



Consumer Financial
Protection Bureau

Prepared Remarks of CFPB Director Richard Cordray on the Prepaid Accounts Rule Press Call

Washington, D.C.

By [Richard Cordray](#) – OCT 05, 2016

Thank you for joining us on this call. The Consumer Financial Protection Bureau today has finalized a new rule providing strong federal consumer protections for prepaid account users.

Prepaid accounts are among the fastest growing consumer financial products in the United States. One common form is the “general purpose reloadable” card, easily available at any number of stores or online. Consumers can load money onto these cards and use them for everyday purchases, just as they do with a bank account and a debit card. Prepaid accounts may also be loaded with funds by a third party, such as an employer.

The amount consumers put on general purpose reloadable cards grew from less than \$1 billion in 2003 to nearly \$65 billion in 2012. And the total value loaded onto them is expected to nearly double to \$112 billion by 2018. These accounts can be used to make payments, store funds, withdraw cash at ATMs, receive direct deposits, or send money to others. This market also includes a growing number of mobile or electronic prepaid accounts, such as PayPal or Google Wallet, which can also be used for a wide range of transactions.

Before today, however, many of these products lacked strong consumer protections under federal law. Our new rule closes loopholes and protects prepaid consumers when they swipe their card, shop online, or scan their smartphone. Among the key new requirements that financial institutions must meet are these: (1) they must limit consumer losses when funds are stolen or cards are lost; (2) they must investigate and resolve errors that occur; and (3) they must give consumers free and easy access to their account information. The Bureau also has finalized new “Know Before You Owe” disclosures for prepaid accounts that give consumers the clear information they need, up front, about the fees they can be charged and other key details.

In addition to these requirements governing prepaid accounts, financial institutions must offer protections similar to those for credit cards if they allow a prepaid account to be used to access certain credit extended by the institution, its affiliates, or its business partners. These protections

would apply when a prepaid card can be used to cover a transaction even though the account lacks sufficient funds, with certain exceptions.

The new rule applies to traditional prepaid cards, as well as mobile wallets, person-to-person payment products, and other electronic accounts that can store funds. The rule also covers: payroll cards; student financial aid disbursement cards; tax refund cards; and certain federal, state, and local government benefit cards, such as those used to distribute social security benefits and unemployment insurance.

Many of these important protections stem from the Electronic Fund Transfer Act, and they are intended to be similar to those for checking account consumers. For instance, error resolution rights will now be similar for both types of accounts. If consumers are hit with what they believe are unauthorized or fraudulent charges, their financial institution must investigate and resolve these incidents in a timely way. Where it turns out to be appropriate, they must restore the missing funds. Consumers will also now generally have limited liability for any withdrawals, purchases, or other transactions made on a lost or stolen prepaid card.

The new disclosures specified in the rule will give consumers easy-to-understand information about prepaid accounts right up front. Currently, some information is hard to find online or is not revealed until you open the packaging, which makes it hard to comparison shop. So the new rule sets an industry-wide standard on fee disclosures for prepaid accounts. This will simplify, organize, and present key information consistently so people can easily understand and act on it. This is much like the approach we have taken with “Know Before You Owe” disclosure forms for mortgages.

A separate part of the rule provides strong credit-related protections that stem from the Truth in Lending Act. These protections are for consumers who want the option to access credit in the course of conducting transactions with their prepaid cards so that they can spend more money than they have in the prepaid account. In situations where prepaid users are accessing credit within a transaction that is offered by the issuer, its affiliate, or its business partner, they must receive protections similar to those afforded to credit card users under federal law. These protections include underwriting requirements, detailed periodic statements, limitations on late fees and charges, and restrictions on the amount of fees that can be imposed in the first year that the credit is extended. To further separate prepaid accounts and any credit feature that is offered, companies must observe a 30-day waiting period before offering such credit to newly registered prepaid consumers.

The new prepaid rule will generally apply to prepaid accounts starting in October 2017. To make it easier to comparison shop among different products, prepaid account issuers must publicly post agreements for accounts they offer to the general public on their websites. They must also generally submit all their agreements to the Bureau, for posting on our website, starting in October 2018.

These important new protections fill gaps in the law for consumers. The rapidly growing ranks of prepaid users deserve a safe place to store their money and a practical way to carry out their financial transactions. And though many prepaid companies already offer some of these same

protections to their customers, it is vital for all consumers to have the settled assurance that these protections are now the law of the land. Thank you.

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