



June 4, 2010

Sheila C. Bair Chairman Federal Deposit Insurance Corporation 550 17th Street,  
NW Washington, DC 20429

RE: Request for Comments – Safe Account Templates

Dear. Ms. Bair:

This letter is submitted to the Federal Deposit Insurance Corporation (“FDIC”) on behalf of the Network Branded Prepaid Card Association (“NBPCA”) in response to the FDIC’s request for comments on the proposed templates (“Templates”) for safe, lowcost transactional and basic savings accounts for lowand moderateincome (LMI) consumers.

The NBPCA is a nonprofit trade association representing a diverse group of organizations that take part in delivering network branded prepaid cards to consumers, businesses and governments. The NBPCA’s members include financial institutions, card organizations, processors, program managers, marketing and incentive companies, card distributors, law and media firms. The NBPCA is active on behalf of its members to enhance the environment for the success of network branded prepaid cards through education of government officials, the media and consumers. It also works with members to establish and encourage best practices to benefit card users and industry participants.

The NBPCA believes that there is no need for a required/mandated transactional account for LMI consumers as: (1) such an account is readily available in the commercial sector, commonly known as “lifeline” accounts at financial institutions, (2) such an effort was not successful in terms of consumer adoption when the electronic transaction account (ETA) was offered in the late 1990s and (3) the favored delivery system for providing transactional access to funds is no longer the paper checkwith its inherent inefficiencies, risk and inconveniencebut cardbased access that is readily available to all consumers, including LMI consumers, through network branded prepaid cards such as payroll cards or general purpose reloadable (GPR) cards. Payroll and GPR cards already address the concerns expressed by the FDIC in issuing the transactional account Template.

We further believe that there is no inherent reason, except tradition, for paperbased transactional products to be considered “the” financial empowerment product for LMI consumers. It is well documented that cardbased alternatives are more convenient and provide greater utility, particularly for NBPCA Comment Letter – Safe Account Templates

this demographic. (The Direct Express program that delivers Social Security and SSI benefits to a largely unbanked population, for example, has a 96% satisfaction rating among users, according to published reports.) We request your support in rethinking the best vehicle to accomplish financial empowerment of LMI consumers, using today's resources and technology—not that of the last century.

## **Overview of Network Branded Prepaid Cards**

Network branded prepaid cards are a relatively new payment technology and comprise a diverse group of very popular products that serve an otherwise unmet public need. Network branded prepaid cards bear the logo of a payment network (American Express, Discover, MasterCard or Visa), and while they appear similar to credit and debit cards, there are important distinctions: (1) unlike credit cards, they are prepaid; there is no debt or interest incurred, thus no billing statement/subsequent payments are needed, and holders of prepaid cards may spend only as much as is preloaded on their cards; (2) unlike debit cards, no individual deposit account is established for each cardholder; instead the funds are usually held in a pooled account. From a transaction authorization/processing perspective, network branded prepaid cards “ride the rails” of the existing credit card or ATM/debit card payment systems and, at a minimum, enable cardholders to pay for purchases at a variety of merchants that accept the card brand.

Today's economy largely runs on electronic payments through cards, rather than cash or checks, primarily for security and convenience reasons. Network branded prepaid cards open the door to our cardbased financial system for large segments of the population who otherwise would not have access (according to the 2009 FDIC study – 25% of US Households). They can also be used by cardholders to promote greater financial responsibility, control overspending, and provide an electronic record of all transactions. In addition, network branded prepaid cards offer consumers significant safety and security benefits not available from checks or cash. These include the ability to replace lost funds resulting from a lost card or unauthorized use of a card. And, cardholders typically carry less cash—a positive from a safety perspective—because the cards are accepted as payment almost everywhere (including online) and many have access to large networks of ATMs for the times when cash is needed. Basic benefits of network branded prepaid cards include:

- **Opening the doors to economic participation.** As noted by the recent FDIC report on LMI consumers, many LMI consumers are forced to rely on a combination of cash, money orders, check cashing centers, and/or payday loans to meet their financial obligations and conduct day to day personal and business transactions. Network branded prepaid cards allow the LMI consumer access to our increasingly cardbased economy.
- **Promoting Financial Responsibility.** For many Americans, especially in these challenging economic times, network branded prepaid cards can be used as a tool to facilitate sticking to a budget. With prepaid cards, there is no debt or interest, and overdraft is only by optin and limited to small amounts, which helps to provide a sense of security in today's uncertain economic times.

Two types of prepaid cards, payroll cards and GPR cards, in particular, are designed to meet the needs of LMI consumers. Key features that are often available for these products include:

<sup>1</sup> Unless the cardholder has opted into an overdraft plan or has established a line of credit with the issuer of the prepaid card.

## NBPCA Comment Letter – Safe Account Templates

- Prepaid cards are bank products:
  - Financial institutions issue payroll and GPR cards
- Prepaid cards are easy for consumers to obtain:
  - ○ Payroll cards are usually obtained through an employer and GPR cards can be obtained on web sites and at retail locations.
  - ○ No credit check is required to obtain a card (however, to meet USA PATRIOT Act requirements, issuers obtain, verify and record information that identifies the cardholder when the account is established).
  - ○ No bank account is required to obtain a card.
  - ○ In many cases, the cardholder can obtain an instant-use temporary card that can be activated via a phone call.
- • Prepaid cards are easy to use:
  - ○ A cardholder can use the card everywhere that debit cards issued by the card brand appearing on the face of the card.
  - ○ The cardholder can shop on the Internet.
  - ○ The cardholder can often obtain cash from millions of ATMs worldwide, as well as cash back from a retailer or “cash advance” transactions at bank branches.
  - ○ Most issuers allow cardholders to pay bills using online billpay features.
  - ○ The cards allow the cardholder to budget and track spending online and frequently provide email/SMS balance alerts to the cardholder.
- • Prepaid cards are reloadable:
  - ○ Payroll and GPR cards can be reloaded through direct deposit of wages or government benefits.
  - ○ Some payroll cards and most GPR cards also allow the cardholder the convenience to load the card at retail locations, which offers the LMI consumer greater convenience than having to go to bank branches to deposit funds.
- • Prepaid cards offer services at competitive fees:
  - ○ Cardholders generally avoid debt (unless an overdraft line is connected to card product), interest, and high overdraft fees through use of a prepaid card.
  - ○ Many cards can be used by consumers at no cost at all, if they choose direct deposit, and use the cards for retail purchases or ATM withdrawals that are within the issuing bank’s network.
  - ○ Payroll cards usually do not charge any card acquisition fee and do not charge the cardholder for funds loaded by direct deposit.
  - ○ GPR cards usually have a low acquisition fee and typically do not charge the cardholder for funds loaded by direct deposit. GPR cards may charge a fee for consumer loads at retail; however, consumers appreciate the convenience to carry out these transactions at retail locations they frequent, as opposed to frequenting a bank branch.
  - ○ Payroll and GPR cards offer low monthly fees – in some programs, monthly fees are waived if certain transaction levels are met.

## NBPCA Comment Letter – Safe Account Templates

- ○ Many programs offer the cardholder the ability to access cash at network ATMs at no cost – nominal fees are charged to access cash at outofnetwork ATMs, given the incremental costs to the issuer of providing this convenience.
- ○ Most programs impose no purchase transaction fees for signaturebased pointofsale transactions – while some impose a small fee for PINdebit transactions at the pointofsale.
- ○ The cards typically prohibit overdrafts, so the cardholder is not surprised with overdraft fees unless they elect to participate in an overdraft program.
- Prepaid cards are safer than cash
- ○ The “zero liability” policies employed by the card brands protect cardholders from unauthorized purchases, fraud and theft if the card is ever lost or stolen and such loss or theft is timely reported.
- ○ Payroll card and GPR card programs are usually set up in a manner to provide FDIC deposit insurance to the cardholder on a passthrough basis.
- ○ Payroll cards are covered by the consumer protections of the Electronic Fund Transfer Act (EFTA) and Federal Reserve Regulation E. The NBPCA understands that the Federal Reserve is currently evaluating whether to include GPR cards under EFTA/Regulation E, and the NBPCA favors extending such protections to GPR cardholders, on the same basis as are provided to payroll card accounts currently.

In summary, network branded prepaid cards currently serve the transaction account needs of the LMI consumer, and the NBPCA sees little need for the FDIC to proceed with the Template project for transactional accounts.

Sincerely,

Kirsten Trusko NBPCA President and Executive Director

