



## Is the Money on My Prepaid Card FDIC-Insured?

*To protect your funds, make sure your card is insurable and registered*

Banks insured by the FDIC offer a wide variety of financial products beyond traditional checking and savings accounts, including prepaid cards. A prepaid card allows you to use a card to make purchases at stores, withdraw cash from ATMs, or to pay bills online without accessing a bank account or line of credit. Since these cards usually are not linked to a checking or savings account, consumers often ask, “Does the FDIC also insure the funds on my prepaid card?” The answer could be, “Yes,” but there are some important initial issues to understand.

If the FDIC-insured bank that issued the card was to fail, the funds available on your prepaid card may be insurable as long as:

- your prepaid card is eligible for FDIC deposit insurance coverage,

- you properly register the card, and
- specific deposit insurance requirements are met (listed below).

The first step is to determine whether the prepaid card is eligible for FDIC deposit insurance coverage. The Consumer Financial Protection Bureau enacted new rules effective April 1, 2019 (to learn more visit <https://www.consumerfinance.gov/prepaid-rule/>), which require financial institutions to provide a disclosure as to whether or not your prepaid card is insurable for those cards linked to an FDIC-insured bank. While the new disclosure rules make it easier to find information about FDIC insurance coverage for a specific prepaid card, you must also register your card with the card issuer if your card is designed to be insurable, so that the FDIC can identify you as the cardholder in the event the bank fails.

Sometimes a card is issued directly by an FDIC-insured bank and sometimes by a third-party that will simply use a bank to hold prepaid card funds. If the third-party is managing the record-keeping for the prepaid card, the third-party will have the responsibility to provide the FDIC with the information about the owners of the cards and the balance on each prepaid card at the time the bank fails.

The bank's records for FDIC insurable prepaid cards must meet the following requirements:

1. The account must be appropriately titled (names the owner or owners of the account) in the bank's records and indicate that the prepaid account provider is going to be acting as the cardholder's agent, which could include duties such as transferring funds on your behalf when you make a purchase and keeping track of the balance on your prepaid card as you add or withdraw funds.
2. If the bank fails, the card issuer as your agent will need to provide the FDIC a list identifying each cardholder and the balance on each card at the time the bank fails.
3. The contractual agreement among the financial institution, the prepaid card issuer and the cardholders must indicate that the individual cardholders are the owners of the funds.

Assuming you properly register your prepaid card, if the FDIC-insured bank that issued the card was to fail, you as the consumer would be insurable for up to \$250,000, subject to aggregation with other similarly owned deposits you may have in the failed bank (for more information on FDIC deposit insurance visit <https://www.fdic.gov/deposit/>).

In addition, having FDIC deposit insurance coverage does not cover certain events, such as if your prepaid card is lost or if someone gains access to your prepaid card and steals the funds. In these situations, there could be other legal options available for you to try to recover your funds, such as those that may be described in your account agreement or provided under state or federal law.

It's important to note that this information does not apply to gift cards. For information on gift cards, visit <https://www.consumerfinance.gov/about-us/blog/giving-or-receiving-gift-cards-know-the-terms-and-avoid-surprises/>.

For more information about prepaid cards and similar products, see the FDIC's webpage on prepaid accounts at <https://www.fdic.gov/deposit/deposits/prepaid.html>.

For more help or information, go to [www.fdic.gov](http://www.fdic.gov) or call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342). Please send your story ideas or comments to Consumer Affairs at [consumeraffairsmailbox@fdic.gov](mailto:consumeraffairsmailbox@fdic.gov)

