



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

May 29, 2020

Submitted via E-Mail at: 2020-RFI-Taskforce@cfpb.gov

Comment Intake
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Consumer Financial Protection Bureau
Notice and Request for Information
[Document No. CFPB–2020–0013]

To Whom it May Concern:

This letter is submitted to the Consumer Financial Protection Bureau (the "CFPB") on behalf of the Innovative Payments Association,¹ in response to the CFPB's Request for Information published in the federal register on April 1, 2020 (the "RFI").² The RFI seeks information on various aspects of financial products and services in order to assist the CFPB's Taskforce on Federal Consumer Financial Law ("Taskforce") with developing recommendations to modernize and identify gaps with federal consumer financial laws. The IPA's members appreciate the opportunity to offer comments to the CFPB and look forward to working with the CFPB and Taskforce on future efforts to modernize or fill identified gaps with respect to consumer financial products and services.

The IPA submits these comments to the Taskforce and acknowledges that the RFI was released during a very difficult time for millions of Americans, especially those directly impacted by the COVID-19 pandemic. In response to the national emergency created by COVID-19, the federal government has taken unprecedented steps to provide direct financial support to individuals and small businesses. As a result of actions taken by Congress and the President, federal agencies have mobilized to help provide solutions to help Americans through this crisis. The IPA appreciates the positive actions taken by the CFPB, including the steps the agency has taken to streamline compliance obligations for prepaid issuers and providers as the payments community coordinates with local, state, and the federal government to provide relief to those in need and to encourage the use of prepaid accounts for people who do not have traditional bank accounts to receive economic impact payments.³ We note that prepaid accounts have the potential to, and often do, serve a crucial function in disbursing financial payments and benefits to these persons.

¹ The IPA is a trade organization that serves as the leading voice of the electronic payments sector, including prepaid products, mobile wallets, and person-to-person (P2P) technology for consumers, businesses and governments at all levels. The IPA's goal is to encourage efficient use of electronic payments, cultivate financial inclusion through educating and empowering consumers, represent the industry before legislative and regulatory bodies, and provide thought leadership. The comments made in this letter do not necessarily represent the position of all members of the IPA.

² 85 Fed Reg. 18214 – 18217 (Apr. 1, 2020).

³ Submission of prepaid account agreements and related information required by Regulation E, 12 CFR 1005.19(b); Treatment of Pandemic Relief Payments Under Regulation E and Application of the Compulsory Use Prohibition; CFPB Guild to COVID-19 Stimulus Relief.



Recognition of the important role that can be played by prepaid accounts in making such disbursements efficiently during this critical time is evidenced in the myriad letters written to the Department of Treasury and Internal Revenue Service by Congressional representatives, urging these agencies to utilize prepaid accounts for the disbursement of economic relief payments. Copies of these congressional letters are attached hereto for your reference as Exhibit A. The IPA believes that importance of prepaid account products during the COVID-19 crisis underscores the significant consumer benefits offered by these products and services more generally and we urge the Taskforce the support the recommendations below as a way to further enhance these benefits. At a minimum, we would ask that the CFPB weigh in, when appropriate, on the fact that prepaid cards are subject to significant federal (and state) protections and are a beneficial alternative to some forms of payment or disbursement, such as a paper check, which can be a costly and inefficient payment mechanism, especially for unbanked and underbanked individuals. The CFPB's validation that these are protected products would go a long way in helping federal and state policymakers consider all options when evaluating disbursement options during the COVID-19 crisis and beyond.⁴

Responses to Questions Posed in the RFI

Questions Pertaining to Expanding Access

Question #1: Millions of U.S. households lack a bank account. Should the Bureau promote greater access to banking services and, if so, how? Are alternatives to deposit accounts, such as prepaid cards and peer-to-peer electronic payments, sufficient when compared to traditional banking products? What is the evidence regarding consumers' understanding of, and experience and satisfaction with, these products?

Answer: The IPA and its members have long championed efforts to provide greater access to banking services to the unbanked and underbanked. For over a decade, the prepaid account products offered by our members have been an invaluable tool used by a number of types of organizations (*e.g.*, state and federal governments, universities and corporations) to make a wide variety of payments (*e.g.*, government benefits, payroll, healthcare reimbursements, transit reimbursements, disaster relief, rebates and incentives,

⁴ In particular, we believe it is worth noting the value of prepaid products as compared with other payment disbursement options, namely, the paper check. Paper checks have long been one of the most inefficient ways to pay or be paid. The cost of a check payment is often ten times as high as the cost of other payment methods like direct deposit and check payments present an increased likelihood that payment will be lost or stolen, requiring the cancellation and reissuance of the check.

Paper checks are even more inconvenient for the nearly 60 million Americans who do not have a traditional bank account and for whom other payment methods such as direct deposit are largely unavailable. For these Americans, receipt of a paper check also means a trip to a check casher and the payment of a hefty fee to receive the bulk of their funds in cash. In order to pay bills, that person then has to pay an additional fee to obtain money orders and then make physical trips to the various service providers to make payment in person. If any funds are left over, they must be carried by the recipient as cash and, if lost or stolen, leave that person completely vulnerable without any liability protection. All of these issues are exacerbated by a global pandemic where social distancing is key and the type of face-to-face and hand-to-hand transactions necessitated by paper checks are no longer just inconvenient, they are actually dangerous.



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

insurance claim payments, student loan disbursements, and corporate expense reimbursement) to unbanked and underbanked individuals. These cost effective products save millions of dollars each year in disbursement costs compared to checks and provide unbanked and underbanked consumers a convenient and economical substitute for a traditional bank account.

In addition to being cost effective and convenient, prepaid accounts in their many forms (cards, mobile wallets, etc.) also offer unbanked and underbanked consumers strong consumer protections, as many prepaid account products are strictly governed by the CFPB's own prepaid account rule (the "Prepaid Rule"), which Christina Tetreault, senior staff attorney for Consumers Union, described as a rule that is "strong and will protect consumers from hidden fees and losing their money to fraud and mistakes." Given the value and convenience offered by prepaid accounts paired with the strong consumer protections applicable to them it is no surprise that most recent CFPB Consumer Response Annual Report noted that only 0.8% of all consumer complaints received by the CFPB involved prepaid account products.⁵ In fact, the benefits afforded by prepaid accounts have been cited by a number of regulators, legislators, and financial services stakeholders in a variety of publications, a sample of which has been attached hereto as Exhibit B for your convenience.

Our responses below include a number of recommendations for how the CFPB can further improve the benefits offered by prepaid account products, including with respect to the services they provide to unbanked and underbanked individuals, including by making common sense changes to the regulatory framework currently governing prepaid account products that will benefit consumers by removing unnecessary or redundant complexities around the disclosure regime applicable to prepaid accounts and allowing prepaid account providers to offer credit and overdraft features to their customers on an equal footing with providers of traditional bank account services.

Question #2: One important reason for access to a bank account is to facilitate transactions. To what extent is it necessary to tie transaction services to the banking system? To what extent could transaction services and the banking system exist independently, and would independent existence raise new consumer protection risks that regulators should consider? Would reducing clearance times impact the demand for alternative products, such as check cashing, small-dollar loans, and overdraft protection? If so, to what extent?

Answer: The IPA believes that facilitating transactions, particularly with respect to making purchases of goods and services and facilitating person-to-person transfers of funds, is a critical function of the banking system and cannot be separated from it without exposing consumers to undue risk of loss and liability, even when such services are provided by "non-banks."

In particular, we note that many of the existing laws protecting consumers using financial products and services are based around the transaction process,⁶ and ensuring that consumers (a) receive disclosures

⁵ As notably compared with credit card and checking and savings account products that accounted for 9% and 8% of complaints received by the CFPB respectively. CFPB Consumer Response Annual Report, available at: https://files.consumerfinance.gov/f/documents/cfpb_consumer-response-annual-report_2018.pdf.

⁶ Most notably the Truth in Lending Act and Regulation Z for credit consumer transaction products and the Electronic Fund Transfer Act and Regulation E for debit and prepaid account consumer transaction products.



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

and information about the costs and terms of conducting transactions, and (b) receive certain minimum protections from loss and liability in the event of unauthorized transactions resulting from fraud or error. We do not believe there is a logical reason or basis to separate the protections a consumer receives with respect to financial products and services depending on whether they are offered by a bank and its service providers or through a non-bank provider. We understand that many non-bank providers believe their transaction services to be unique and distinct from the services offered by the banking system. However, we note that, from the consumer's perspective if nothing else, transactions to purchase goods and services and the person-to-person transaction services offered by banks and their service providers are indistinct from the same services offered by non-bank providers and should therefore be subject to a level playing field. For one thing, each service regardless of who offers it seeks to meet the same consumer need, the ability to purchase goods and services electronically and send money to other persons. Moreover the concerns of consumers in accessing those transaction services (How much will this service cost? What happens if a transaction I didn't authorize occurs or my information is stolen?) are also the same, regardless of who provides them. Finally, the means by which these transactions are completed (i.e., mobile wallets, in-store payment methods to access a pre-existing account) are identical or not materially different from the consumer's point of view.

In light of these considerations, we think it makes sense to ensure there is a level playing field between transaction services offered by non-bank providers and those offered by banks and their service providers.

Question #3: What steps could be taken to promote greater competition among providers of services such as payments, financial advisory services, and savings accounts? How do third-party applications, sometimes referred to as "open banking," affect the competition? To what extent do third-party applications raise new consumer protection risks that regulators should consider?

Answer: The IPA believes the CFPB can take a number of positive steps to create a level playing field and increase competition for payments services as more particularly described in our answers to Question #4 (with respect to credit and overdraft services), Question #9 (with respect to privacy and data protection standards), and Question #20 (with respect to consumer disclosures).

Question #4: There is consumer demand for short-term, small-dollar credit. What impediments exist for expanding access to short-term, small-dollar loans and ensuring that this market is fair, transparent, and competitive? What has been the impact of State and Federal efforts to regulate such credit? Is the annual percentage rate a meaningful measure for a very short-term loan? If not, what other measures might be more useful to help consumers in understanding and assessing the cost of short-term credit?

Answer: The IPA agrees with the CFPB that there continues to be a demand for short-term, small-dollar consumer credit. In particular, the IPA notes there is a significant need for such services among Americans 27% of whom, according to a recent study by the Board of Governors of the Federal Reserve, would need to borrow or sell something to pay for an unexpected expense of just \$400.⁷ As noted in our

⁷ Board of Governors of the Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2018, May 2019, available at <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>.



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

response to Question #1 above, prepaid accounts are unique in the financial marketplace in that they offer low and moderate income consumers greater access to the electronic financial system while simultaneously providing strong consumer protections. Given this fact, prepaid accounts are also uniquely positioned to offer the consumers with the greatest need for short-term lending, products and services tailored to their needs and conveniently linked to the existing financial accounts. However, despite the critical need for credit services in the marketplace, the IPA and its members note that the current regulatory framework prevents prepaid account providers from offering responsible, low-cost credit services and features to their customers, forcing those customers to turn to other, more expensive and less convenient, means of obtaining short-term credit, such as payday lending. The primary reason for the disparate treatment account products in the marketplace is the CFPB's Prepaid Rule, which applies markedly different treatment for overdraft and credit features offered in connection with prepaid accounts, compared to treatment of the same types of features when they are offered in conjunction with a debit card connected to a traditional checking account.

The IPA believes that there is no compelling reason for treating similar bank products differently, and for providing disfavored treatment to the one product that is designed to provide access to financial services for low and moderate-income consumers who might not otherwise have access to a traditional bank account. It is important to note that prepaid accounts are the only financial services products in the market today that are subject to this limitation. Thus, for all practical purposes, the Prepaid Rule creates an uneven playing field for prepaid accounts vis-a-vis other payment types, which will ultimately have an impact on how a consumer views the product. Our members believe such a result makes little to no sense, particularly when considering the fact that prepaid account products make up less than 1% of the consumer complaints the Bureau received since 2011.

On its face, it appears that the Prepaid Rule attempts to treat consumers who may have affirmatively selected to use prepaid accounts to access their money, much differently than consumers who have decided to open a traditional bank account with an associated debit card. Accordingly, it seems that prepaid account users simply are not allowed to have the same flexibility to choose the bank features that meet their specific needs like their debit card counterparts. This is particularly troubling considering that the limitations on such features included in the Prepaid Rule hinge on the access device selected by the consumer when they open their bank account. The restrictions in place today make it impracticable for prepaid account providers to continue offering account features that take advantage of the full range of a prepaid account's potential benefits for consumers.

As stated in our previous comment letters, while we acknowledge the CFPB's admirable aim of protecting consumers from potentially harmful financial products and services, we believe this goal can be addressed without applying more restrictive overdraft guidelines in the Prepaid Rule.

Questions Pertaining to Consumer Data

Question #9: Most States have enacted laws that afford consumers certain protections in the event of a data breach. There is considerable variation among these laws, including the triggering events for coverage by the law and the requirements and remedies relating to a breach. Would Federal legislation, regulation, or guidance addressing data breaches be desirable? Why or why not? Would it be desirable to have a uniform national standard for data breach obligations? Why or why not?



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

Answer: Our members believe that the current state of consumer privacy requirements undermines consumer expectations and trust because it is a patchwork of nonconforming state laws. For this reason, Federal action is needed to develop a uniform framework for the collection, use, and sharing of personal data as well as addressing data breaches. Such Federal action should balance the interests of consumer privacy with not overly burdening industry providers. In support of this goal, our members have adopted the IPA's Proposed Framework for Federal Privacy Legislation (the "IPA Privacy Framework") that we believe appropriately balances these equities.

A full copy of the IPA Privacy Framework is attached to this letter as Exhibit C but, in short, the IPA Privacy Framework supports principles based approach to privacy legislation that, among things is technology neutral in order to foster innovation and competition and seeks to reduce regulatory burdens by harmonizing federal and state laws and regulations, including by expressly preempting non-conforming state law. With respect to data breaches and other consumer issues, we believe such issues are best handled through Federal regulators and state Attorneys' General without an individual private right of action, as a private right of action would result in unnecessary and costly litigation.

Question #10: Financial technology, or FinTech, companies often use consumer data to provide new or enhanced financial products and services, but this can raise concerns about consumers' ability to protect privacy and control the use of their data. With respect to consumer data, how best can the Bureau or Congress balance between facilitating FinTech innovations that increase consumer choice and ensuring consumer protection? Do any existing technologies or practices, such as zero-knowledge proofs, raise fewer consumer protection concerns or have the potential to help regulators resolve the balance between consumer choice and consumer protection?

Answer: Please see our response to Question #9 above.

Questions Pertaining to Regulations

Question #11: Are there gaps in consumer financial protections that should be filled by strengthening the Bureau's regulations? What type of protections are needed (e.g., additional disclosures, substantive requirements)? How should the costs and benefits of the proposed changes be evaluated?

Answer: Currently, our members believe that the most notable gap in consumer financial products is lack of uniformity in the regulations that like products are subject to. In particular, we note that the disparate treatment of prepaid account products by the Prepaid Rule with respect to offering overdraft and credit services (described in more detail in our response to Question #4) and in the framework for providing required disclosures (described in more detail in our response to Question #20), disadvantages these products (and consumers that choose to use these products) when compared with traditional debit and bank account services, despite the fact that prepaid account products are operate in a manner largely indistinguishable from those products.

Question #12: Uncertainty can increase compliance costs and litigation risk without benefitting consumers. Are there areas of significant ambiguity or inconsistency in the regulations? Where would regulations benefit significantly from increased clarity or harmonization—both with respect to the Bureau's



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

regulations and with respect to overlap, duplication, or inconsistency with regulations issued by other Federal agencies? Please explain the lack of clarity and how the regulations should be clarified.

Answer: Currently, we believe the area of greatest uncertainty, and corresponding need for Federal action, is in the area of privacy and data protection, where the current system is a patchwork of non-conforming state laws results in imbalanced consumer protections and more costly and onerous compliance obligations for providers. Please see our response to Question #9 above for a more detailed discussion of this issue.

Questions Pertaining to Consumer Protection

Question #20: What types of disclosures regarding consumer financial products or services are effective and what types are not? Could the content, timing, or other aspects of disclosures be improved and, if so, how?

Answer: The IPA's members support providing clear and conspicuous disclosures to consumers before they make a decision to purchase or acquire a financial product or service. In terms of content, the IPA's members believe it is important that such disclosures include the material fees for using the contemplated financial product or service. With respect to the current regulatory framework for prepaid accounts, the Prepaid Rule, the IPA thus supports the goals sought to be achieved by the CFPB. However, we continue to be concerned that the mechanisms adopted by the CFPB in the Prepaid Rule

With certain exceptions, the Prepaid Rule continues to require an issuer to provide a consumer with both a short form fee disclosure and a long form fee disclosure prior to the acquisition of a prepaid account. While the IPA again agrees that the material fees for using a prepaid account should be disclosed to consumers prior to acquisition, we believe that the pre-acquisition process contained in the Prepaid Rule does not achieve that goal. In particular, we note that in addition to the short form and long form disclosures required under the Prepaid Rule, a consumer obtaining a prepaid account also receive a cardholder agreement, which describes the terms and conditions and fees associated with using the product, and any additional disclosures required under state law.

Given the information contained in the short form disclosure and the cardholder agreement, our members believe that the long form disclosure is simply redundant and that requiring issuers to provide consumers with yet another disclosure unnecessarily increases both industry costs and consumer confusion. Evidence for this latter point can be found in the CFPB's own research it conducted in advance of issuing its proposed rule in 2014. Specifically, the CFPB itself learned that consumers found the long form disclosure overwhelming and noted the likelihood that consumers may simply disregard the disclosure as follows:

"The [CFPB] does not believe consumers would necessarily benefit from receiving only this long form disclosure before acquiring a [P]repaid [A]ccount. In the [CFPB's] testing, for example, many participants reported feeling overwhelmed by the amount of information included on a prototype long form and they struggled to compare two long form disclosures, even those that listed identical fee types. The [CFPB] believes that the potential size and complexity of the long form might overwhelm and lead



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

consumers to disregard the disclosure and also not use it to comparison shop across products or even to evaluate a single product."⁸

In sharp contrast, the CFPB found that the fees already included in the short form disclosure were the most relevant to a consumer's purchase decision, noting that:

"[W]hen participants in the [CFPB's] consumer testing saw longer lists of fees during testing, they frequently cited one of the fees included on the short form disclosure as that which would most influence their decision about which prepaid product to acquire. In other words, testing participants were not relying on the additional information in the long form disclosure to make a decision. The results suggest that the participants would have reached the same decision reviewing a short form disclosure."⁹

Based on the above, our members believe that, for prepaid accounts, the short form disclosure, when coupled with the more detailed cardholder agreement, provides consumers with a complete, sufficient and manageable disclosure. We note that over disclosure that causes consumer confusion causes as much consumer harm as providing inadequate disclosures does. For these reasons, we urge the CFPB to consider revising the Prepaid Rule to dispense with the long form disclosure requirement altogether.

Conclusion

The IPA appreciates the opportunity to submit feedback on the RFI. If you have any questions, please do not hesitate to contact me at the number listed below or at: btate@ipa.org.

Sincerely,

Brian Tate
President and CEO
IPA
(202) 507-6181

⁸ 79 Fed. Reg. 77150 (December 23, 2014).

⁹ 79 Fed. Reg. 77154 (December 23, 2014).



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

EXHIBIT A

Congressional Letters to Federal Agencies in Support of Prepaid Accounts

[See Attached]

Congress of the United States
Washington, DC 20515

April 17, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Dear Secretary Mnuchin and Commissioner Rettig,

Thank you for your leadership in distributing CARES Act recovery rebates to Americans as quickly and efficiently as possible.

As part of that effort, we write to bring your attention to payment mechanisms that can be useful for distributing recovery rebates to Americans who do not have direct deposit information on file with the IRS. According to the FDIC 2017 national survey of unbanked and underbanked households, more than one in four American households— approximately 27 percent— are either unbanked or underbanked. While the rate of unbanked Americans is near an all-time low due to technological innovations in the financial services marketplace like mobile banking, approximately 6.5 percent of U.S. households— or 8.4 million— still do not have anyone in the household with a checking or savings account. Additionally, the IRS has estimated that approximately 80 million of the 150 million Americans eligible for a recovery rebate do not have direct deposit information on file. This will inevitably lead to challenges with distributing these payments efficiently.

Fortunately, there are well-established payment methods available from private sector payments providers, including diverse, innovative financial services companies, that can assist with distributing these funds. General purpose reloadable (GPR) cards are one such method for which the process for an individual to receive the payment would be relatively simple. An eligible individual could order a GPR card online without having to go into a physical store, input the card information and their personal information into the IRS portal, and receive the funds onto the card— and the cardholder could even use the funds to make purchases online or via mobile pay using the card number before the physical card arrives in the mail. We believe this would be a much more effective method of distributing funds than sending out millions of paper checks to Americans, many of whom do not have a checking account.

On April 15, the Consumer Financial Protection Bureau updated its guide to COVID-19 economic stimulus relief to indicate that consumers can receive their stimulus payment using a prepaid card. This was an important development and will help inform consumers that prepaid is an option. However, we also believe it is critically important for the IRS to update its non-filers portal and get my payment portal to make it clear that GPR cards are an option as those are the


primary places where consumers will go for information about their recovery rebate. This would help reduce public confusion and allow a large segment of Americans to receive their support payments more quickly. We have learned that some individuals are unaware that they can use their GPR card's routing and direct deposit number to register their card with the IRS and expedite their payment. Accordingly, we respectfully request that GPR cards be clearly listed as an option in the IRS's portals so that millions of Americans with GPR cards will know that they can use their card and know how to register it with Treasury and receive a direct deposit in a timely manner.

In sum, we hope that alternative payments methods like GPR cards can be an option for unbanked and underbanked Americans to receive recovery rebates. Thank you for your consideration of this request.

Sincerely,



Barry Loudermilk
Member of Congress



Bill Foster
Member of Congress

United States Senate

WASHINGTON, DC 20510-0106

April 7, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Mnuchin,

The Coronavirus Aid, Relief, and Economic Security (CARES) Act included economic relief to Americans in the form of direct cash payments to provide support during this unprecedented public health and economic crisis. In order to provide this much needed assistance directly and quickly, we request the Treasury Department utilize its Direct Express debit card as one method, at the option of the individual, for disbursing these payments as an alternative to paper checks.

We were alarmed by the *Washington Post* report on April 2, 2020, that “\$30 million in paper checks for millions of other Americans won’t start being sent out until April 24, as the government lacks their banking information. And some of those checks won’t reach people until September.”¹ Americans should not have to wait five months to receive their checks.

While a slight lag between Congressional action and the support arriving to workers is understandable, the Treasury Department must act expeditiously to get these funds to their intended recipients. These direct assistance payments are aimed at assisting American workers in covering the cost of essentials household items, including rent and mortgage payments, outstanding bills, and food to feed their families.

It is our understanding that payments made electronically can be distributed quickly, but the Internal Revenue System (IRS) must print paper checks and mail them separately. As a result, we encourage the Treasury Department to offer a targeted group of Americans the option of receiving their direct assistance payment on the Direct Express debit cards, which are used for other federal benefits like Social Security and Veterans Affairs benefits.² Using debit cards could be limited to Americans eligible for this program not already signed up for direct deposit, have a bank account, or require a paper check.

¹ Lisa Rein, “IRS to begin issuing \$1,200 coronavirus payments April 9, but some Americans won’t receive checks until September, agency plan says,” *The Washington Post*, April 2, 2020. Available at:

https://www.washingtonpost.com/politics/irs-to-begin-issuing-1200-coronavirus-payments-april-9-but-some-americans-wont-receive-checks-until-september-agency-plan-says/2020/04/02/8e0cfc84-751e-11ea-85cb-8670579b863d_story.html

² <https://fiscal.treasury.gov/GoDirect/about-faq/index.html#electronicpayments>

As Americans across the country practice social distancing to contain the spread of COVID-19, we support delivering benefits automatically to as many people as possible and request that debit cards be offered as an option to distribute the assistance payment. Debit cards are a safer method of delivery than paper checks. Paper checks will force Americans to leave their homes to deposit the funds and can be a source of fraud. We appreciate your consideration of this request to keep Americans safe during these challenging times.

Sincerely,

A handwritten signature in blue ink, appearing to read "Doug Jones".

Doug Jones
United States Senator

A handwritten signature in blue ink, appearing to read "Tom Cotton".

Tom Cotton
United States Senator

Congress of the United States
Washington, DC 20515

April 11, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Secretary Mnuchin,

We are writing to you on a timely matter regarding the distribution of direct payments authorized by the CARES Act. Given the unprecedented and rapid impact that COVID-19 is having on our economy, it is vital that the payments Congress authorized reach the intended recipients in the most efficient manner, especially for those who lack access to the mainstream financial system.

If implemented appropriately, tens of millions of Americans will receive support in the coming weeks to help address their critical needs while the U.S. economy is partially shut down. We remain deeply concerned, however, that the nearly 15 million Americans without bank accounts will face difficulty accessing these essential funds. These recipients may have no choice but to receive physical checks with the following consequences:

1. It may take 20 weeks or more (including postage and processing) for these Americans to receive their checks, versus between 2 and 5 weeks for those with bank accounts. The unbanked segment also has the lowest savings balances and are most susceptible to employment loss in a downturn. They simply cannot survive this long without income. It risks causing irreparable damage to these families, to the stability of their communities, and to the infrastructure required to rebuild our economy.
2. When unbanked Americans do finally receive their checks, they are likely to have no providers with whom to cash their check for free, no remote or online services to support their access to funds, and nowhere to deposit the money. They will have to leave their homes and possibly break shelter-in-place rules to go to predatory check cashing stores where they will be exposed to health risks and pay very high fees to receive cash, which they will have to physically store in their homes. The Treasury Department must ensure that the maximum amount of these funds end up in the hands of the people for whom they were intended, not diverted to cashing, processing and other avoidable fees.

Sending paper checks to Americans disadvantages those who need the funds the most. To the greatest extent possible, the Treasury Department must seek to leverage existing banks and innovations in electronic payments to instantly and affordably reach this segment of America.

We propose that the Treasury Department give unbanked Americans the option and ability to receive their CARES Act funds directly into a newly-opened, no-cost or minimal-cost bank account that has a linked digital and/or physical card. The Treasury Department could negotiate the inclusion of such a product with banks and companies that provide such cards and are willing to provide the service. By making this option available on Treasury's web portal, people will be able to select how to receive their funds. This solution will have the following benefits:

1. It will provide immediate access to funds. Virtual cards linked to the bank accounts give access to the funds on the same timeframe as if the recipient had direct deposit. The funds can be accessed and used anywhere electronically until the physical debit card arrives.
2. The use of such cards would ensure that funds distributed are FDIC insured, and thus protect recipients from theft and fraud.
3. Such a solution avoids the significant costs and risks of check cashing and processing, as well as the health risks associated with accessing physical locations. This solution would have zero cost for recipients.
4. This solution also avoids the significant costs of printing checks, postage and reconciling unbanked checks, and other costs borne by Treasury when issuing physical checks.


This solution has the added benefit of bringing a significant share of unbanked Americans on the path to inclusion into the mainstream financial system. Offering the solution outlined above, as an option through the online portal that the Treasury Department is developing, will help ensure that all Americans, regardless of their means, will have access to the critical CARES Act funds as expeditiously as possible.

Thank you for your prompt attention to this urgent matter.

Sincerely,



Gregory W. Meeks
Member of Congress



Scott Tipton
Member of Congress

LUCY McBATH

6TH DISTRICT, GEORGIA

1513 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4501

5775 GLENRIDGE DRIVE
BUILDING B, SUITE 380
ATLANTA, GA 30328
(478) 773-6330

Congress of the United States
House of Representatives
Washington, DC 20515-1006

COMMITTEE ON JUDICIARY

SUBCOMMITTEES:
CRIME, TERRORISM, AND
HOMELAND SECURITY

ANTITRUST, COMMERCIAL AND
ADMINISTRATIVE LAW

COMMITTEE ON
EDUCATION AND LABOR

SUBCOMMITTEES:
HEALTH, EMPLOYMENT, LABOR,
AND PENSIONS

WORKFORCE PROTECTIONS

April 10, 2020

Ms. Lauren Nunnally

Deputy Assistant Secretary for Appropriations Management, Office of Legislative Affairs
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Deputy Assistant Secretary Nunnally,

I write to you to respectfully request that Treasury, where available, allow the forthcoming economic impact payments to be disbursed via General Purpose Reloadable (GPR) cards. GPR cards can often be more affordable than check cashing and can be delivered to citizens faster. The option to receive GPR cards may help unbanked and underbanked Americans receive their economic impact payments allocated to them under the CARES Act.

According to the Federal Reserve, more than 25% of U.S. households are unbanked or underbanked. In Georgia that number is 35%. These households tend to be among those most affected by an economic crisis, and are often the households most in need of rapid liquidity. To ensure vulnerable Americans have swift access to their economic impact payments, I urge the IRS to include GPR cards as an alternative to paper checks.

Currently, millions of taxpayers receive their tax refunds on prepaid debit cards—it is important that all of these individuals have the option to receive their economic impact payments similarly. Instead of having to wait for a paper check that could take up to 20 weeks to arrive, they would receive their economic impact payments with the rest of their regular direct deposit. Additionally, there are millions of eligible recipients who do not have bank account information on file with the IRS or are not required to file taxes.

Prepaid debt cards are a proven, secure, and efficient alternative distribution method, and would generate immediate economic activity. I request the IRS consider including a prepaid card disbursement option alongside the direct deposit and check. This is a timely solution to ensure payments are received as quickly as possible.

During this unprecedented time, it is necessary that all options are utilized to ensure the economic and social well-being of our citizens. I urge the department to consider the GPR card as an option for citizens to receive their economic impact payment.

Sincerely,



Lucy McBath
Member of Congress



EXHIBIT C
STAKEHOLDER STATEMENTS ON PREPAID ACCOUNTS

- CFPB [Press Release](#) announcing Interpretive Rule on Compulsory Use for Pandemic Payments:
 - "...the disbursement of funds via alternative means, such as a newly-issued prepaid account, may be faster, more secure, more convenient, and less expensive—for both the government agency and the consumer—than making disbursements through other methods such as paper check."
- Lauren Saunders of the National Consumer Law Center in a [NPR article](#) on EIP and debt collectors:
 - Lauren Saunders, with the nonprofit National Consumer Law Center, is hoping the system will soon have multiple options to receive the money, "Hopefully they can set up direct deposit to a traditional bank account or to a prepaid account," she says, "So the government could load the money onto a type of debit card that doesn't require you to have a bank account."
- Christina Tetreault of Consumers Union [from [IPA op-ed](#) in Bloomberg]
 - Christina Tetreault, senior staff attorney for Consumers Union, said "The rule [is] strong and will protect consumers from hidden fees and losing their money to fraud and mistakes." The most recent CFBP Consumer Response Annual Report found that only 0.8% of all complaints were about prepaid accounts."
- Financial Health Network:
 - [Prepaid Card Page](#): "Called prepaid debit or general purpose reloadable (GPR) cards, prepaid cards represent an important opportunity for underserved consumers by filling a longstanding need for those operating between traditional checking or savings accounts and the cash economy."
 - [2016 Prepaid Scorecard](#):
 - "Prepaid cards – specifically, general-purpose reloadable (GPR) cards – are versatile financial tools that provide consumers with valuable access to the financial system. When designed well, prepaid cards can help people build financial health by allowing them to spend wisely, save, and plan for the future."
 - "Prepaid cards are generally high-quality products that allow consumers to build financial health by helping them spend wisely, save, and plan for the future."
- Federal Reserve [Report to the Congress on Government-Administered, General-Use Prepaid Cards](#) - September 2019:
 - "Federal, state, and local government offices use prepaid cards to disburse funds at a lower cost than checks (or other paper-based payment instruments such as vouchers or coupons) and to provide an alternative to direct deposit for payment recipients, especially those recipients who do not have bank."
- Former U.S. Treasurer Rosie Rios from 2011 [announcement](#) that new Social Security and other federal benefits would be made electronically :
 - "It costs 92 cents more to issue a payment by paper check than by direct deposit. We are retiring the Social Security paper check option in favor of electronic payments because it is the right thing to do for benefit recipients and American taxpayers alike."
- [Letter](#) from Rep. Gregory Meeks (D-NY), Chairman of Subcommittee on Consumer Protection and Financial Institutions of the House Financial Services Committee, and Rep. Scott Tipton (R-CO),



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

Vice Ranking Member of the Subcommittee on Consumer Protection and Financial Institutions, to Treasury proposing to give unbanked Americans the option and ability to receive their CARES Act funds directly into a newly-opened, no-cost or minimal-cost bank account that has a linked digital and/or physical card:

- "This solution will have the following benefits:
 1. It will provide immediate access to funds. Virtual cards linked to the bank accounts give access to the funds on the same timeframe as if the recipient had direct deposit. The funds can be accessed and used anywhere electronically until the physical debit card arrives.
 2. The use of such cards would ensure that funds distributed are FDIC insured, and thus protect recipients from theft and fraud.
 3. Such a solution avoids the significant costs and risks of check cashing and processing, as well as the health risks associated with accessing physical locations. This solution would have zero cost for recipients.
 4. This solution also avoids the significant costs of printing checks, postage and reconciling unbanked checks, and other costs borne by Treasury when issuing physical checks."
- "This solution has the added benefit of bringing a significant share of unbanked Americans on the path to inclusion into the mainstream financial system."
- [Letter](#) from Rep. Sanford Bishop (D-GA) to Treasury on the benefits of prepaid and recommending Treasury include an option for "GPR cards" in their online portals:
 - "General Purpose Reloadable (GPR) cards can often be more affordable than check cashing for many of the citizens receiving these funds and can be delivered much more quickly."
 - "GPR cards, directly distributed to these individuals, could be a valuable and efficient alternative for this group as they provide an access to funds that is less expensive than cashing checks, easy-to-use, and generate immediate economic activity. My understanding is that they are also safe and secure, due to the protections provided by their issuers. I recommend that the IRS consider including a GPR card option for receiving the relief funds, alongside direct deposit and checks. In addition, I urge the IRS to allow already existing GPR card routing and account numbers to be approved for use on the new website."
- [Letter](#) from Rep. Lucy McBath (D-GA) to Treasury on the benefits of prepaid:
 - "I write to you to respectfully request that Treasury, where available, allow the forthcoming economic impact payments to be disbursed via General Purpose Reloadable (GPR) cards. GPR cards can often be more affordable than check cashing and can be delivered to citizens faster. The option to receive GPR cards may help unbanked and underbanked Americans receive their economic impact payments allocated to them under the CARES Act."
 - "Currently, millions of taxpayers receive their tax refunds on prepaid debit cards-it is important that all of these individuals have the option to receive their economic impact payments similarly. Instead of having to wait for a paper check that could take up to 20 weeks to arrive, they would receive their economic impact payments with the rest of their regular direct deposit."
 - "Prepaid debt cards are a proven, secure, and efficient alternative distribution method, and would generate immediate economic activity. I request the IRS consider including a prepaid card disbursement option alongside the direct deposit and check. This is a timely solution to ensure payments are received as quickly as possible."



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

- "During this unprecedented time, it is necessary that all options are utilized to ensure the economic and social well-being of our citizens. I urge the department to consider the GPR card as an option for citizens to receive their economic impact payment."
- [Letter](#) from Sens. Doug Jones (D-AL) and Tom Cotton (R-AR), both members of the Senate Banking Committee, to Treasury requesting they utilize its Direct Express debit card as one method for disbursing Economic Impact Payments:
 - "In order to provide this much needed assistance directly and quickly, we request the Treasury Department utilize its Direct Express debit card as one method, at the option of the individual, for disbursing these payments as an alternative to paper checks."
 - "It is our understanding that payments made electronically can be distributed quickly, but the Internal Revenue System (IRS) must print paper checks and mail them separately. As a result, we encourage the Treasury Department to offer a targeted group of Americans the option of receiving their direct assistance payment on the Direct Express debit cards, which are used for other federal benefits like Social Security and Veterans Affairs benefits. Using debit cards could be limited to Americans eligible for this program not already signed up for direct deposit, have a bank account, or require a paper check."
 - "...we support delivering benefits automatically to as many people as possible and request that debit cards be offered as an option to distribute the assistance payment. Debit cards are a safer method of delivery than paper checks. Paper checks will force Americans to leave their homes to deposit the funds and can be a source of fraud."
- [Letter](#) from Reps. Barry Loudermilk (R-GA) & Bill Foster (D-IL) on the IRS' web portals
 - "Fortunately, there are well-established payment methods available from private sector payments providers, including diverse, innovative financial services companies, that can assist with distributing these funds. General purpose reloadable (GPR) cards are one such method for which the process for an individual to receive the payment would be relatively simple. An eligible individual could order a GPR card online without having to go into a physical store, input the card information and their personal information into the IRS portal, and receive the funds onto the card– and the cardholder could even use the funds to make purchases online or via mobile pay using the card number before the physical card arrives in the mail. We believe this would be a much more effective method of distributing funds than sending out millions of paper checks to Americans, many of whom do not have a checking account."
 - "However, we also believe it is critically important for the IRS to update its non-filers portal and get my payment portal to make it clear that GPR cards are an option as those are the primary places where consumers will go for information about their recovery rebate. This would help reduce public confusion and allow a large segment of Americans to receive their support payments more quickly. We have learned that some individuals are unaware that they can use their GPR card's routing and direct deposit number to register their card with the IRS and expedite their payment. Accordingly, we respectfully request that GPR cards be clearly listed as an option in the IRS's portals so that millions of Americans with GPR cards will know that they can use their card and know how to register it with Treasury and receive a direct deposit in a timely manner."



EXHIBIT C

Proposed Framework for Federal Privacy Legislation

Objectives:

- U.S. Leadership as a Champion of Consumer Privacy and Corporate Accountability
- Technology Neutral to Foster Innovation and Competition
- Reduce Regulatory Burdens by Harmonizing Federal and State Laws and Regulations
- Global Protection for U.S. Consumers through Global Interoperability

Framework Core Principles

Covered Organizations and Effect on Other Laws

- Apply a consistent, uniform framework to the collection, use, and sharing of personal data that is not industry specific by harmonizing federal laws and regulations and preempting conflicting state and local laws and regulations—conflicting standards undermine consumer expectations and trust.
- Simultaneously protect consumer privacy and minimize the compliance burdens on small businesses by considering the amount, type, and risk of processing of personal data.
- Remove the obstacles for law enforcement by not interfering with government and law enforcement activities regarding personal data.
- Include common sense exemptions from any requirements to obtain consent for collection, maintenance, use or dissemination of personal information in connection with the following activities:
 - To approve, guarantee, process, administer, complete, enforce or provide any product, service, account, benefit, transaction or payment method that is requested or approved by the individual, or used to deliver goods, services, funds or other consideration to, or on behalf of, an individual;
 - To evaluate, detect or reduce risk, fraud, identity theft or possible criminal activities;
 - To provide fraud and risk scoring services, support research and analytics for developing or enhancing products and services, and performing services to maintain an account.
- Privacy legislation should include a carve-out for any financial institution subject to the GLBA. The exemptions discussed above should take note that the privacy practices of financial institutions are already governed by the Gramm-Leach-Bliley Act, or GLBA, which broadly applies to any non-public information about an individual that a financial institution collects in connection with a financial service or product. GLBA already imposes a number of requirements on financial institutions with respect to non-public information they collect, including with respect to how such information is shared, used, and maintained.

One Definition of Personal Data

- Personal data should be defined as consumer data that is held by the organization and identifies or is identifiable to a natural, individual person, including but not limited to: name and other identifying information (e.g., government-issued identification numbers), and personal information derived from a specific device that reasonably could be used to identify a specific individual.
- De-identified data and certain data in the public domain are exempt.
- Designate categories of sensitive personal data that are subject to additional obligations and protections.



Reduce Compliance Burdens by Leveraging Risk-Based Privacy Practices

- Eliminate specific risk practices established by regulations.
- Organizations should balance the benefits of its personal-data processing activities to itself, individuals, and society against the potential risks and applying appropriate mitigations.
- Mitigate high-risk data processing activities by conducting privacy impact assessments and utilizing robust data protection processes (e.g., de-identification, or encryption).

Individual Rights that Empower Consumers and Protect Organizations' Legitimate Interests

- Transparency. Consumers should have reasonable access to clear and understandable information about: (a) how and why their personal data is being collected, used, and disclosed (and to whom); (b) how to exercise their rights; and (c) who they can contact in the organization for questions regarding data processing activities. Consumer access should be limited to instances where a consumer makes a verifiable request.
- Reasonable Consumer Control. Organizations should be allowed flexibility in determining appropriate consumer controls, considering the sensitivity of the personal data, risk and context of data processing, and sharing of personal data with unaffiliated third parties. Consumers should have the opportunity to choose whether their data may be sold to non-affiliated third parties, and to understand how opting out (withholding consent) may result in the unavailability of certain good and services offered by an organization to that consumer.
- Access and Correction. Consumers, upon making a verifiable request, should have a reasonable right to access and correct any inaccuracies in personal data collected by an organization.
- Deletion. Organizations should be required to comply with a consumer's request to delete the personal data collected by the organization when such data is no longer required to be maintained under applicable law or no longer necessary for the organization's legitimate business purposes.
- Organizations' Legitimate Interests may include protecting the health and safety of individuals, preventing fraud, authenticating an individual and addressing security risks, supporting legitimate scientific and research purposes, and satisfying business and legal obligations.

Governance

- Organizations should develop and implement policies and procedures consistent with the core principles, include data protection obligations in contracts with services providers providing processing services, and establish appropriate mechanisms to address consumer inquiries and complaints regarding the organizations' personal data practices.

Data Security and Breach Notification

- Organizations should implement reasonable and appropriate administrative, technical, and physical safeguards to protect against the unauthorized access to or disclosure of personal data.
- Breach notification requirements should preempt state and local breach notification laws and establish reasonable timeframes for breach notification if there is a reasonable risk of significant harm as a result of a personal data breach.

Enforcement



Innovative Payments Association

777 6th Street, 11th Floor

Washington, DC 20001

202.548.7200

- No Private Right of Action. Enforcement is best handled by federal regulators and state Attorneys General. A private right of action would create unnecessary and costly litigation.
- The Federal Trade Commission should be the federal agency for enforcement.
- State Attorneys General should be able to bring an enforcement action in federal court on behalf of their state's residents.
- Enforcement actions and fines should consider the following: direct harm caused severity of the harm, an organization's conduct and mitigation steps taken, the degree of intentionality or negligence of an organization, the degree of cooperation, and an organization's prior conduct and history related to the privacy and security of personal data.
- Industry groups should be encouraged to develop Codes of Conduct or Assessments as an alternative method of compliance. Once approved by an appropriate federal agency, an organization's compliance with the appropriate code of conduct or assessment shall create a presumption of compliance with the national privacy law.

DOCS/2455457.4