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Sens. Perdue, Isakson Seek to Block Fraud and Fee Protections on Prepaid Cards

Obscure, fast-track law would stop CFPB prepaid card rule

ATLANTA, GA – February 3, 2017 – Georgia Watch today called on Senators David Perdue and Johnny Isakson not to use an obscure law that would allow Congress to block the Consumer Financial Protection Bureau's prepaid card rule in order to allow NetSpend, owned by Georgia-based Total System Services Inc., to keep charging customers [\\$80 million](#) a year in overdraft fees on prepaid cards. The move would block basic fraud and fee disclosure protections for all prepaid cards, 98% of which, unlike NetSpend's, don't have overdraft fees.

"We urge Georgia's senators to side with Georgia veterans, seniors and struggling families and not with a company that takes overdraft fees out of the pockets of these and other Georgians," said Liz Coyle, Georgia Watch's executive director. "Members of Congress that allow predatory financial practices and thwart the Consumer Financial Protection Bureau's important work on behalf of the public are jeopardizing basic fraud protections that have saved Georgia residents millions of dollars. The CFPB, in just a few years, has demonstrated its value to Georgia residents and consumers around the country, returning [nearly \\$12 billion](#) to 29 million consumers across the nation."

In Georgia, 11.3 percent of households, or more than 440,000 people, use prepaid cards, [according to the FDIC](#). Prepaid cards are a rapidly growing market, used to receive direct deposits and manage money by consumers shut out of the banking system or those trying to avoid bank account overdraft fees.

NetSpend is the only major prepaid card provider with overdraft fees. It primarily sells its cards at payday loan and check cashing stores and through payroll cards used by fast food chains, retail stores and other employers of low-wage workers. It also [targets](#) those who receive federal benefits on prepaid cards, including seniors, veterans, military personnel and the disabled and may run afoul of the prohibitions set forth in the Military Lending Act. NetSpend was recently [sued](#) by the FTC for telling consumers they can access deposits to the card "today" but then blocking immediate access to the funds.

The largest prepaid card company, Green Dot, does not charge overdraft fees and [supports](#) the CFPB prepaid rule.

Georgia Watch [applauded](#) the CFPB [rule](#) when it was issued last fall. It is scheduled to go into effect October 1, 2017. It extends to prepaid cards the same basic protections against fraud, unauthorized charges, and errors that debit cards have. The rule also gives consumers a simple chart of fees to help them shop for a prepaid card and avoid unwanted fees.



The CFPB rule does not prohibit overdraft fees but requires hybrid prepaid-credit cards that can overdraft to comply with the rules for credit cards, including limits on fees in the first year, consideration of ability to pay, payments only once a month, and a ban on requiring automatic repayment from incoming deposits.

The Georgia senators' resolution was filed under the Congressional Review Act (CRA), an obscure law that gives Congress, with the President's signature, a window to veto a rule from going into effect. The CRA has special provisions to expedite a vote and prevent a filibuster. If a rule is blocked by a CRA vote, the agency is forever barred from doing a substantially similar rule unless Congress authorizes it.

Founded in 2002, Georgia Watch is a nonprofit statewide consumer advocacy organization working to empower and protect Georgia consumers through education, advocacy and policy development. Georgia Watch focuses on safeguarding consumer protections in personal finance, ensuring lower utility bills and cleaner energy, defending the availability of quality affordable healthcare, protecting the right to trial by jury, and promoting access to the courts. Visit us online at www.georgiawatch.org.