

# Legal/Regulatory Regime Applicable to Prepaid Products

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# **Consumer Protections Applicable to Prepaid**



**Vs. Other Payment Methods**

# Types of Prepaid Products

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- ***Consumer protections applicable to prepaid vary by the type of prepaid product.***
  
- **General-Purpose Reloadable (GPR) Cards**
  - Carry a network brand (e.g., Visa, MC, Amex);
  - “Open-loop” (may be used as other cards on that network may be used).
  
- **Payroll Cards**
  - Loaded with employment-related compensation;
  - Normally open-loop.
  
- **Gift Cards**
  - May be open-loop or “closed-loop” (usable at only one retailer/closed universe of retailers);
  - May be reloadable;
  - Normally marketed as a gift card/meant to be used once or for finite purposes, rather than as an ongoing substitute for a bank account.

# EFTA/Regulation E

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- ❑ The Electronic Fund Transfer Act (EFTA) and its implementing Regulation E provide numerous consumer protections re: covered “accounts” (including checking accounts, and debit cards linked to checking accounts) – e.g.:
  - Certain account disclosures;
  - Periodic statements;
  - Error resolution procedures;
  - Limitations on consumer liability.
- ❑ But EFTA/Reg E do not cover most prepaid products:
  - ❑ Payroll cards: generally covered;
  - ❑ Gift cards: covered only by very specific, limited provisions;
  - ❑ GPR: not covered at all.
- *CFPB now has exclusive rulemaking authority under EFTA, and could choose to extend Reg E to all/additional prepaid.* 4

# TILA/Regulation Z

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- ❑ The Truth in Lending Act (TILA) and its implementing Regulation Z provide numerous consumer protections re: credit cards (and certain other types of consumer credit), including:
  - Certain account disclosures;
  - Periodic statements;
  - Error resolution procedures;
  - Limitations on consumer liability.
  
- ❑ But TILA/Reg Z apply only to credit – not to prepaid products.

