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April 9, 2014

Via Email

Eric Goldberg
Consumer Financial Protection Bureau
1801 L. Street, NW, Room 513-H
Washington, DC 20036

Re: CFPB March 18th Blog - “Prepaid cards: Help design a new disclosure”

Dear Mr. Goldberg:

I am writing on behalf of the Network Branded Prepaid Card Association (“NBPCA”) in response to the CFPB’s March 18th blog related to prepaid card disclosure boxes.

We understand the goal of this process is to design a disclosure box applicable to general purpose reloadable (“GPR”) prepaid card fees that will allow consumers to more easily compare prices when shopping for a new GPR card. The NBPCA applauds this effort. As you know, the NBPCA has long supported the work of the Center for Financial Services Innovation (CFSI) in its efforts to develop a way to make GPR card fees clear and understandable. In addition, the NBPCA has published its own leading practices for consumer disclosures on GPR cards.¹

While we have encouraged our members to submit their own comments on the CFPB blog, we believe it is appropriate to briefly share our thoughts, on behalf of the industry, regarding this important issue.

1. Flexibility. Regardless of the disclosure model chosen, the NBPCA believes that it is critical for issuers to have some flexibility to select which fees to disclose in the cardholder fee chart appearing on consumer packaging. This flexibility is important not only for GPR card fee disclosures, but even more so for other types of prepaid card products if they are ultimately covered by the CFPB’s new disclosure requirements, since cardholder fee models vary greatly based on the type of prepaid product. It is difficult to tell from the sample forms whether issuers are being asked only to disclose the fees shown, and to do so whether or not that particular issuer regularly charges such fees.

¹ See <http://www.nbpc.org/~media/78F77CADCA7A4989994906D2F362A1C4.ashx>

While we do not believe it is the intention of CFPB to limit disclosure to a specific list of fees, we want to emphasize how important it is that the final approach selected by the CFPB builds in some flexibility because of the wide variety of features, functionality and cardholder fee models offered by different GPR card providers.

2. Other Fees. We were pleased to note that both proposed model forms allow for “other fees” to be listed in the enclosed packaging rather than in the limited space available on the outside of the retail packaging. From a practical feasibility standpoint, that is quite necessary. While some commenters on the blog raised concerns that the other fees might unfairly surprise an unsuspecting consumer, perhaps this issue would be less controversial if there were some assurance that the “other fees” are fees that the consumer can avoid and require specific actions by the cardholders to incur a charge, such as fees for international transactions, paper statements, etc. Further, it is not clear how the CFPB will handle ATM fees charged by the ATM operator that are outside the prepaid issuer’s control. Both model forms on the blog post disclose ATM fees presumably from the issuer with an asterisk that “fee can be less depending on usage.” Because ATM owner fees are not determined by the prepaid issuer, however, the only way they could be noted in the model form is by footnote. The CFPB should consider this and other scope-related issues in determining disclosure options for the final model form.
3. Multiple Options. Another concern is that the two proposed disclosure boxes do not include a method for allowing two or more different usage plans to be selected by consumers. The ability for consumers to choose from two or more plans (e.g., monthly vs. pay as you go) is a popular and important development in prepaid card products and services. We hope the CFPB considers an overall approach that allows for disclosure of multiple plans.
4. Disclosing Highest Fees. From discussions with the CFPB, we understand that the Bureau has proposed that only the *highest possible fee* be disclosed in the box, whether or not such higher fee is common or likely to be charged. We believe this approach might end up misleading consumers into choosing an option that is more expensive from a daily usage basis. Under this model, we also see the potential for issuers to eliminate some more costly functions to appear more competitive but, at the same time, limit necessary functionality for consumers willing to pay for those services. For example, a prepaid card may provide consumers the option of expedited bill pay, which is, by nature, a higher cost than regular bill pay. If this is the highest fee that an issuer would be required to list, the issuer may decide to remove this feature from the card to reduce the fee amount listed in the disclosure, to the detriment of the consumer. Further, any card that is usable outside the United States would generally have higher fees when used outside the US. Perhaps the CFPB should consider either permitting a range of fees to be disclosed, or perhaps requiring that only the most commonly charged fee be disclosed (with a footnote indicating that the fee may be higher depending on circumstances). If that approach is taken, a higher-than-usual fee for a service such as expedited bill pay would be properly distinguished from a routine fee a consumer can expect from daily usage. Also, regarding cards used internationally, the CFPB should make it clear that international fees need

only be disclosed in the “other terms” or can be referred to in a footnote – not within the disclosure box.

Thank you for the opportunity to share our thoughts and concerns. The NBPCA supports the goals of the CFPB and looks forward to working with the Bureau through the rulemaking process. We welcome the opportunity to discuss any of the matters outlined above. Should you have any questions, please do not hesitate to contact either me at (201) 746-0725, or our Government Relations Director, Brian Tate, at 202-329-8938.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Trusko', written in a cursive style.

The Network Branded Prepaid Card Association
Kirsten Trusko
President and Executive Director