

Press Releases

Attorney General Peter Kilmartin Asks Congress To Preserve Protections for Consumers Who Use Prepaid Cards

Attorney General Kilmartin, in conjunction with the Attorneys General from 14 other states and the District of Columbia, has sent a letter to Congressional leadership urging them not to support three resolutions (S.J. Res.19, H.J Res. 62 and H.J. Res. 73), any of which would derail a Final Rule announced by the Consumer Financial Protection Bureau ("CFPB"), which would 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.

Prepaid cards are a rapidly growing market and are often used by consumers who have limited or no access to a traditional bank account. Today, more consumers receive their wages by prepaid cards than by paper checks. Consumers frequently incur hidden or undisclosed fees, even when the cards are used to receive their salary or student loans. Although most consumers use these cards to avoid overdraft fees, some of the payday lenders who provide funds through these cards, also subject consumers to overdraft fees.

The CFPB's Final Rule provides a common-sense approach to regulating this important product, providing 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 pay analysis, limits on overdraft fees in the first year, and safeguards on how funds are repaid).

"The CFPB and states have worked together to create and implement common-sense, pro-consumer measures, and the resolutions before Congress would unravel that work," said Attorney General Kilmartin. "Among all the protections of the CFPB's Final Rule on pre-paid debit cards, limiting exposure against fraud and unauthorized charges would greatly improve consumer protection, as pre-paid debit cards are the preferred method of currency for scam artists and thieves."

Parts of the rule are supported by both industry and consumer groups. The resolutions to stop implementation of the CFPB's Final Rule have been filed under the Congressional Review Act and, if the rule is blocked by a CRA vote, the CFPB is forever barred from enacting a substantially similar rule unless Congress authorizes it. Attorney General Kilmartin is calling on Congress to leave the CFPB's Rule in place so that this growing marketplace can thrive while also protecting consumers.

The letter was signed by the Attorneys General for the District of Columbia, California, Hawaii, Iowa, Maine, Maryland, Mississippi, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia and Washington State.