



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-76-2016**  
**November 8, 2016**

**FINAL RULE CREATES NEW PREPAID ACCOUNT REQUIREMENTS PURSUANT TO THE ELECTRONIC FUND TRANSFER ACT (REGULATION E) AND THE TRUTH IN LENDING ACT (REGULATION Z)**

**Summary:** The Consumer Financial Protection Bureau (CFPB) issued a final rule establishing new consumer compliance requirements for prepaid accounts pursuant to Regulations E and Z. These requirements govern disclosures, limited liability and error resolution protections, credit features, and making account agreement information publicly available for prepaid accounts, among other provisions.

Financial institutions must comply with the rule beginning October 1, 2017, though certain provisions are not effective until October 1, 2018.

**Statement of Applicability to Institutions Under \$1 Billion in Total Assets:** This Financial Institution Letter applies to all FDIC-supervised institutions.

**Distribution:**

FDIC-Supervised Institutions

**Suggested Routing:**

Chief Executive Officer  
Chief Compliance Officer

**Related Topics:**

Regulation E, 12 CFR 1005  
Regulation Z, 12 CFR 1026

**Attachments:**

[Final Rule: Prepaid Accounts under the Electronic Fund Transfer Act \(Regulation E\) and the Truth in Lending Act \(Regulation Z\)](#)

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**Note:**

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Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

**Highlights:**

The final rule:

- Covers a range of prepaid accounts, including traditional prepaid cards, payroll cards, student financial aid disbursement cards, certain government benefit cards, mobile wallets, person-to-person payment products, and other electronic prepaid accounts that can store funds.
- Establishes pre-acquisition disclosure standards for prepaid accounts that provide consumers with account information, including fees associated with such accounts.
- Extends Regulation E coverage, including error resolution and limited liability protections, to prepaid accounts.
- Defines credit features that may be offered in conjunction with prepaid accounts and clarifies the applicability of Regulation Z's credit card rules.
- Requires financial institutions to post prepaid account agreements on their websites.
- Prohibits the application of certain practices to prepaid accounts, including offsetting debt and charging declined transaction fees.

## **Issuance of Final Rule Creates New Prepaid Account Requirements Pursuant to the Electronic Fund Transfer Act (Regulation E) and the Truth In Lending Act (Regulation Z)**

The Consumer Financial Protection Bureau (CFPB) issued a final rule establishing new consumer compliance requirements for prepaid accounts pursuant to amendments to Regulations E and Z. These requirements govern disclosures, limited liability and error resolution protections, credit features, and making account agreement information publicly available for prepaid accounts, among other provisions. The effective date for these provisions is October 1, 2017, unless noted otherwise.

The final rule amends Regulation E, among other things, by:

- Expanding coverage to prepaid accounts

Under the final rule, Regulation E requirements generally apply to prepaid accounts, which are defined as:

- payroll card accounts;
- government benefit accounts;
- accounts marketed as “prepaid”;
- accounts whose primary function is to conduct transactions with multiple, unaffiliated merchants for goods or services, or at automated teller machines, or to conduct person-to-person transfers, and that are not checking accounts or negotiable order of withdrawal accounts.

- Establishing disclosure standards for prepaid accounts

The final rule requires pre-acquisition “short form” and “long form” disclosures that must be substantially similar to the CFPB’s Model Forms. Collectively, these disclosures must include all fees that may be imposed, conditions under which fees may be imposed, waived, or reduced, and language describing the account’s eligibility for deposit insurance.

- Applying error resolution and limited liability protections to prepaid accounts

According to the final rule, prepaid accounts are covered by the same error resolution requirements and limitations on liability as checking accounts, with the potential exception of provisional credit. Under Regulation E, when consumers report disputes within established timeframes, financial institutions are required to provide provisional credit to consumers when investigations last longer than 10 days. Prepaid accounts that have not been registered and verified do not qualify for provisional credit. However, if an unverified account is subsequently verified, provisional credit applies retroactively.

- Providing alternatives to periodic statements for prepaid accounts

Financial institutions may choose to provide periodic statements as generally required under Regulation E. However, under certain conditions stated in the rule, including making accessible a customer's account balance and history, financial institutions are not required to provide periodic statements.

- Posting prepaid account agreements available to the general public

The final rule requires issuers to post their account agreements on their websites.

Additionally, issuers are required to submit account agreements to the CFPB for posting on a public, CFPB-maintained website within 30 days of an amendment to the account agreement. Exceptions can be made for issuers with fewer than 3,000 open prepaid accounts. An issuer must submit to the CFPB no later than October 31, 2018, all prepaid account agreements it offers as of October 1, 2018.

The final rule amends Regulation Z, among other things, by:

- Defining hybrid prepaid-credit cards

With limited exceptions, the final rule classifies prepaid accounts that offer covered credit features as hybrid prepaid-credit cards. Credit features may be offered by the prepaid account issuer, its affiliate, or its business partner, and may provide access to a separate credit account or to a credit sub-account to the asset account. According to the final rule, hybrid prepaid-credit cards are covered by Regulation Z and related credit card rules. Certain fees charged to a hybrid prepaid-credit card are considered finance charges. The final rule prohibits a card issuer from opening, soliciting, or providing an application for credit until 30 days after the prepaid account has been registered. Furthermore, the final rule also prohibits linking an existing credit feature until 30 days after the prepaid account has been registered.

- Prohibiting offsets

The final rule prohibits a card issuer from automatically deducting all or part of the cardholder's hybrid prepaid-credit card debt from a deposit account held with the card issuer more frequently than once per calendar month. Such periodic deductions must be authorized in writing.

- Prohibiting declined transaction fees

According to the final rule, card issuers must not impose a fee when there is no dollar amount associated with the violation, such as for transactions that the card issuer declines to authorize.

**Link:** [Final Rule](#)