



Banking On Prepaid

Survey of motivations and views of prepaid card users

The Pew Charitable Trusts

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Overview

General purpose reloadable (GPR) prepaid cards, also called GPR prepaid accounts, are a versatile financial tool for consumers. They can be loaded via direct deposit or with cash, and used at ATMs to withdraw funds and at merchants to make point-of-sale purchases, similar to debit cards tied to checking accounts. They can also be used to budget or control spending. In its 2013 national survey, the Federal Deposit Insurance Corp. (FDIC) found that 8 percent of U.S. households were “unbanked,” meaning they did not have a bank account—and of those, 22 percent had used GPR prepaid cards in the previous 12 months. By comparison, the survey found that only 5 percent of those with a bank account had used these cards.¹ Especially for the unbanked, the cards often serve as a primary transaction account.

This report presents findings from a nationally representative telephone survey of GPR prepaid cardholders—defined as adults who use these cards at least once per month. It examines their attitudes, knowledge, and perceptions, and it compares responses based on whether the cardholders have a checking account. (See Appendixes A and B for details on the survey.)

The key findings of the study are:

- **Prepaid card use is becoming more common.** Use jumped more than 50 percent between 2012 and 2014, driven primarily by increased adoption among consumers with bank accounts, many of whom purchased their prepaid cards at a bank or credit union. These individuals tend to have higher incomes and are more demographically similar to the general U.S. population than unbanked prepaid card users.
- **Unbanked prepaid cardholders use their cards more like traditional checking accounts.** The unbanked check their balances more regularly, reload more frequently, and register their cards more often than banked cardholders do.
- **Unbanked prepaid card users tend to have lower incomes than banked users.** More than 8 out of 10 unbanked prepaid cardholders have annual household incomes below \$50,000—with about one-third under \$15,000 per year.
- **Prepaid cards are often used as a budgeting tool.** Consumers—especially the unbanked—use the cards to help control spending, stay out of debt, and avoid overdraft fees.
- **Most prepaid card users do not want the option to overdraw their accounts.** Many cardholders use their cards to control their spending in part by not having the ability to exceed their balances. They do, on the other hand, want features such as saving and budgeting tools built into their accounts.
- **Most prepaid card users do not know whether their funds are FDIC insured or whether their cards have an arbitration clause.** Almost all cards carry FDIC insurance, and Pew previously found that about three-quarters (77 percent) of the cards studied included a binding arbitration clause. The availability of these features depends on the policy of the prepaid card manager, and consumers must read and understand their account agreement to determine their status.
- **Many prepaid cardholders who are covered by liability protections do not know it.** Such safeguards minimize or eliminate a cardholder’s liability for unauthorized use if a card is lost or stolen—but only if the card is registered and the problem is reported in a timely manner. Unbanked prepaid cardholders tend to be less knowledgeable about this protection than those who also have bank accounts.

The findings in this report demonstrate the need for the Consumer Financial Protection Bureau (CFPB) to finalize its proposed rules on prepaid cards.² This is especially important for the unbanked, for whom prepaid cards are often their only transaction account, to ensure that these cards are safe, transparent financial products with uniform protections against theft, loss, and deception. Furthermore, the CFPB's draft rules would ensure that "prepaid cards that access overdraft services or credit features for a fee would generally be credit cards ... subject to credit card rules."³ This would prevent prepaid cards from charging high fees for overdraft services, as checking accounts often do. Pew commends the bureau for this proposal. Ensuring the safety and transparency of these financial products is critical to the health of this fast-growing market and to the financial well-being of its customers, particularly the more than one-quarter of prepaid consumers who do not have a checking account.

According to the CFPB's proposed prepaid rule, "the lack of access to checking accounts and other types of more established financial products and services such as credit cards appear to be the key driver of their use of GPR cards."

Who uses general purpose reloadable prepaid cards?

Between 2012 and 2014, use of GPR prepaid cards among U.S. adults grew by more than 50 percent, with roughly 1 in 11 consumers reporting that they used a GPR prepaid card at least monthly. Based on these figures, approximately 23 million adults are regularly using prepaid cards.⁴ Much of the expansion is attributable to increasing use of prepaid cards by consumers with bank accounts. In 2012, 4 percent of adults in the United States had a checking account and also used prepaid cards monthly. By 2014, that figure had climbed to 7 percent. Over the same period, the unbanked prepaid population remained largely unchanged.⁵

Demographics

Among GPR prepaid cardholders who use their cards at least monthly, 27 percent do not have a checking account. Unbanked cardholders in general have lower incomes than banked cardholders; half have household incomes of less than \$25,000 annually, although 16 percent earn \$50,000 or more annually. Banked and unbanked prepaid card users also appear to be demographically different in several ways. Unbanked prepaid cardholders are:

- More likely to be renters.
- Less likely to be married.
- More likely to be unemployed.
- More likely to earn less than \$50,000 annually.
- More likely to be African-American.
- More likely to be between 30 and 49 years old.
- Less likely to have a college or postgraduate degree.
- More likely to be female.

See Table 1 for a demographic profile of unbanked and banked prepaid card users.⁶

Table 1

Demographics of Unbanked and Banked Prepaid Card Users

	Unbanked	Banked	All prepaid cardholders	U.S. population
Observations (N)	154	433	587	NA
Renters	62(%)	46(%)	50(%)	36(%)
Homeowners	38	54	50	64
Single	52	36	41	33
Married	23	50	42	48
Separated/divorced	23	11	14	13
Widowed	1	4	3	6
Employed	56	70	66	58
Full-time	38	52	48	NA
Part-time	19	18	18	NA
Unemployed	16	5	8	6
Disabled	8	5	6	NA
Retired	3	11	9	24
Homemaker	8	6	6	5
Student	9	4	5	4
Income less than \$15,000	32	12	18	13
\$15,000 to \$24,999	18	17	17	11
\$25,000 to \$49,999	34	28	29	24
\$50,000 to \$74,999	13	16	15	18
\$75,000 to \$99,999	3	8	7	12
\$100,000+	0	19	14	22
White (non-Hispanic)	42	60	55	63
African-American (non-Hispanic)	32	15	20	12
Hispanic	16	16	16	17
Other race/ethnicity	10	9	9	8
Ages 18-29	30	28	29	22
Ages 30-49	54	38	42	35
Ages 50-64	15	25	22	25
Ages 65+	1	9	7	18
Less than high school	16	10	12	14
High school	35	27	29	28
Some college	36	31	32	29
College	11	20	17	18
Postgraduate	2	13	9	11
Parent	42	31	34	29
Not a parent	58	69	66	71
Male	36	52	48	49
Female	64	48	52	51
Northeast	13	16	15	18
Midwest	17	21	20	21
South	46	42	43	37
West	24	21	22	23

Notes: Data may not sum to 100 percent due to rounding. Unless noted, all U.S. population data come from 2011-13 American Community Survey three-year estimates.

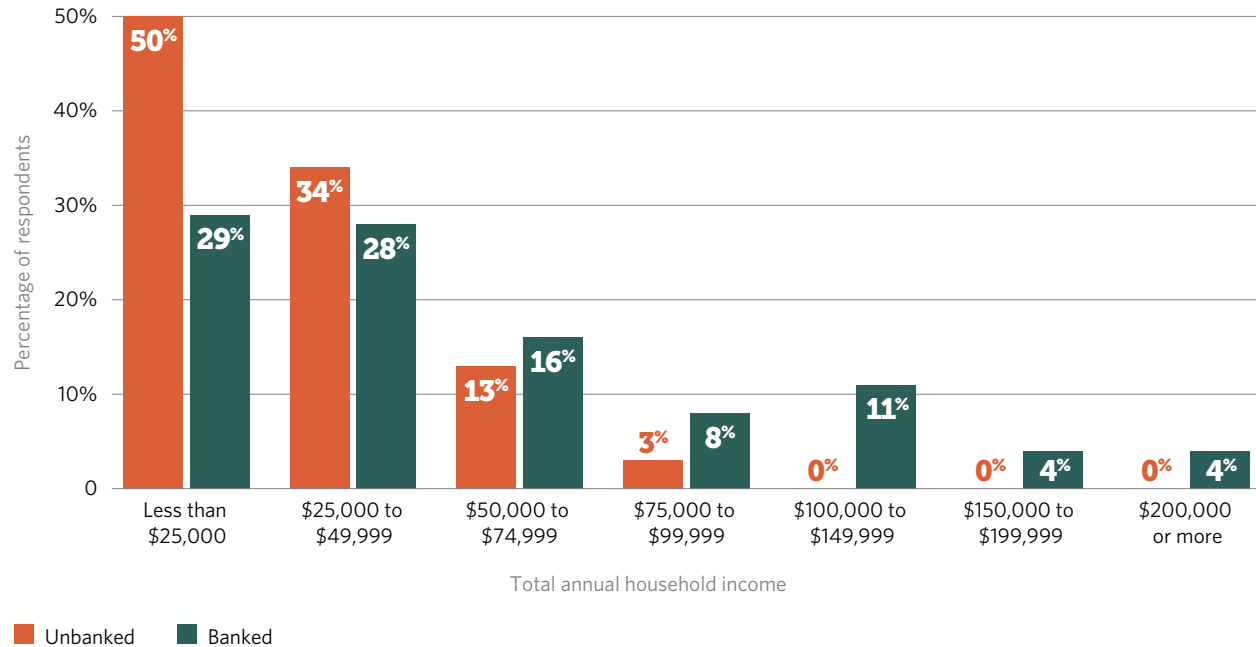
Twenty-two percent of unbanked and 11 percent of banked prepaid card users in the “single” category were not married but living with a partner. U.S. population data for the “retired,” “homemaker,” and “student” categories were calculated using the median values for each from monthly 2014 NBC News/*Wall Street Journal* surveys. No polls were available for the months of February, May, or July 2014. Education figures include 131 and 359 unbanked and banked survey participants, respectively. The American Community Survey reports education levels of individuals age 25 or older. Among the unbanked respondents, 23 were excluded: 22 individuals were younger than 25 years old, and one refused to answer. Among banked respondents, 74 were excluded: 58 were under 25 years old, one refused to answer, and 15 listed technical schools.

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Figure 1

Half of Unbanked Prepaid Cardholders Have Household Incomes Under \$25,000 Annually

Total annual household income, by banked status



Notes: Results are based on 587 survey participants, of whom, 58 answered “don’t know” or refused to answer and were excluded. Respondents were asked, “Is your total annual household income from all sources, and before taxes? ...” The distribution of income varied between unbanked and banked prepaid cardholders at the 99 percent confidence level.

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In its proposed prepaid rule, the CFPB states: “Thus, for consumers who do not want to, or cannot open a checking account, the Bureau believes that a GPR card could be a viable substitute. Indeed, the Bureau observes that many GPR cards are advertised as a ‘safe’ or ‘secure’ alternative to a checking account.”

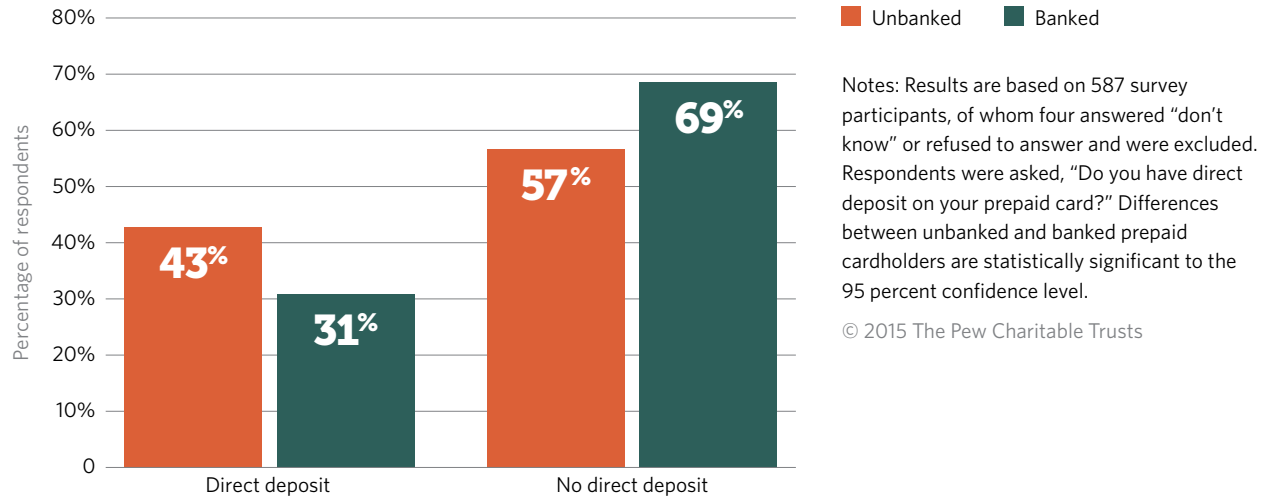
Loading prepaid cards

Prepaid cardholders can add funds to their cards in several ways, including direct deposit, at a store, or by depositing a check using an ATM or mobile device. Consistent reloading of funds, especially through the use of direct deposit, indicates that prepaid cards are being used as a primary money management tool. These behaviors are more common among unbanked cardholders, with more than 4 in 10 using direct deposit to put their wages on their cards. However, a substantial proportion of banked card users (3 in 10) also report using direct deposit or regular reloading.

Figure 2

43% of Unbanked Customers Have Direct Deposit on Their Prepaid Cards

Use of direct deposit, by banked status

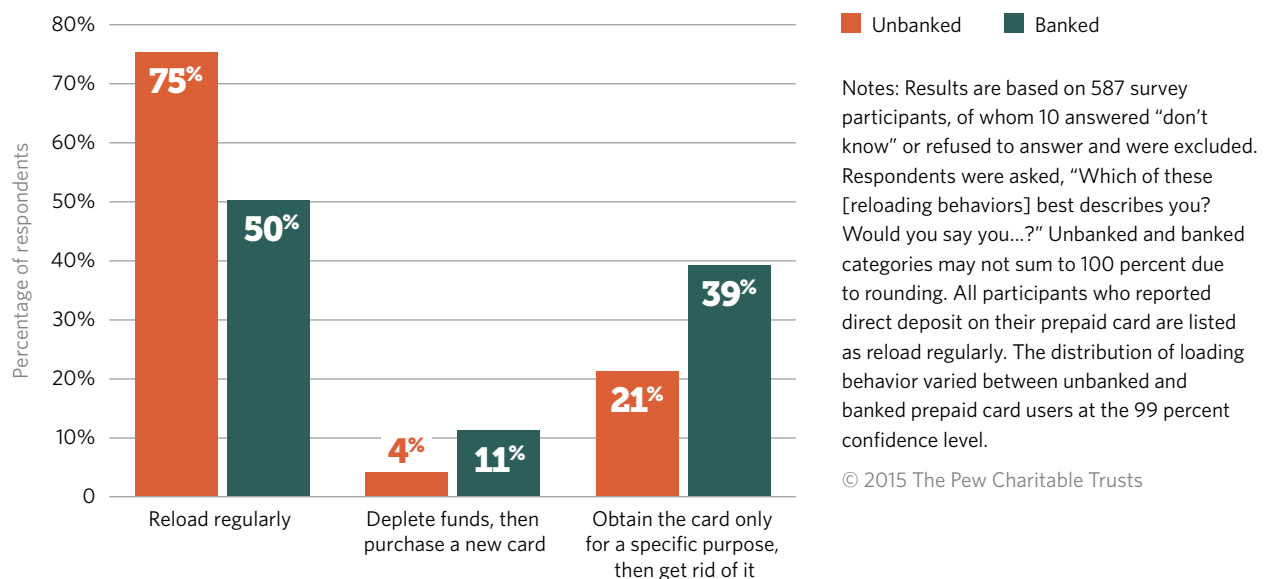


Three-fourths of unbanked and half of banked prepaid cardholders reload their cards regularly. A significantly greater proportion of banked prepaid cardholders, compared with unbanked users, get a card for a specific reason, spend down the funds, and then get rid of it (39 percent of banked consumers, compared with 21 percent of unbanked users). All survey participants reported using prepaid cards monthly, indicating that these particular card users purchase new cards frequently rather than reload the same one.

Figure 3

Most Prepaid Cardholders Reload Their Cards Regularly

Loading behavior, by banked status



Credit and savings features on prepaid cards

Previous Pew and CFPB research shows that most prepaid card terms do not allow the consumer to spend more than the balance on the card.⁷ This helps consumers avoid costly overdrafts, which data show can be burdensome for checking account customers, particularly those who are younger and lower-income.⁸

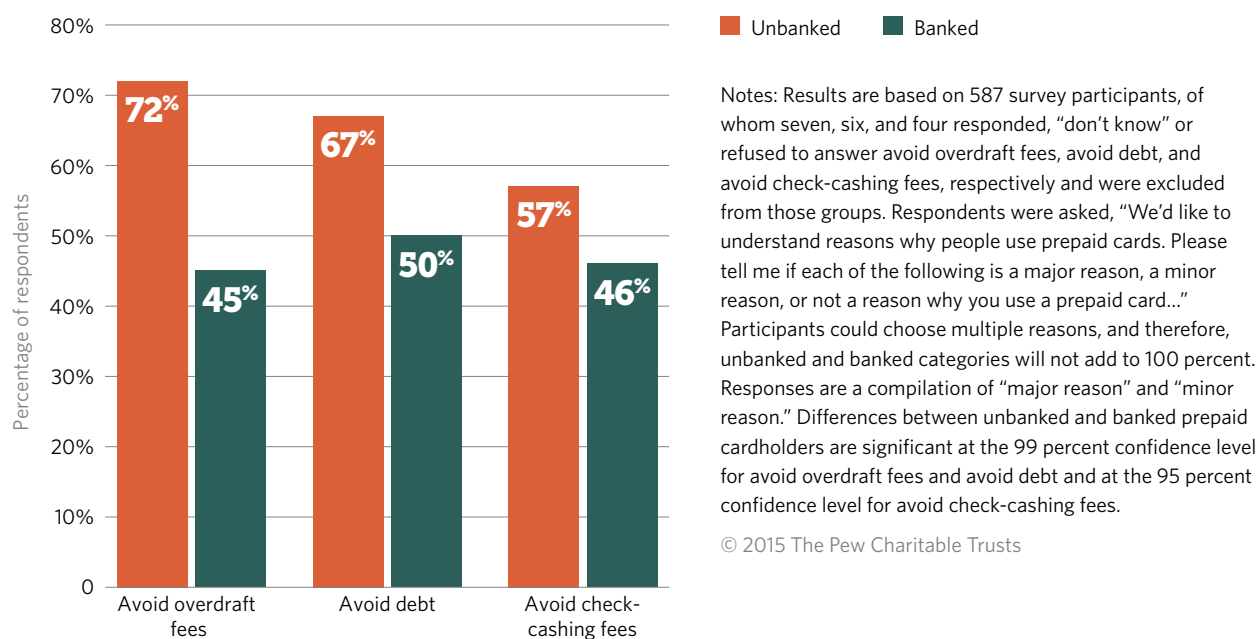
Almost three-quarters of unbanked cardholders use their prepaid cards to avoid overdraft fees (72 percent); more than two-thirds use the cards to stay out of debt (67 percent); and more than half use them rather than pay check-cashing fees (57 percent). Nearly half of banked prepaid consumers list avoiding these fees among the reasons they use the cards. (See Figure 4.)

According to the CFPB's proposed prepaid rule: "The Bureau understands that another popular way in which consumers use GPR cards is as a budgeting tool. For example, a family might budget a fixed amount each month for dining out and put that money on a GPR card."

Figure 4

Most Unbanked Cardholders Use Cards to Avoid Check-Cashing and Overdraft Fees and Debt

Reasons for prepaid card use, by banked status

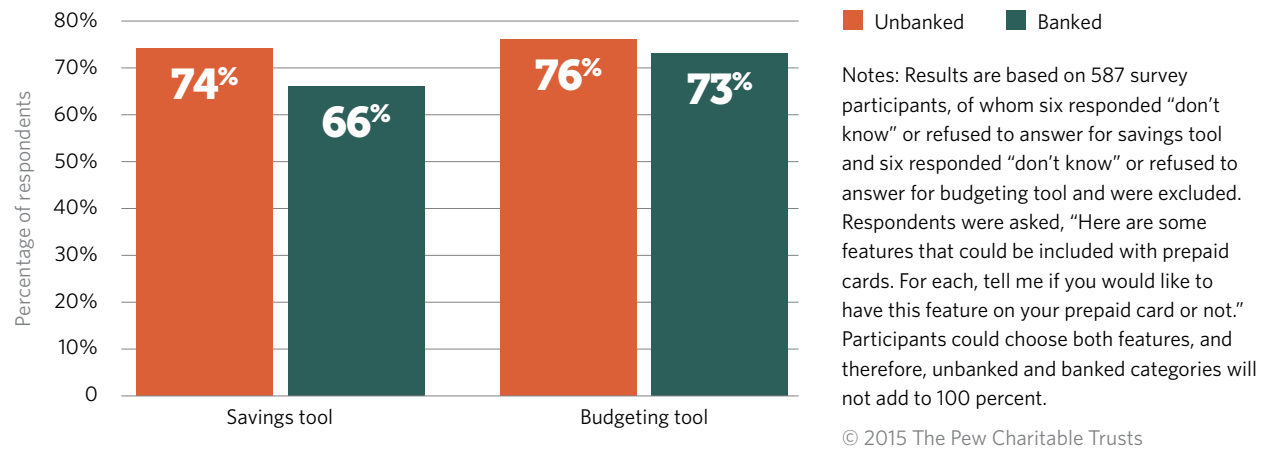


There are a number of features that could be included in prepaid cards. The majority of unbanked as well as banked cardholders would like a feature allowing them to put some of their card balances into savings and a budgeting tool that would automatically track spending in different categories and alert them if they overspend on their prepaid cards.

Figure 5

Both Unbanked and Banked Cardholders Would Like Savings and Budgeting Tools on Their Cards

Desired prepaid account features, by banked status



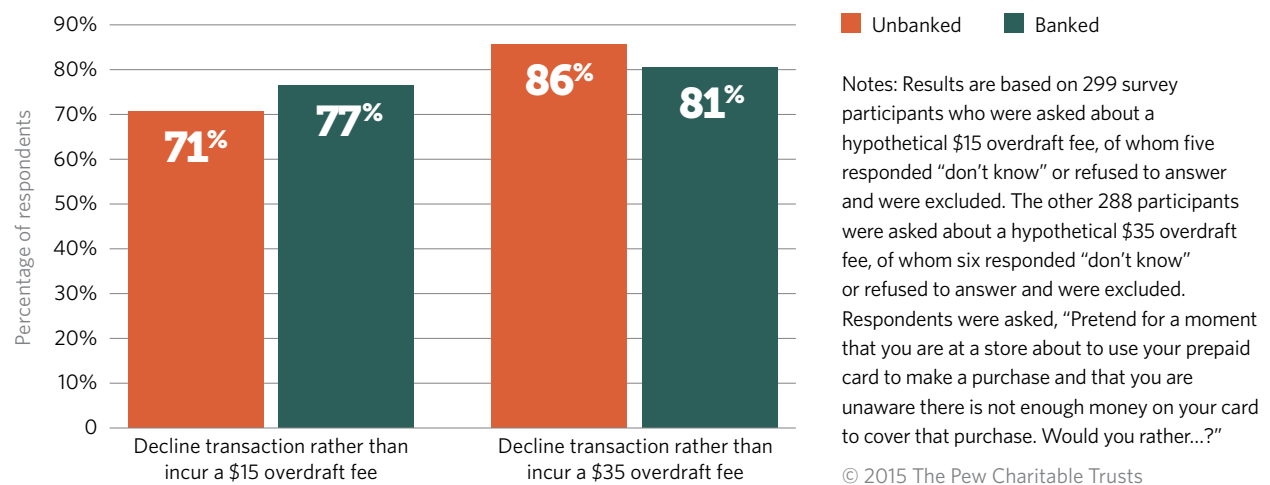
Overdraft

Overwhelmingly, most prepaid cardholders would prefer to have a purchase denied rather than overdraw their accounts and incur an overdraft penalty fee. When presented with a hypothetical transaction, three-fourths of respondents preferred to have their purchase declined rather than pay a fee of \$15 (the fee charged by the largest prepaid provider with an overdraft feature).⁹ When the hypothetical situation changed to a \$35 overdraft fee (the median fee charged by the largest U.S. banks for checking account overdrafts), more than 80 percent preferred to have the transaction declined.¹⁰

Figure 6

Most Prepaid Card Users Would Rather Have a Transaction Declined Than Pay an Overdraft Fee

Point-of-sale overdraft preferences, by banked status



Shopping for prepaid cards

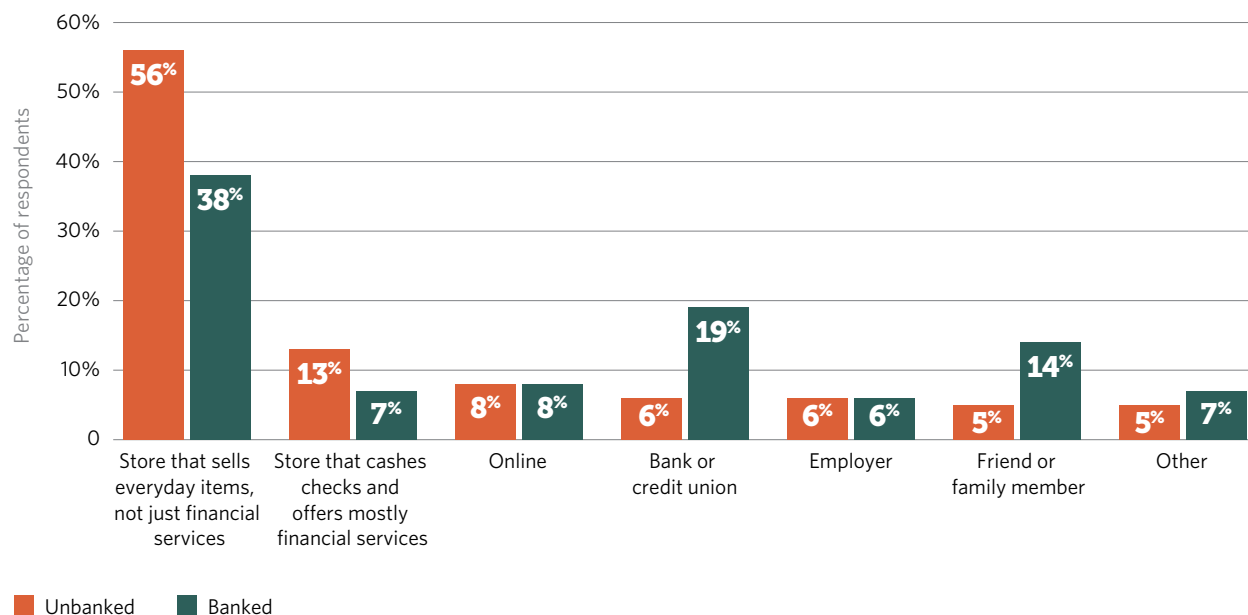
Where prepaid cards are purchased

Fifty-six percent of unbanked and 38 percent of banked prepaid card users purchase their cards from stores, such as drug or convenience stores, which sell a range of everyday items and not just financial products. The second most common place for unbanked prepaid users to obtain cards is check-cashing stores (13 percent), while for banked consumers it is a bank or credit union (19 percent). The unbanked rarely purchase cards at financial institutions, and banked prepaid cardholders do not tend to get theirs from check cashers.

Figure 7

Nearly 3 in 5 Unbanked Cardholders Bought Cards at Stores That Sell Everyday Items

Where users purchase prepaid cards, by banked status



Notes: Results are based on 587 survey participants, of whom six responded “don’t know” or refused to answer and were excluded. Respondents were asked, “Where did you get your prepaid card (that you use most often)?” Percentages may not sum to 100 percent due to rounding. The distribution between where prepaid cards were purchased varied between unbanked and banked prepaid card users at the 99 percent confidence level.

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Comparison shopping

Comparing the terms and conditions of prepaid card products can help consumers understand their cards more thoroughly and choose the product that is best for them. Not doing so can result in unexpected fees and confusion about legal rights and obligations. Approximately 1 in 3 prepaid cardholders comparison shopped before purchase. (See Figure 8.) Of those who did not, nearly one-third said they would have been more likely to do so if disclosures were standardized across prepaid products. Of those who comparison shopped, most did so either in stores or online. (See Figure 9.)

Figure 8

About a Third Compared Terms When Purchasing Their Cards

Prepaid cardholder shopping habits, by banked status

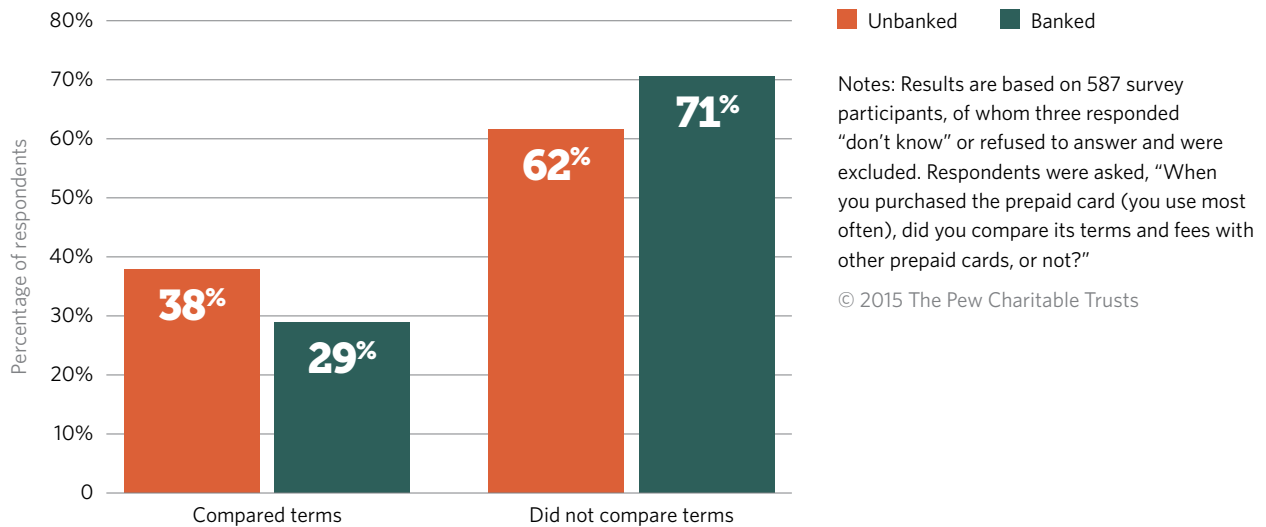
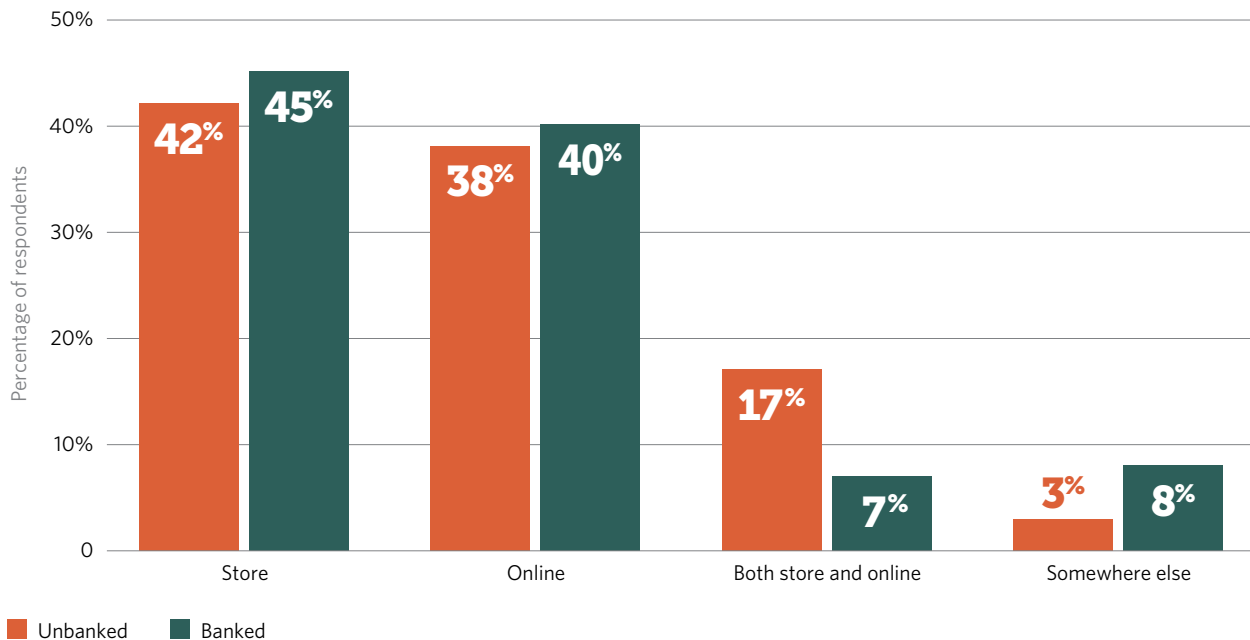


Figure 9

Consumers Often Comparison Shop in Stores or Online

Where prepaid card users do research, by banked status



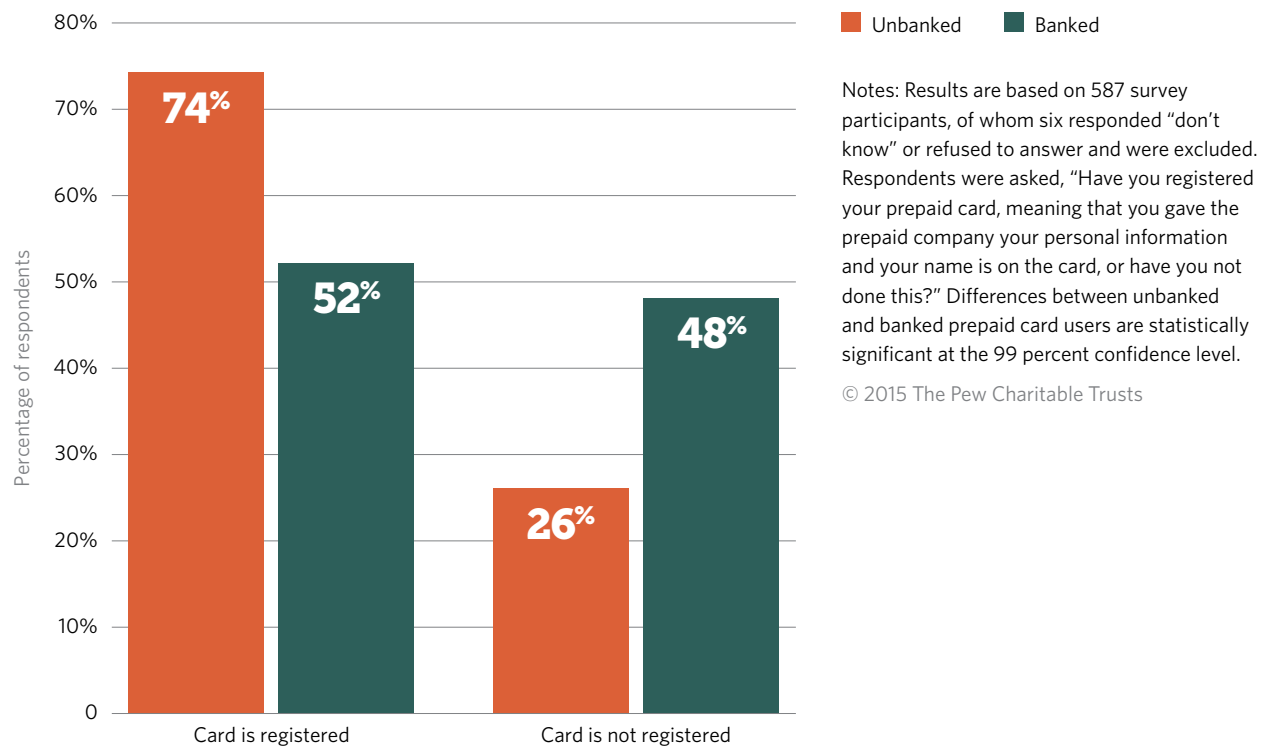
Federal deposit insurance

For the past 80 years, bank customers in the United States have placed their money in checking accounts with the confidence that the government guaranteed the safety of those funds through the FDIC. The U.S. Treasury reinforced the importance of deposit insurance in 2010 when it required that federal payments such as Social Security and veterans' benefits be made only to accounts that have federal deposit insurance coverage.¹¹ For prepaid card funds to be covered by deposit insurance, issuers must pool all user funds in an account in an FDIC-insured bank, which most do. If the card is registered, meaning that the issuer has the user's name and personal information, then the insurer will recognize the individual cardholder and cover his or her funds up to the maximum insurance limit.¹²

Overall, 58 percent of prepaid cardholders report registering their cards. Unbanked prepaid customers register their cards at significantly higher rates (74 percent) than banked users do (52 percent).

Figure 10

Nearly 3 in 4 Unbanked Prepaid Users Registered Their Card Self-reported card registration rates, by banked status

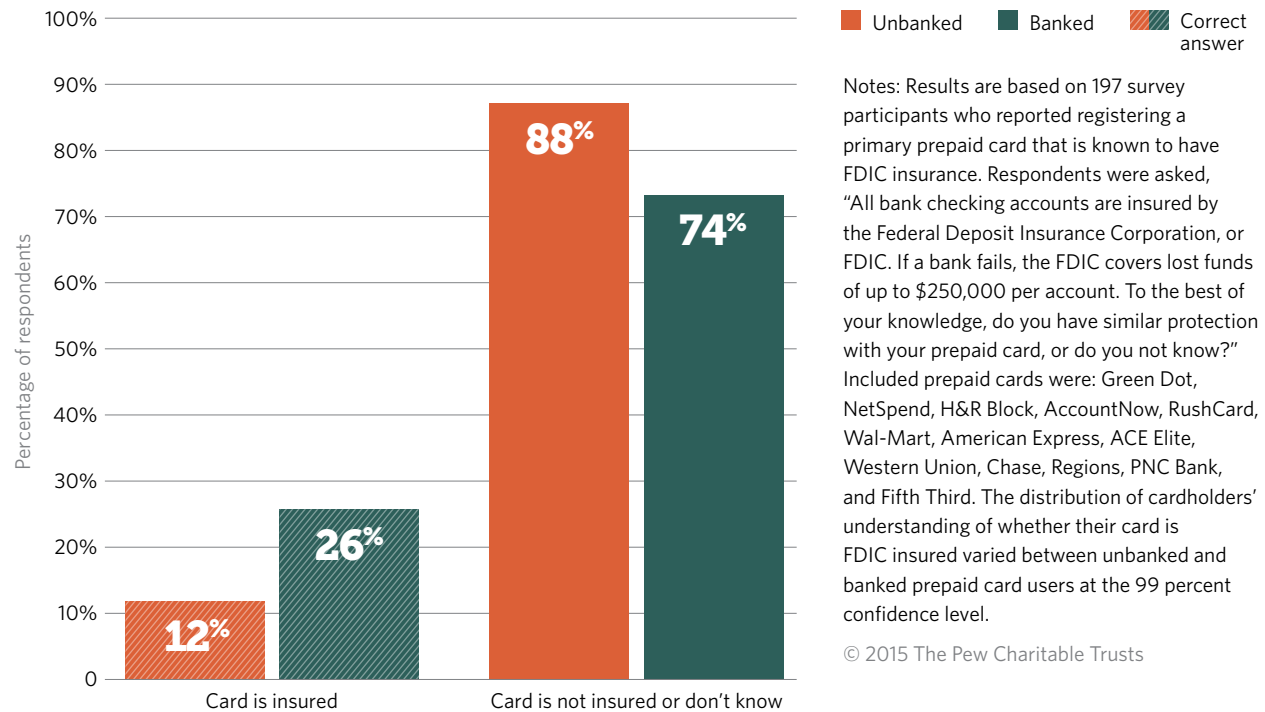


FDIC insurance is not required for funds held on prepaid cards. However, the majority of cards carry this protection. When participants who use a card that has FDIC insurance were asked whether the funds on their prepaid cards are federally insured, most were unsure or incorrect. This lack of knowledge is especially pronounced among the unbanked. Nearly 9 in 10 unbanked and 7 in 10 banked cardholders were unsure or believed that they did not have FDIC insurance. Misunderstanding of coverage may be exacerbated by a lack of clear labeling on the card or packaging and could result in failure to register and financial losses if the company or bank holding the funds were to fail.

Figure 11

Nearly 9 in 10 Unbanked Prepaid Card Users Who Have FDIC Insurance Think They Are Not Protected or Don't Know

Cardholders' perception of their cards' FDIC coverage, by banked status



The CFPB notes in the proposed prepaid rule: "Registration typically requires the consumer to provide specific identifying information. ... The information is used by the program manager or issuing bank to verify the consumer's identity."

Regulation E

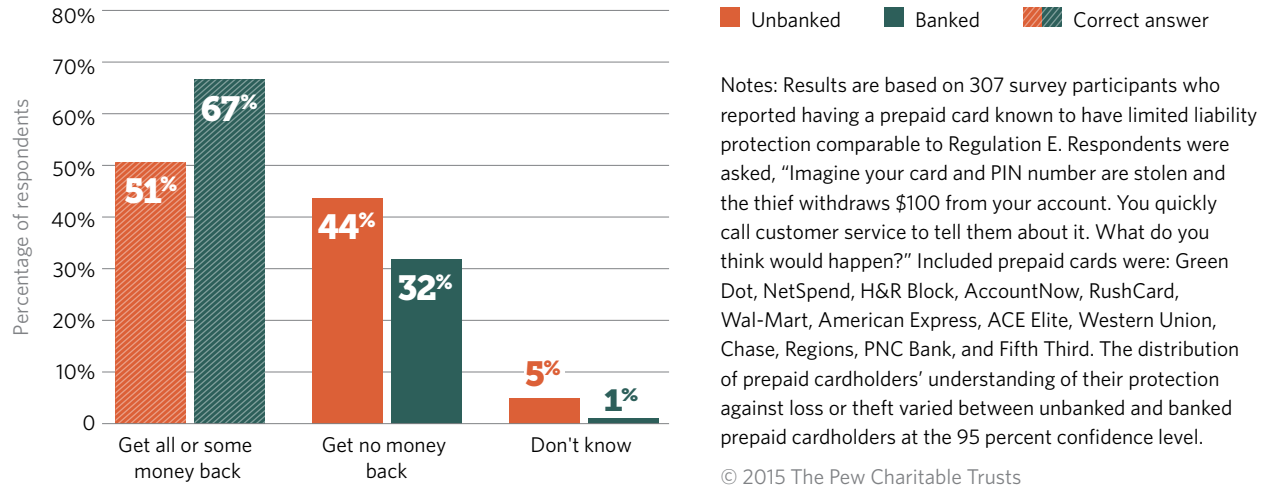
Regulation E, which implements the Electronic Fund Transfer Act, limits consumer liability when a card is lost or stolen, as long as notice of a loss is provided in a timely manner.¹³ Most prepaid cards voluntarily adhere to this regulation, and the CFPB has proposed rules to require such coverage.¹⁴ Consumers need to be aware of their rights and protections so they know to report the loss or theft of a card within the required time frame.

Among users whose cards are protected under Regulation E, the unbanked tend to know less about their liability limitations than those who have bank accounts. Nearly half of unbanked cardholders believed they were not protected—in other words, that they would receive none of their money back if their cards were lost or stolen. About one-third of banked cardholders held the same view.¹⁵ Because Regulation E requires timely reporting of a loss or theft, this lack of understanding could result in failure to report and thus the loss of funds that otherwise could have been recovered.

Figure 12

Nearly Half of Unbanked Users Do Not Know Their Prepaid Cards Have Liability Limits

Cardholder perception of loss or theft protections, by banked status



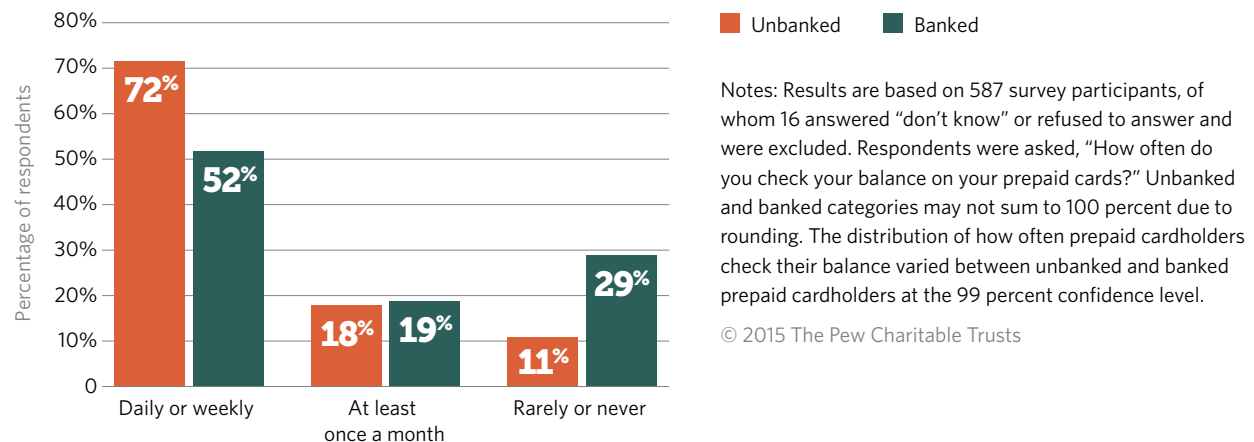
Access to balance and transaction history

Because Regulation E requires timely reporting of a loss or theft, it is imperative that consumers have access to their account histories and review their balances regularly to check for fraudulent charges. Although nearly 60 percent of all prepaid consumers check their balances at least weekly, unbanked users track their funds much more frequently than banked customers do. Among unbanked prepaid card users, 72 percent review their balances at least once a week. By comparison, only 52 percent of banked prepaid cardholders check their balances weekly, while 29 percent rarely or never do.

Figure 13

Unbanked Cardholders Check Their Balances More Regularly Than Banked Cardholders

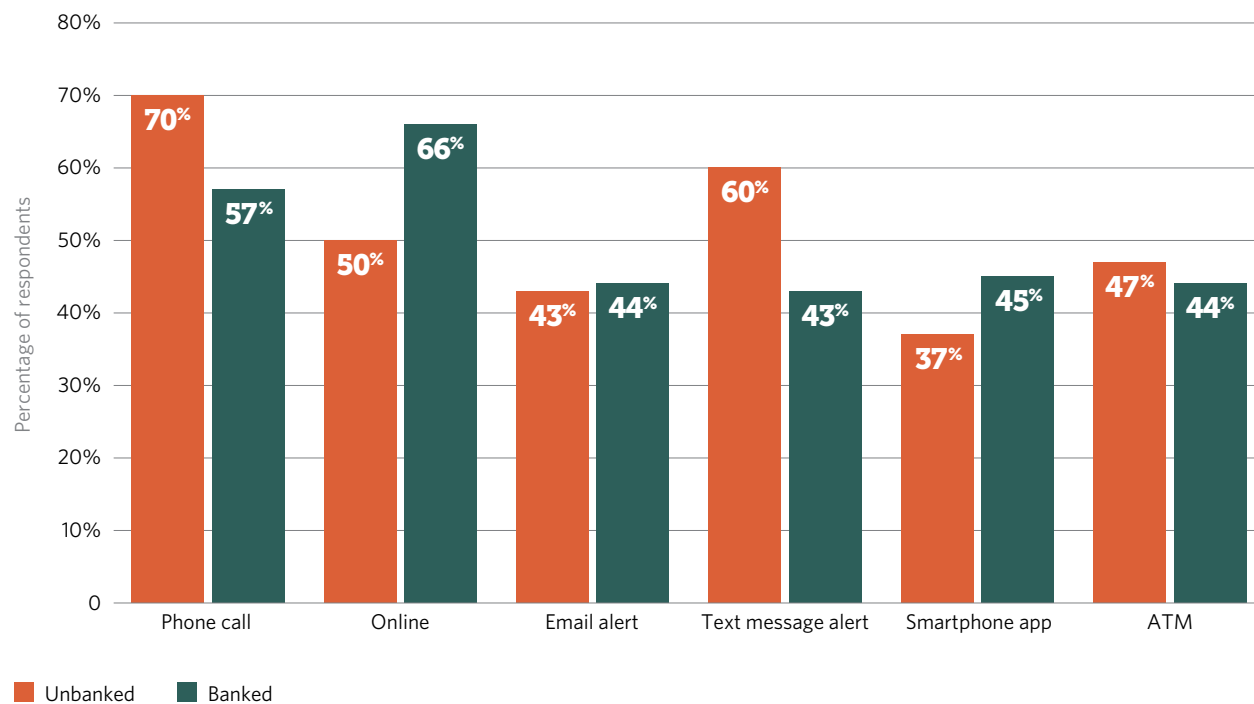
How often prepaid cardholders check their balance, by banked status



Unbanked and banked prepaid consumers check their balances in different ways, and many use multiple methods. The most common way for unbanked cardholders to check their balances is by phone call (70 percent) or text alert (60 percent). Banked customers prefer to go online (66 percent) or call on their phones (57 percent).

The CFPB notes in its proposed prepaid rule that “many GPR card programs have offered consumers ways to access their account online, including through mobile devices such as smartphones.”

Figure 14
Many Prepaid Customers Have Adopted Newer Technology In Addition to the Telephone to Check Balances
 Balance review methods, by banked status



Notes: Results are based on 587 survey participants, of whom one responded “don’t know” for the smartphone app and one responded “don’t know” for ATM and were excluded. Respondents were asked, “Here are some ways that people might find out the balance on their prepaid card. For each, please tell me whether you find out the balance on your card this way or not. How about ...?” Participants could choose multiple methods and therefore categories will not add to 100 percent. Differences between unbanked and banked prepaid card users are significant at the 99 percent confidence level for phone call, online, and text message alert.

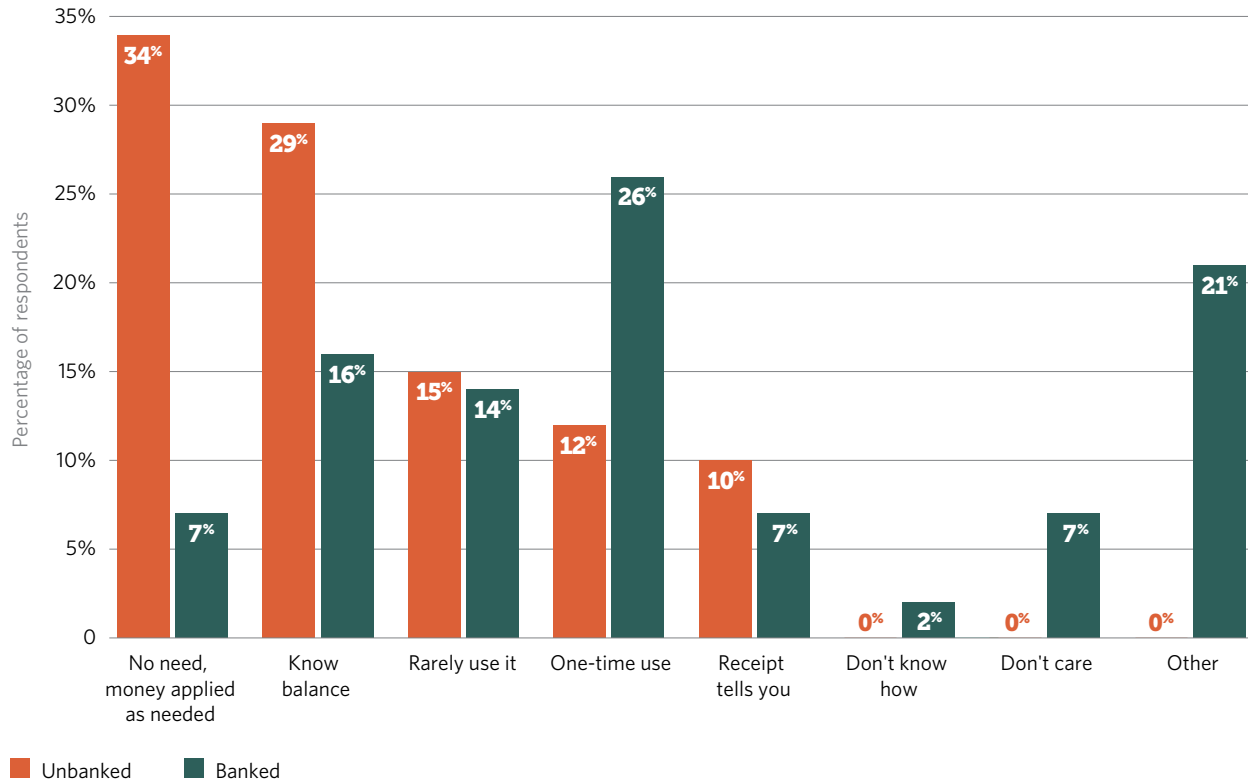
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Among banked customers who do not track their balance, the most common reason cited was one-time use (26 percent)—i.e., these consumers generally purchase a new card rather than reload the same card repeatedly. Unbanked customers most often reported that there was no need to check because they add money as needed (34 percent) or already know their balance (29 percent).

Figure 15

Banked Cardholders Cited One-Time Use as the Most Common Reason for Not Checking Balances

Why cardholders don't check their balances, by banked status



Notes: Results are based on 146 survey respondents who reported rarely or never checking the balance on their prepaid card. Of those, five answered “don’t know” and were excluded. Respondents were asked, “Why don’t you keep track of your balance?” The distribution of reasons why cardholders don’t check their balance varied between unbanked and banked prepaid card users at the 95 percent confidence level.

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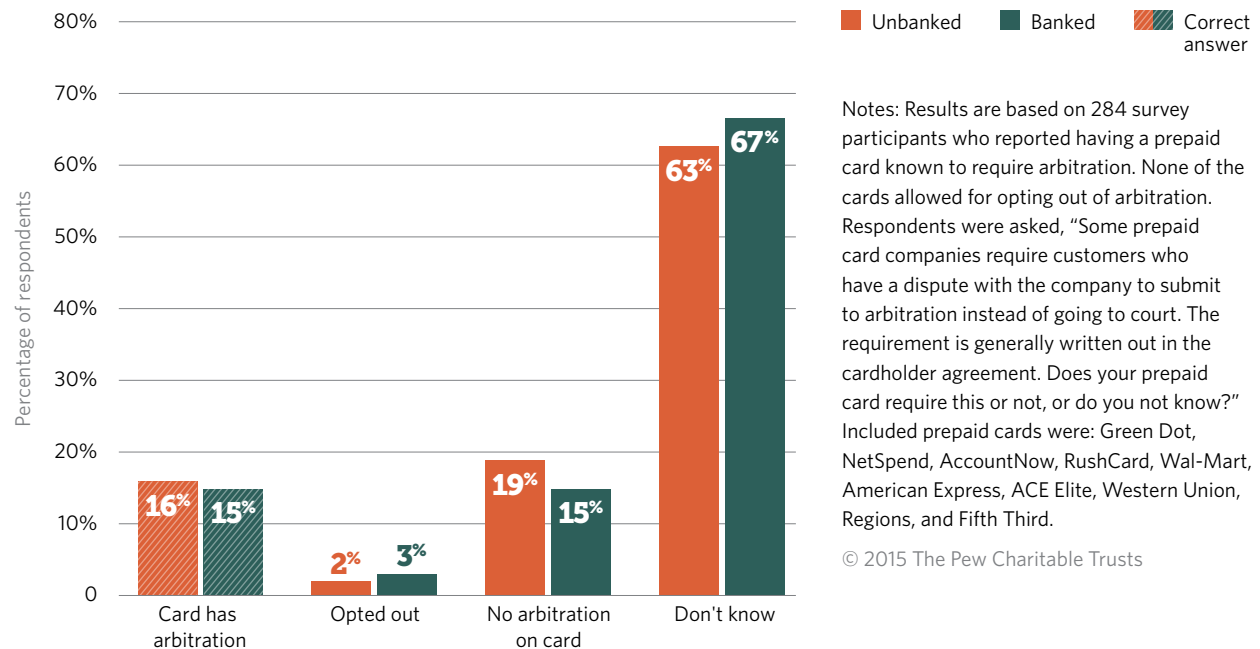
Dispute resolution

Arbitration clauses require that a dispute be heard and decided by a third party; customers also must waive their right to a judge or jury trial. The CFPB Arbitration Study found that 92 percent of card agreements examined included arbitration clauses.¹⁶ Of those, nearly 98 percent restrict the consumer from participating in class action lawsuits.¹⁷ Fewer than 18 percent of cards allow a consumer to opt out of arbitration requirements; in those cases, consumers are generally not aware of that option.¹⁸ In addition, the arbitration portion of prepaid card contracts was found to be more difficult to understand and written at a higher grade level than the rest of the agreement.¹⁹ Only 16 percent of cardholders whose agreement contained an arbitration clause know about it. Further, those who claimed to have opted out were mistaken because their cards did not have this option. Eighty-four percent of prepaid consumers erroneously believe that either they opted out or do not have an arbitration clause or do not know.

Figure 16

Most Consumers Do Not Know Whether Their Card Requires Arbitration

Cardholders' perception of arbitration requirements, by banked status



Conclusion

More consumers are using prepaid cards, and the market is expanding rapidly. Users rely on their cards to avoid overdraft and check-cashing fees, stay out of debt, and manage their budgets. Cards are often reloaded regularly and used to receive direct deposits. Many users see these products as important financial tools, substituting for or complementing traditional bank accounts.

For those who do not have a bank account, GPR prepaid cards provide a way to make point-of-sale and online purchases and are often used like a checking account. However, they currently do not have the same regulatory protections as traditional bank accounts. FDIC insurance coverage and liability limitations for unauthorized transactions are not standardized, which could lead to consumer confusion and financial loss. Nearly all prepaid card companies mandate that disputes be heard by an arbiter, but very few cardholders know this. These concerns are especially significant for the substantial portion of prepaid cardholders who are low-income or who rely on prepaid cards as their primary transaction account.

The CFPB's proposed rule would go a long way toward ensuring a stable, competitive, and safe market for prepaid cards and other alternative transaction products. As drafted, the rule would promote clear disclosure and ensure protections that limit liability for unauthorized transactions and ban high-cost credit products. The need for these protections is clear, given how prepaid card users—particularly those who are unbanked—view and use these products. Pew commends the CFPB for the proposed rule and urges its speedy adoption.

Appendix A: Methodology

Survey research

Nationally representative findings in this report are based on a survey of prepaid cardholders who use their cards at least once per month. This survey was fielded as part of a nationally representative, probability-based weekly survey from Oct. 15, 2014, through Dec. 10, 2014.

Survey methodology

Social Science Research Solutions omnibus survey

Pew contracted with Social Science Research Solutions (SSRS), based in Media, Pennsylvania, to conduct a nationally representative in-depth telephone survey with prepaid card customers about their card usage. To identify and survey the low-incidence population of prepaid card users, the research firm screened 1,000 adults per week on its regular omnibus survey, using random-digit dialing (RDD) methodology.

The term “omnibus” refers to a survey that includes questions on a variety of topics. The omnibus survey included questions asked on behalf of other clients.

Sample and interviewing

Pew purchased time on the SSRS omnibus survey, which covers the continental United States. A total of 8,461 respondents were screened in order to reach 606 respondents who use a prepaid card at least once per month.

The 606 prepaid card users were asked to complete the nine-minute survey directly after the omnibus survey. Of these, 19 reported primarily using a government benefit card and were excluded, leaving 587 prepaid cardholders included in the analysis. The margin of sampling error for results based on the 587 prepaid cardholders is plus or minus 4.5 percentage points with the variance of the weights incorporated. The margin of sampling error for results based on the 154 unbanked prepaid cardholders and the 433 banked prepaid cardholders is plus or minus 8.8 and 5.3 percentage points with the variance of the weights incorporated, respectively. All margins of error are based on a standard 95 percent confidence level.

SSRS Omnibus is a national weekly, dual-frame bilingual telephone survey. Each SSRS Omnibus survey consists of 1,000 interviews, 500 of which are completed with respondents on their cellphones and at least 35 of which are conducted in Spanish. Completed surveys are representative of the continental U.S. population of adults ages 18 and older. SSRS Omnibus uses a fully replicated, single-stage, RDD sample of landline telephone households and randomly generated cellphones.

Sample telephone numbers are computer-generated and loaded into online sample files accessed directly by the Computer-Assisted Telephone Interviewing system. Within each sample household, a single respondent is randomly selected.

Appendix B: Survey questions

Wording of questions in the omnibus survey

- “Is your home owned or rented?”
- “Are you ...?” (marital status)
- “Are you...?” (employment status)
- “Is your total annual household income from all sources and before taxes ...?”
- “What is your age?”
- “What is the last grade of school you completed?”
- “Are you the parent or guardian of anyone under 18 in your household?”
- “I’m going to ask you about prepaid cards, which work like a bank debit card but are not attached to an actual bank account. They can be loaded with money and used anywhere.”
 - “In the past 12 months, have you used a prepaid card, or not?” (Must say yes to continue)
 - “How many prepaid cards do you have that you use at least once per month? Please do not include gift cards or rebate cards. Also, please do not include credit cards, phone cards, payroll cards, or government benefit cards.” (Must say one or more to continue)

Wording of questions in nine-minute survey of prepaid card users

The data from the nationally representative, nine-minute survey of 587 prepaid card users are based on responses to the following questions, which Pew designed with assistance from SSRS. All questions also included “Don’t know” and “Refused” options that were not read aloud.

Do you currently have a checking account at a bank or credit union?

1. Yes
2. No

(IF CURRENTLY DO NOT HAVE A CHECKING ACCOUNT)

Have you ever had a checking account?

1. Yes
2. No

Have you registered your prepaid card, meaning that you gave the prepaid company your personal information and your name is on the card, or have you not done this?

1. Yes
2. No

For the rest of the survey, we will focus on prepaid cards. (For each question, please focus on the prepaid card that you use most often).

Where did you get your prepaid card (that you use most often)?

(READ LIST ONLY IF NECESSARY; ENTER ONE RESPONSE)

IF RESPONDENT ANSWERS "STORE" OR NAMES A STORE, CLARIFY BETWEEN CODE 1 AND CODE 2)

1. Store that sells everyday items, not just financial services
2. Store that cashes checks and mostly offers financial services
3. Online
4. Bank or credit union
5. Employer
6. Government
7. Friend or family member
8. (DO NOT READ) Wal-Mart
9. (DO NOT READ) Other (SPECIFY _____)

We'd like to understand reasons why people use prepaid cards. Please tell me if each of the following is a major reason, a minor reason, or not a reason why you use a prepaid card:

1. Major reason
2. Minor reason
3. Not a reason

(SCRAMBLE ROTATE)

- a. To avoid check-cashing fees
- b. To avoid overdraft fees
- c. To avoid debt

Do you have direct deposit on your prepaid card?

1. Yes
2. No

(IF HAVE DIRECT DEPOSIT, THEN AUTOMATICALLY = 1)

Which of these best describes you? Would you say ...?

(READ LIST; ENTER ONE RESPONSE)

1. You reload your prepaid card or cards regularly
2. You load funds onto a prepaid card and use it until the balance is zero, then get a new card
3. You only get a prepaid card when you need one for a specific reason, then get rid of it

When you purchased the prepaid card (you use most often), did you compare its terms and fees with other prepaid cards, or not?

1. Yes
2. No

(IF COMPARED TERMS AND FEES)

Did you compare the terms of the prepaid card to others in a store, online, or somewhere else?

1. Store

2. Online
3. (DO NOT READ) Both store and online
4. Somewhere else (SPECIFY) _____

(IF DID NOT COMPARE TERMS AND FEES)

(ROTATE VERBIAGE IN PARENS)

What if there had been a standard disclosure form about the details of the prepaid card, something similar to a nutrition label on food – would that have made you (more likely) to comparison shop, (less likely), or would it not have mattered?

1. More likely
2. Less likely
3. Wouldn't have mattered

(HALF SAMPLE)

Pretend for a moment that you are at a store about to use your prepaid card to make a purchase and that you are unaware there is not enough money on your card to cover that purchase. Would you rather ...?

(READ LIST; ENTER ONE RESPONSE)

(ROTATE 1 and 2)

1. Have your purchase denied
OR
2. Have your purchase go through for an overdraft or declined item fee of \$35 or so
3. (DO NOT READ) Depends

(OTHER HALF SAMPLE)

Pretend for a moment that you are at a store about to use your prepaid card to make a purchase and that you are unaware there is not enough money on your card to cover that purchase. Would you rather ...?

(READ LIST; ENTER ONE RESPONSE)

(ROTATE 1 and 2)

1. Have your purchase denied
OR
2. Have your purchase go through for an overdraft or declined item fee of \$15 or so
3. (DO NOT READ) Depends

Here are some features that could be included with prepaid cards. For each, tell me if you would like to have this feature on your prepaid card or not.

1. Like to have
2. Not like to have

(SCRAMBLE ROTATE)

- a. A feature that would allow you to put some of the card balance into savings
- b. A feature where you can receive a payday loan on the prepaid card for a fee

- c. A feature where you can overdraft your card balance for a fee
- d. A line of credit, like a credit card, so you can spend more than your account balance and pay interest on the amount borrowed
- e. A budgeting tool that automatically tracks your spending in different categories and alerts you when you overspend
- f. A smartphone app to make purchases using your phone with money from your prepaid card

How often do you check your balance on your prepaid cards?

(READ LIST; ENTER ONE RESPONSE)

- 1. Daily
- 2. At least once a week
- 3. At least once a month
- 4. Rarely
- 5. Never

(IF RARELY OR NEVER)

Why don't you keep track of your balance?

(PROBE FOR CLARITY AND TO THE NEGATIVE)

- 1. Answer given

Here are some ways that people might find out the balance on their prepaid card. For each, please tell me whether you find out the balance on your card this way or not. How about (INSERT ITEM)?

- 1. Yes
- 2. No

(SCRAMBLE ROTATE)

- a. Calling the company on the phone
- b. Logging into your account online
- c. Getting an email alert
- d. Getting a text message alert
- e. Using a smartphone app
- f. At an ATM

Imagine your card and PIN number are stolen and the thief withdraws \$100 from your account. You quickly call customer service to tell them about it. What do you think would happen? (READ LIST)

(ROTATE 1-3/3-1)

- 1. I would get all of my money back
- 2. I would get some of the money back
- 3. I would get none of the money back
- 4. (DO NOT READ) I would get \$50 back

Some prepaid card companies require customers who have a dispute with the company to submit to arbitration instead of going to court. The requirement is generally written out in the cardholder agreement. Does your prepaid card require this or not, or do you not know?

1. Yes
2. No
3. (DO NOT READ) I opted out
4. (DO NOT READ) Don't know

All bank checking accounts are insured by the Federal Deposit Insurance Corp., or FDIC. If a bank fails, the FDIC covers lost funds of up to \$250,000 per account. To the best of your knowledge, do you have similar protection with your prepaid card, or do you not know?

1. Yes
2. No
3. Don't know

What company provides your prepaid card (the one you use most often)? Is it ...?

(READ LIST; ENTER ONE RESPONSE)

(SCRAMBLE ROTATE 1-5)

1. Green Dot
2. NetSpend
3. Emerald Card from H&R Block
4. AccountNow
5. RushCard
6. Wal-Mart
7. Bluebird (Amex)
8. (DO NOT READ) ReadyCard
9. (DO NOT READ) ReadyDebit
10. (DO NOT READ) ACE Elite
11. (DO NOT READ) Western Union
12. (DO NOT READ) Chase/Chase Liquid
13. (DO NOT READ) Regions/Regions Now
14. (DO NOT READ) PNC Bank/PNC Smart Access
15. (DO NOT READ) Fifth Third/Access 360
16. (DO NOT READ) Moneygram
17. (DO NOT READ) Serve (Amex)
18. (DO NOT READ) A credit union
19. (DO NOT READ) DirectExpress
20. Another company (SPECIFY _____)

Appendix C: Demographics of unbanked prepaid cardholders by year

	2012 unbanked	2014 unbanked	U.S. population
Observations (N)	218	154	NA
Renters	66(%)	62(%)	36(%)
Homeowners	34	38	64
Single	60	52	33
Married	20	23	48
Separated/divorced	18	23	13
Widowed	2	1	6
Employed	51	56	58
Full-time	33	38	NA
Part-time	18	19	NA
Unemployed	15	16	6
Disabled	12	8	NA
Retired	5	3	24
Homemaker	11	8	5
Student	7	9	4
Income less than \$15,000	36	32	13
\$15,000 to \$24,999	26	18	11
\$25,000 to \$49,999	25	34	24
\$50,000 to \$74,999	8	13	18
\$75,000 to \$99,999	3	3	12
\$100,000+	2	0	22
White (non-Hispanic)	41	42	63
African-American (non-Hispanic)	31	32	12
Hispanic	13	16	17
Other race/ethnicity	14	10	8
Ages 18-29	33	30	22
Ages 30-49	52	54	35
Ages 50-64	13	15	25
Ages 65+	3	1	18
Less than high school	18	16	14
High school	39	35	28
Some college	34	36	29
College	7	11	18
Postgraduate	1	2	11
Parent	35	42	29
Not a parent	65	58	71
Male	42	36	49
Female	58	64	51
Northeast	14	13	18
Midwest	21	17	21
South	47	46	37
West	18	24	23

Notes: Data may not sum to 100 percent due to rounding. Unless otherwise noted, all U.S. population data come from 2011-13 American Community Survey three-year estimates. Twenty-four percent and 22 percent, respectively, of the “single” category were not married but living with a partner in 2012 and 2014. U.S. population data for the “retired,” “homemaker,” and “student” categories were calculated by using the median values for each from monthly 2014 NBC News/*Wall Street Journal* surveys. No polls were available for the months of February, May, or July 2014. Education figures include 179 and 131 unbanked prepaid cardholders in 2012 and 2014, respectively. The American Community Survey reports education levels of individuals age 25 or older. Among unbanked respondents in 2012, 39 were excluded: 28 individuals were younger than 25 years old, six refused to answer, and five listed technical schools. Among unbanked survey participants in 2014, 23 were excluded: 22 were under 25 years old and one refused to answer.

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Appendix D: Demographics of banked prepaid cardholders by year

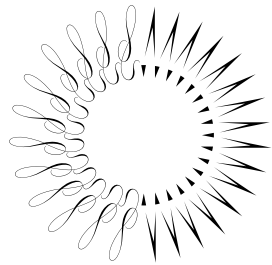
	2012 banked	2014 banked	U.S. population
Observations (N)	395	433	NA
Renters	38(%)	46(%)	36(%)
Homeowners	62	54	64
Single	35	36	33
Married	48	50	48
Separated/divorced	14	11	13
Widowed	4	4	6
Employed	72	70	58
Full-time	55	52	NA
Part-time	17	18	NA
Unemployed	4	5	6
Disabled	4	5	NA
Retired	10	11	24
Homemaker	4	6	5
Student	6	4	4
Income less than \$15,000	18	12	13
\$15,000 to \$24,999	13	17	11
\$25,000 to \$49,999	30	28	24
\$50,000 to \$74,999	16	16	18
\$75,000 to \$99,999	9	8	12
\$100,000+	14	19	22
White (non-Hispanic)	63	60	63
African-American (non-Hispanic)	20	15	12
Hispanic	11	16	17
Other race/ethnicity	6	9	8
Ages 18-29	22	28	22
Ages 30-49	43	38	35
Ages 50-64	28	25	25
Ages 65+	7	9	18
Less than high school	11	10	14
High school	28	27	28
Some college	28	31	29
College	20	20	18
Postgraduate	13	13	11
Parent	33	31	29
Not a parent	67	69	71
Male	52	52	49
Female	48	48	51
Northeast	17	16	18
Midwest	27	21	21
South	38	42	37
West	18	21	23

Notes: Data may not sum to 100 percent due to rounding. Unless otherwise noted, all U.S. population data come from 2011-13 American Community Survey three-year estimates. Ten percent and 11 percent, respectively, of the “single” category were not married but living with a partner in 2012 and 2014. U.S. population data for the “retired,” “homemaker,” and “student” categories were calculated using the median values for each from monthly 2014 NBC News/*Wall Street Journal* surveys. No polls were available for the months of February, May, or July 2014. Education figures include 332 and 359 banked survey participants in 2012 and 2014, respectively. The American Community Survey reports education levels of individuals age 25 or older. Among banked survey participants in 2012, 63 were excluded: 46 individuals were younger than 25 years old, four refused to answer, and 13 listed technical schools. Among banked respondents in 2014, 74 were excluded: 58 were under 25 years old, one refused to answer, and 15 listed technical schools.

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Endnotes

- 1 Susan Burhouse et al., *2013 FDIC National Survey of Unbanked and Underbanked Households*, Federal Deposit Insurance Corp. (2014), 4, 7, <https://www.fdic.gov/householdsurvey/2013report.pdf>.
- 2 Consumer Financial Protection Bureau, "Proposed Rule, Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)" 79 Fed. Reg. 77102, 77113, 77182 (Dec. 23, 2014), <http://www.gpo.gov/fdsys/pkg/FR-2014-12-23/pdf/2014-27286.pdf>.
- 3 *Ibid.*, 77102.
- 4 Our nationally representative sample shows that 9.38 percent of adults in the United States use a prepaid card monthly. The 2014 estimate of the adult population age 18 or older is 245,158,000. Therefore, approximately 22,995,820 (rounded to 23 million) adults in the United States use GPR prepaid cards monthly. Sandra L. Colby and Jennifer M. Ortman, "Projections of the Size and Composition of the U.S. Population: 2014 to 2060: Population Estimates and Projections" (United States Census Bureau, March 2015), 6, <http://www.census.gov/content/dam/Census/library/publications/2015/demo/p25-1143.pdf>.
- 5 In 2014, unbanked prepaid cardholders made up 2.6 percent of the adult U.S. population, and banked prepaid cardholders made up 6.7 percent.
- 6 These results should not be understood to imply that any of these characteristics cause prepaid card usage.
- 7 The Pew Charitable Trusts, *Consumers Continue to Load Up on Prepaid Cards: Changes in General Purpose Reloadable Prepaid Cards Make Them More Like Checking Accounts but Without Important Protections* (February 2014), 9, http://www.pewtrusts.org/-/media/legacy/uploadedfiles/pcs_assets/2014/PrepaidCardsStillLoadedReportpdf.pdf.
- 8 The Pew Charitable Trusts, "Overdrawn: Persistent Confusion and Concern About Bank Overdraft Practices" (June 2014), 4, http://www.pewtrusts.org/-/media/Assets/2014/06/26/Safe_Checking_Overdraft_Survey_Report.pdf.
- 9 The Pew Charitable Trusts, *Consumers Continue to Load Up on Prepaid Cards*, 10.
- 10 The Pew Charitable Trusts, "Checks and Balances: 2015 Update" (May 2015), 5, http://www.pewtrusts.org/-/media/Assets/2015/05/Checks_and_Balances_Report_FINAL.pdf.
- 11 U.S. Government Publishing Office, "Financial Management Service Requirements, Fiscal Service, Treasury, 31 CFR 210.5: Account Requirements for Federal Payments," 52 (2011), <http://www.gpo.gov/fdsys/pkg/CFR-2011-title31-vol2/pdf/CFR-2011-title31-vol2-sec210-5.pdf>. Treasury rules permit federal payments to prepaid cards only if the funds are held in federally insured accounts.
- 12 Financial Deposit Insurance Corp., "Stored Value Cards and Other Nontraditional Access Mechanisms: New General Counsel's Opinion No. 8" (November 2008), <https://www.fdic.gov/news/news/financial/2008/fil08129.html>.
- 13 U.S. Government Publishing Office, "Liability of Consumer for Unauthorized Transfers, Title 12, Chapter II, Subchapter a, Part 205.6" (January 2015), <http://www.gpo.gov/fdsys/pkg/CFR-2015-title12-vol2/pdf/CFR-2015-title12-vol2-sec205-6.pdf>. If an unauthorized transaction involves a lost or stolen card, liability is limited to \$50 if reported within two business days. However, if the unauthorized transaction does not involve a lost or stolen access device (for example, double transactions, duplicated cards, etc.), the customer has 60 days from written notice to dispute the transaction and bears no liability for transactions within that time.
- 14 Consumer Financial Protection Bureau, "Proposed Rule, Prepaid Accounts," 77102, 77113.
- 15 Only the responses of prepaid participants who listed a card known to have Regulation E-like protection were analyzed.
- 16 Consumer Financial Protection Bureau, *Arbitration Study: Report to Congress, Pursuant to Dodd-Frank Wall Street Reform and Consumer Protection Act § 1028(a)* (March 2015), http://files.consumerfinance.gov/f/201503_cfpb_arbitration-study-report-to-congress-2015.pdf.
- 17 *Ibid.*, 44.
- 18 *Ibid.*, 31.
- 19 *Ibid.*, 28.



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