

September 14, 2007

MEMORANDUM TO: Executive Secretary

FROM: Christopher L. Hencke
Counsel

SUBJECT: Memorandum Memorializing Meeting on
July 9, 2007, Between FDIC Staff and
Representatives of Center for Financial
Services Innovation and New America
Foundation Regarding the FDIC's Proposed
Rule on Stored Value Cards

On July 9, 2007, representatives of the Center for Financial Services Innovation ("CFSI") and New America Foundation ("NAF") met by telephone with FDIC staff regarding the FDIC's proposed rule on stored value cards and other nontraditional access mechanisms. See 70 Fed. Reg. 45571 (August 8, 2005). CFSI is a nonprofit organization that encourages the banking industry to reach underbanked consumers. CFSI is affiliated with ShoreBank in Chicago.

During this teleconference, CFSI and NAF noted the growing number of card providers, especially with respect to "general spending cards." In many cases, the cards are not distributed directly by banks. Rather, they are distributed by other parties such as retail stores. In some cases, the cards are "reloaded" at check-cashing businesses or other money services businesses. Such businesses may serve as agents of the card-marketing company and not as agents of the bank. CFSI and NAF expressed concern about the possibility that a retail store might sell a stored value card but never forward the funds to a bank.

CFSI and NAF also noted that the market for interest-bearing cards may be growing. In some cases, a portion of funds "loaded" onto a card may be transferred to "savings." In such cases, FDIC insurance coverage may increase in importance.