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Georgia Watch Comments on CFPB Proposed Rules for Prepaid Cards

March 23, 2015 – Georgia Watch submitted formal comment on the Consumer Financial Protection Bureau's (CFPB) proposed rules for protecting consumers who use prepaid and payroll cards. The proposal offers strong protections for prepaid and payroll cards that will help ensure that funds are safe, costs are transparent, and prepaid cards are free from abusive overdraft fee practices.

"While prepaid cards are a relatively new product in the personal finance market, they are becoming increasingly popular with the unbanked population," said Elise Blasingame, Georgia Watch's Director of Community Education. In Georgia, 10.9% of the population is unbanked, with an additional 26.9% underbanked. "While we recommend that consumers choose products that are safe, reliable and help to build positive credit history, we also recognize that prepaid cards can be a convenient and manageable option for low-income consumers," explained Blasingame, "therefore, we want to ensure that our most vulnerable and economically disadvantaged citizens are provided with safe prepaid card products."

In an effort to strengthen the rule, Georgia Watch made recommendations that the CFPB:

- Protect access to the courts by banning forced arbitration for prepaid products.
- Hold prepaid cards to the same standards of credit cards with regards to fees.
- Ban all overdraft fees and declined transaction fees.
- Extend the deadline for disputing transactions and errors to 120 days minimum.
- Ensure that ATM balance inquiries are free for consumers.
- Disclose all fees associated with the prepaid card before and after issuance.
- Provide both students and employees the opportunity to opt-out of receiving funds via a prepaid card in favor of direct deposit or paper check.
- Require that prepaid card companies hold funds in custodial accounts that have deposit insurance, protecting consumers from the company's creditors.

Founded in 2002, Georgia Watch is a statewide consumer advocacy organization whose mission is to empower and protect Georgia consumers on matters that impact their wallets and quality of life. Through education, advocacy and policy development, Georgia Watch works to influence public policies that positively impact consumers, safeguard consumer protections in the area of personal finance, promote access to safe and affordable healthcare, encourage fair utility rates and renewable energy options, protect the right to trial by jury and promote access to the courts.