

Prepaid Debit Cards: Read the Fine Print!

Prepaid cards are reloadable cards that can be used for making payments, and they may seem like a good alternative to bank debit cards for the “unbanked” population. In 2015, 7% of the U.S. population was not connected to a financial institution through a savings or checking account.¹ A variety of fees can trap unknowing consumers. Despite this, these cards continue to grow in popularity. Between 2013 and 2015, the proportion of households using a prepaid card in the previous twelve months increased from 7.9 percent to 9.8 percent.² The Consumer Financial Protection Bureau (CFPB) issued regulations, effective in April 2018, to protect consumers and require disclosure of fees. There are many kinds of fees that are associated with prepaid debit cards and they are not necessarily called the same thing by the different card providers. Here are some fees that consumers may find are charged by prepaid debit card providers:

- ☒ Point-of-sale transaction fees
- ☒ ATM cash withdrawal fees
- ☒ Balance inquiry fees
- ☒ Fees to receive a paper statement
- ☒ ATM transaction decline fees
- ☒ Fees to add, or “load,” funds onto the cards
- ☒ Dormancy or inactivity fees for not using a card
- ☒ Fees to get any remaining funds when closing the account
- ☒ Overdraft, or “shortage,” fees
- ☒ Customer service fees

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The CFPB regulations require prepaid debit card providers to disclose their cards’ fees in both a short summary and a comprehensive version. In addition, there are provisions limiting liability of the consumer for unauthorized transactions, providing for error resolution, and periodic statements. The regulations also add requirements regarding internet posting (on the prepaid debit card providers’ sites) and submission to the CFPB of prepaid account agreements.³

Resource

Consumer Financial Protection Bureau (CFPB), Consumerfinance.gov

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The CFPB ensures that consumers get the information they need to make sound financial decisions. The CFPB’s Office of Older Americans is specifically dedicated to those age 65+.

1 2015 FDIC National Survey of Unbanked and Underbanked Households, October 20, 2016, p. 6

2 Ibid., p 6.

3 Consumer Financial Protection Bureau, Executive Summary of the Prepaid Rule, October 5, 2016. p.3.

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