

Legal/Regulatory Regime Applicable to Prepaid Products

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Consumer Protections Applicable to Prepaid



Vs. Other Payment Methods

Types of Prepaid Products

- ***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

- ❑ 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

- ❑ 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.

