden fees. We urge Congress to do the same by letting CFPB’s common sense final rule stand.”

The CFPB’s Final Rule provides a common sense approach to regulating prepaid cards, offering protections that consumers have come to expect in similar financial products. Among its key provisions protecting consumers, the Final Rule will:

- Protect prepaid card users against fraud and unauthorized charges;
- Help consumers avoid hidden fees and comparison shop with a simple chart of common fees;

- Provide convenient, free access to account transactions and account balances;
- Require employers to inform employees they do not have to receive wages on a payroll card; and
- Require prepaid credit cards to comply with existing credit card laws, including an ability to conduct pay analysis, limits on overdraft fees in the first year, and safeguards on how funds are repaid.

Both industry and consumer groups have expressed support for parts of the CFPB's Final Rule. The resolutions to stop implementation of the Final Rule have been filed under the Congressional Review Act ("CRA"). If the rule is blocked by a CRA vote, the CFPB is indefinitely barred from enacting a substantially similar rule unless Congress authorizes it. As a result, Attorney General Schneiderman and his fellow Attorneys General are calling on Congress to leave the CFPB's Rule in tact to protect this growing marketplace and the consumers who depend on it.

[View the letter here.](#)

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