



IPA SUMMARY OF REMAINING ISSUES WITH THE CFPB'S PREPAID ACCOUNT RULE

The Consumer Financial Protection Bureau's ("CFPB") Final Rule for Prepaid Accounts¹ under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z) (the "Prepaid Rule"), extends Regulation E coverage to several prepaid account products. As a result, prepaid account products must comply with a number of regulatory obligations including the provision of account opening disclosures, offering limited liability and error resolution protection, and providing periodic statements or transaction histories to accountholders. The IPA worked with the CFPB throughout its rulemaking process to implement a number of positive changes to the Prepaid Rule. While our members appreciate the changes the CFPB made to the Prepaid Rule in response to our concerns, the IPA supports making additional changes to the Prepaid Rule to help streamline² it and ease the myriad compliance challenges it presents while still retaining critically important consumer protections. In particular, the IPA and its members support the following changes to the Prepaid Rule:

Prepaid Rule Disclosures: With certain exceptions, the Prepaid Rule requires an issuer to provide a consumer with three disclosures (the short form, the long form, and Terms and Conditions) prior to the acquisition of a prepaid account. While the IPA agrees that the 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 of providing consumers with clear and concise information in a manner that is easily understood. 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 received a cardholder agreement, which describes the terms and conditions of use, the 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 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. Notably, this latter point is bolstered by the CFPB's own research³ which indicated consumers found the long form confusing.

Credit Offered in Connection with a Prepaid Account under the Prepaid Rule: The IPA notes that the Prepaid Rule exhibits markedly different treatment for overdraft and credit features offered in connection with prepaid accounts, from how the same types of features are treated when they are offered in conjunction with a debit card connected to a traditional checking account. The IPA believes there is no compelling reason for treating similar account 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. Such a result makes little to no

¹ CFPB Prepaid Accounts Final Rule (last amended Jan. 25, 2018)

² The following recommendations come from a letter filed by the IPA (formerly the NBPCA) on June 14, 2018.

³ See the CFPB's discussion of its own focus group findings as part of developing the prepaid rule available at <https://www.govinfo.gov/content/pkg/FR-2014-12-23/pdf/2014-27286.pdf>.



sense in light of the fact that prepaid account products make up less than 1% of the consumer complaints the Bureau received since 2011. For this reason, the IPA supports parity in the treatment of similarly situated products offering the same services in the marketplace, and, with respect to prepaid accounts, to subject these products to same requirements for overdraft services that apply to debit account products.

Expand Business Partner Definition: The Prepaid Rule creates a limited exception for certain business arrangements between prepaid account issuers and credit card issuers that offer traditional credit card products. It remains unclear how consumers benefit from being required to secure a credit card from a company not associated with their prepaid account issuer if the consumer likes the issuer and it also offers traditional credit card products. Since credit products are already covered by Regulation Z, we believe the consumer should have the ability to obtain credit from his or her preferred provider. Thus, the “Business Partner” exception in the Final Rule should be extended to traditional credit cards issued by the prepaid account issuer.