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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

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About the series

In a 2012 review of the general purpose reloadable prepaid card market, "Loaded with Uncertainty: Are Prepaid Cards a Smart Alternative to Checking Accounts?" The Pew Charitable Trusts found varying fee structures and disclosures for this product. Pew defines general purpose reloadable prepaid cards as those that are widely available to the public, allow customers to load funds via cash and direct deposit, and provide the ability to spend money at unaffiliated merchants and to access funds through ATMs.[1] Whether certain services are free or have a fee is disclosed differently by each general purpose reloadable, or GPR, prepaid card provider and, in some cases, is not disclosed at all.

The present report, "Consumers Continue to Load Up on Prepaid Cards," updates "Loaded with Uncertainty," examining disclosures and fee structures of 66 GPR prepaid cards, looking at new trends in the marketplace since our last report, and detailing what services and protections are afforded consumers who use these cards. This series starts with the research conducted in 2012. Based on the volume of funds loaded onto the cards, the prepaid cards studied initially made up more than 75 percent of the total market. In that report, Pew found:

- The cost of GPR prepaid cards can be less than checking accounts, but these cards come with significant risks to consumers in terms of the protections covering their transactions and the money held on their cards.
- The varying fee structures and disclosures for GPR prepaid cards make comparison shopping difficult.
- Overdraft products are antithetical to the purpose of GPR prepaid cards because the overdraft products do not allow cardholders to control their spending and avoid debt and thus should not be offered.
- The insurance that protects customers by the Federal Deposit Insurance Corp. if a bank fails is not required to apply to funds loaded onto GPR prepaid cards.

In our first report, we also outlined the regulatory structure of GPR prepaid cards, noting that this product does not carry the same consumer protection requirements as checking accounts, despite the similarity in how they can be used.[2] In this report, Pew reexamines the GPR prepaid cards now available and looks at needed improvements to consumer protections.

Overview

General purpose reloadable prepaid cards are a relatively new consumer financial product that is growing in popularity. Consumers load money onto the cards and are not required to undergo a credit check before purchasing them. These cards generally cannot be used to pay for goods and services costing more than the amount loaded onto them, but can be used at ATMs and retail cash registers, and to pay bills online. In short, these cards are a versatile financial tool for the 10 million households in the United States that lack a checking or savings account; that cannot obtain a credit card because of poor credit histories; and that want to supplement checking or credit card accounts with one dedicated to saving or paying for something without the temptation of buying it on credit.

U.S. consumers loaded more than $64 billion onto these cards in 2012, according to the Mercator Advisory Group, up from $56.8 billion in 2011.[3] The increasing popularity of the cards is good news for consumers who want an alternative to traditional checking or credit accounts—particularly because these cards have become more affordable over the past year and, in many cases, offer lower and fewer fees than basic checking accounts.

The bad news, however, is that there are no federal laws or regulations that directly protect consumers from hidden fees, liability for unauthorized transactions, or loss of funds in the event of an issuing institution's failure. Nor are there federal rules requiring these cards to provide disclosures of fees, terms, conditions, or dispute resolution practices. Federal Reserve Board checking account rules that require consumers to affirmatively opt in to overdraft service also do not apply to GPR cards, and there are no rules preventing other credit products such as a line of credit from being attached to prepaid cards. These omissions are troubling because Pew's research shows that most GPR prepaid cardholders do not want overdraft features to be available on their cards.[4] Instead, they want a safe and useful financial tool that helps them maintain financial discipline.

Considering the growing use of these cards as an alternative or complementary product to the traditional checking account, it is important for consumers to be able to keep the funds on their GPR prepaid cards secure and perform transactions without risk of losing money or going into debt. Though our research finds that the providers are competing for business by lowering some fees and are facing pressure from new entrants in the market, including retail banks and established financial services companies, current consumer protection measures clearly lag behind similar products such as debit cards linked to checking accounts.

When Pew first examined GPR prepaid cards in its September 2012 report, the market was dominated by nonbanks such as Green Dot Corp., NetSpend Corp., H&R Block Inc., AccountNow Inc., and UniRush LLC. A year later, the cards with the highest load volumes are not significantly different.[5] Those five largest GPR prepaid card providers now represent about three-fourths of the market, only a small change from 71 percent in 2012. But in 2013, three of the 10 largest prepaid cards are now bank-managed, whereas none was in 2012. Those bank-managed cards still represent a very small part of the overall market, but it is expected that they will continue to gain share if banks invest in the growth of these products. The present study, "Consumers Continue to Load Up on Prepaid Cards," includes cards that are available at any of the 50 largest retail banks, along with cards available from the websites of American Express, MasterCard, and Visa.

Comparing the data from 2012 to 2013, the market has changed in many respects. Outside of the largest providers that make up most of the market, the other cards being offered include many new entrants. In addition, the fee structures of many of these cards are shifting. More cards are charging monthly fees but not charging other transaction-based fees, such as point-of-sale or customer service fees. This fee structure more closely resembles traditional checking accounts than a fee structure in which no monthly fee is charged and cardholders incur fees for various uses of the card. Importantly, though, when Pew compared the median costs of cards using its three model consumers—savvy, basic, and inexperienced—the results for 2013 showed that these cards were slightly cheaper than the cards studied in 2012. Other key findings are:

- GPR prepaid cards that are offered by large banks are particularly economical compared to the nonbank cards.
- GPR prepaid cards generally do not offer consumers the limited liability protection required by federal law for checking accounts, primarily through omissions in the terms provided but sometimes because of blatant shifts of liability onto the cardholder to a greater degree than is allowed for checking accounts.
- Almost all GPR prepaid cards explicitly state that customers' funds are covered by Federal Deposit Insurance Corp., or FDIC, insurance, but some disclose that they are not—with disclosure much clearer in 2013 than it was in 2012.
- Arbitration agreements that require customers to settle any dispute using a private, third-party decision-maker are increasingly part of GPR prepaid cardholder terms.
- When comparing the cost of prepaid cards and checking accounts offered at the same large financial institutions, GPR prepaid cards are often a better value for many consumers.

These findings are largely positive for users of these cards, especially for a newly emerging marketplace. Yet the same benefits offered by checking accounts—protection from hidden fees, liability for unauthorized transactions, and loss of funds in case of a bank failure—should be afforded to GPR prepaid cardholders. To ensure that GPR prepaid cards are a safe financial product, Pew recommends the following policies be mandated by law or regulation:

- GPR prepaid cards should not have overdraft or other automated or linked credit features.
- Prepaid cardholders should be protected against liability for unauthorized transactions that occur either when a card is lost or stolen or a charge is incorrectly applied.
- GPR prepaid cardholders should have access to account information and transaction history.
- GPR prepaid cards should be required to provide information about terms, conditions, and fees in a uniform, concise, and easy-to-read format. This information should be included with the card packaging so that it is accessible prepurchase at retail outlets as well as online.
- Prepaid card funds should be federally insured against loss caused by the failure of an institution.
- Predispute binding arbitration clauses in cardholder agreements, which prevent cardholders from having the choice to challenge unfair and deceptive practices or other legal violations in court, should be prohibited.

The majority of companies issuing GPR prepaid cards that this study examined are currently voluntarily following many of these recommendations. But Pew found at least some of these cards failed to disclose that they adhere to these policies and that all cards that provide account agreements online reserve the right to change their terms and conditions at any time. This report details these and other findings and presents policy prescriptions to ensure that this increasingly popular and accessible form of consumer finance is safe and effective.

GPR prepaid cards

The term "prepaid card" encompasses a wide range of long-standing or familiar products, from flexible spending accounts and gift cards to payroll and government benefits cards, but general purpose reloadable prepaid cards are a relatively new financial product. Pew defines a GPR prepaid card as a product that is generally available to the public, allows customers to load funds via cash and direct deposit, and provides the ability to spend money at unaffiliated merchants and to access funds through ATMs. Most cards have additional features, such as online bill-paying capabilities.

These cards are widely available online or at merchants such as Wal-Mart Stores Inc. and CVS Caremark Corp. and function almost exactly like a bank debit card, except they are not linked to a checking account and generally do not include the ability to write checks or to overdraw the account funds, though one major GPR prepaid card provider, NetSpend Corp., now enables overdraft capabilities on some of its cards.

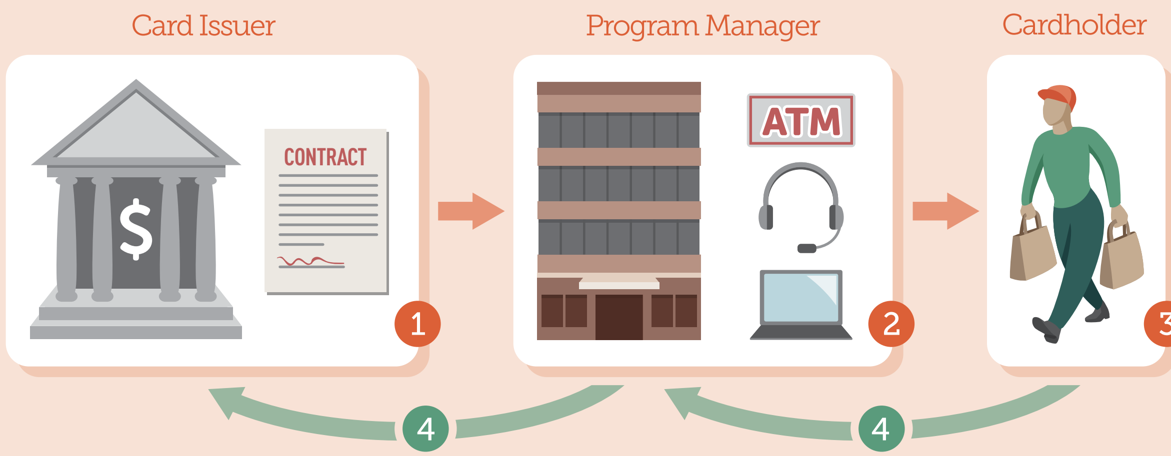
These cards continue to gain popularity and are used by consumers as a direct substitute for, or complement to, a checking account, with an estimated $64.5 billion loaded onto them in 2012.[6] This growth is still dominated by a few nonbank companies, such as Green Dot Corp. and NetSpend Corp. In fact, the five largest program managers, all nonbanks, made up about 76 percent of the total volume of GPR prepaid card loads in 2012. Yet the second half of the top 10 GPR prepaid cards by load volume includes several issued and managed by banks, such as JPMorgan Chase & Co.'s Liquid card. After the top five companies, three of the next five-largest GPR prepaid card program managers are now large banking institutions—JPMorgan Chase, Regions Financial Corp., and BB&T.

These large bank cards make up only about 3 percent of the market, or almost $2 billion in load volume, but they are a new and growing segment of the marketplace with the potential to capture a larger share—given the products they can offer, their size, and bank name recognition—if they choose to aggressively invest in and promote these programs.

Federal consumer protection requirements for GPR prepaid cards are scant to nonexistent. U.S. Department of the Treasury regulations require prepaid cards that receive direct deposits from the federal government to follow the rules for payroll cards as set forth in the Electronic Fund Transfer Act, which require readily available account information, clear disclosure of terms and conditions, and limits on consumers' liability for unauthorized transactions.[7] While significant, these rules on eligibility to accept federal direct deposits do not provide the same straightforward and enforceable consumer protections provided to checking account holders under Electronic Fund Transfer Act regulations.[8] These rules are also voluntary in that a GPR prepaid card company can forgo direct deposits from government sources, thus avoiding compliance.

Prepaid Cards Operated by a Program Manager

The Card Issuer creates and backs the prepaid card while the Program Manager handles marketing and provides customer services



1. The Card Issuer and the Program Manager agree to a contract laying out the terms for which the manager can offer the prepaid card.

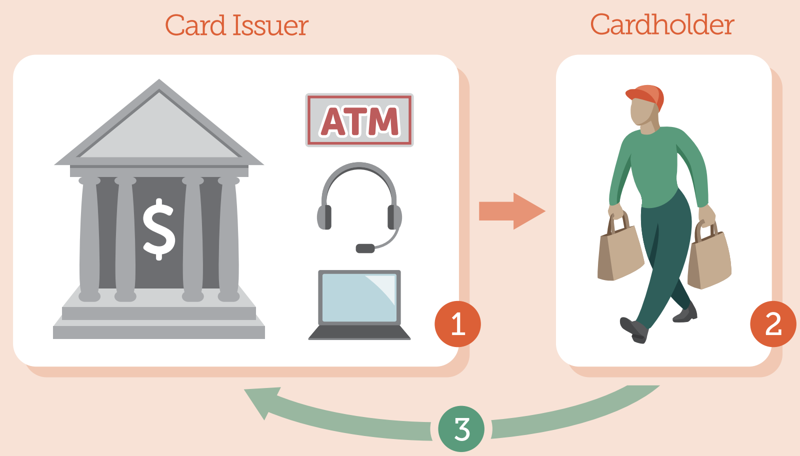
2. The Program Manager handles marketing and provides services to the Cardholder such as ATM access, customer service, and online tools like checking a balance or bill pay.

3. The Cardholder purchases the prepaid card online or at a store and agrees to the Program Manager's terms of service.

4. Loaded Cardholder funds are deposited by the Program Manager into the card-issuing bank, making the Cardholder's funds covered by FDIC "pass-through" insurance.

Prepaid Cards Operated by a Bank

The Card Issuer creates, backs, markets, and provides customer services



1. The Card Issuer handles marketing and provides services to the cardholder such as ATM access, customer service, and online tools like checking a balance.
2. The Cardholder purchases the prepaid card from the Card Issuer online or at the bank and agrees to the terms of service.
3. Loaded Cardholder funds are held at the bank and are FDIC-insured.

Pew's research findings

In collecting the data for this report, Pew looked at all of the available documents and disclosures for general purpose reloadable prepaid cards available online at the websites of American Express, MasterCard, and Visa. Each of these websites includes a list of cards, with links that allow potential customers to view information about the cards and apply for and receive a GPR prepaid card. Pew also examined GPR prepaid cardholder agreements and other available information for the 50 largest retail banks by deposit volume that also offered a GPR prepaid card.[9]

In our inaugural report on the GPR prepaid card market in 2012, "Loaded with Uncertainty: Are Prepaid Cards a Smart Alternative to Checking Accounts?" Pew found varying fee structures and disclosures for this product.[10] Whether certain services are free or cost a particular fee was disclosed differently by each card provider and, in some cases, not disclosed at all. In this report, we examine disclosures and fee structures of 66 GPR prepaid cards, look at trends in the marketplace, and outline what services and protections are afforded to consumers. Pew included cards offered by large banks in its 2013 collection of data.[11] This addition, still based on cards that are readily available in the market, has widened the offerings that are included in Pew's research.

Aside from the 10 cards issued and managed by large banks, the nonbank-managed cards included in our 2013 study were selected using virtually the same methodology as 2012. Disclosures from 20 of the 56 nonbank GPR prepaid cards in this report were not available on the websites of Visa, MasterCard or American Express during the previous data collection. Many of the prepaid card program managers that offered GPR prepaid cards during the last collection of data have added to, changed, or eliminated some of their available options. (See Appendix 1 for a full listing of prepaid cards in Pew's 2012 and 2013 data collections.) The large number of new GPR prepaid card offerings reflects a young market that is evolving and growing rapidly.

Most of the disclosure information Pew collected for this report was also collected in 2012. For each of the fees and terms listed below, the medians and ranges for 2013 are listed and if the information was also collected in 2012, a comparison to those data is also included. (See Appendix 2 for a complete explanation of the methodology.)

Disclosures

Findings overview

Disclosure documents lack uniformity. Some cards disclose all information in one lengthy account agreement, and others include a separate fee schedule. Some cards also include important fee information only in other documents on their websites, such as a page with Frequently Asked Questions. A variety of styles are used to disclose information, though most cards disclose fees using a table or box. Many cards disclose fees and services that are available without a fee, but others do not. For almost every fee, service, or consumer protection, there is at least one prepaid card that fails to disclose it.

There are no federal laws or regulations covering the disclosure of GPR prepaid card fees or other important terms and conditions. The reasons for lack of disclosure are not apparent, but they probably fall into three categories. First, a fee or term could be missing because it does not apply to the card. If a card does not offer an online bill-pay feature, for example, then it would follow that the card did not mention or disclose a fee for it. The second possibility is that the service is provided without a fee. Services offered by prepaid cards often carry fees, but many cards explicitly state that certain services are free. When a card offers a service but does not disclose whether there is a fee, it could mean that no fee is charged. The third possibility is most harmful to consumers—that there is a fee applicable to a card but it is not disclosed. A fee, however, that is charged without being disclosed could be subject to legal action based on state consumer protection or other laws.

Monthly fees

Findings overview

The range and median for monthly fees remain essentially unchanged from Pew's previous research, but a higher percentage of cards are now disclosing a monthly fee.

52 of 66 cards (79%)	**13 of 66 cards (20%)**	**1 of 66 cards (2%)**
Disclose a monthly fee **range: $1.75-$14.95** **median: $5.95**	**Disclose a monthly fee as free**	**Do not disclose a monthly fee**
38 cards (58%) disclose that the monthly fee could not be waived **14 cards (21%) disclose that the monthly fee can be waived** 11 cards disclose that they require a median of $1,000 to be loaded onto the card to waive the monthly fee, and 3 cards disclose that they require direct deposit to waive the monthly fee		

Of the 66 cards studied, 52 disclose a monthly fee and 14 allowed the monthly fee to be waived if a specific amount was loaded onto the card each month. This means 28 of the 66 cards can be held and used without a monthly charge. For cards that disclose a monthly fee the range is $1.75 to $14.95, and the median is $5.95. These numbers are essentially unchanged from the 2012 report. Specifically:

- 2 percent of GPR prepaid card agreements do not disclose any information about the existence or nonexistence of a monthly fee (one card).
- 20 percent of GPR prepaid card agreements disclose that they do not have a monthly fee (13 cards).
- 21 percent of GPR prepaid card agreements disclose at least one way to avoid the monthly fee (14 cards).
- 58 percent of GPR prepaid card agreements disclose that they charge a monthly fee that cannot be waived (38 cards).

In contrast to 2012, fewer cards do not disclose a monthly fee or disclose it as free (21 percent vs. 29 percent in 2012), and the same percentage disclose ways to avoid the fee (21 percent in 2012 and 2013).

The criteria for eliminating the monthly fee varies, but most require cardholders to load a certain amount to avoid the charge. Three of these cards require the funds to be loaded via direct deposit. The range for the required amount to be loaded onto these cards per month to prevent a monthly fee is $250 to $2,500, and the median is

$1,000. For the 38 cards with unavoidable monthly fees, the range for the lowest possible monthly fee is $1.75 to $14.95, and the median is $5.48.

Inactivity fees

Findings overview

Disclosed inactivity fees have not changed significantly from the data collected in 2012, except that the median fee has decreased and the time frames that trigger an inactivity fee are shorter.

14 of 66 cards (21%)	6 of 66 cards (9%)	46 of 66 cards (70%)
Disclose an inactivity fee range: $1.95-$5.95 median: $3.45 range before fee incurred: 45 to 365 days median: 90 days	**Disclose an inactivity fee as free**	**Do not disclose an inactivity fee**

Twenty of the 66 cards (30 percent) disclose information on an inactivity fee that is charged if a card is not used for a specified period of time. Six cards (9 percent) disclose no fee is charged. The fee for the 14 cards that charge an inactivity fee ranges from $1.95 to $5.95 with a median of $3.45. The period of inactivity that triggers a fee ranges from 45 days to 365 days, and the median is 90 days. These numbers are the same as they were in 2012, except for the median fee, which has fallen from $4.98, and the shortest and longest time frames that trigger an inactivity fee, which were previously 60 and 395 days, respectively.

Overdrafts

Findings overview

In the latest data collection, the percentage of cards disclosing the availability of overdraft service for a fee has decreased from those that were charging such fees in Pew's last report. Since Pew's first data collection, fees for overdrafts have been standardized considerably.

5 of 66 cards (8%)	53 of 66 cards (80%)	8 of 66 cards (12%)
Disclose an overdraft penalty fee All disclose a fee of $15 per overdraft	**Disclose that cardholders can only spend what is loaded on their cards and list an overdraft penalty as free or provide no information**	**Do not disclose an overdraft penalty fee**
4 cards (6%) disclose that they limit the number of fees to 3 per month 1 card (2%) does not disclose a limit		

Most recently, Pew finds that five out of 66 cards (8 percent) disclose an overdraft penalty fee, all charging $15 per overdraft. Previously, five of 52 cards (10 percent) were found to charge a fee.[12] In the earlier study, charges ranged from $9.95 to $30 for these five cards, and the median charge was $15.

Four of the five cards that offer overdraft limit the number of fees to three per month and have a minimum amount needed to trigger an overdraft. The other does not disclose a limit. Fifty-three cards include language specifying that cardholders can spend only what is loaded on their cards and list a fee of zero or provide no fee information for "overdraft," "negative balance," or "shortage." But one card discloses on its website that the cardholder cannot overdraw, but that is contradicted by disclosing a $15 overdraft fee in its cardholder agreement. A further eight cards (12 percent) do not provide any information on whether overdraft service is allowed or if a fee is associated with it.

Deposits

Findings overview

Almost one-third of cards do not provide any fee information on loading money using a third-party provider such as a Green Dot MoneyPak or MoneyGram.

3 of 66 cards (5%)	58 of 66 cards (88%)	5 of 66 cards (8%)
Disclose a direct deposit fee	**Disclose direct deposit as free**	**Do not disclose a direct deposit fee**
2 cards (3%) disclose a fee of $2 1 card (2%) discloses a fee of 1.5%, up to $50		

46 of 66 cards (70%)	0 of 66 cards (0%)	20 of 66 cards (30%)
Disclose a 3rd-party cash load fee may apply **range for lowest possible 3rd-party fee: $2.95-$4.95** **median: $4.95**	**Disclose a 3rd-party cash load fee as free**	**Do not disclose a 3rd- party cash load fee**
13 cards (20%) disclose the cost for loading at a 3rd-party facility 33 cards (50%) disclose that they offer the service but not its cost	11 cards (17%) disclose the existence of proprietary or affiliated loading facilities 6 of these cards (9%) disclose that loading at these locations is free	

Pew limited this research to cards that offer direct deposit. Fifty-eight cards (88 percent) disclose that it is a free service, and three cards (5 percent) disclose a fee for it. Five cards (8 percent) provide no information about direct deposit fees. Pew's previous survey identified 48 out of 52 cards (92 percent) that offered loading by direct deposit, including 39 cards (75 percent) of which disclosed the service was free, one (2 percent) of which disclosed a fee for the service, and eight (15 percent) of which did not disclose a fee.[13] Since the previous report, the median direct deposit fee decreased by 50 cents. But the card now with the most expensive fee, charging up to $50 per load, is new and has a much higher fee than any in the previous report.

Forty-six cards (70 percent) disclose some details about the fees charged for using a third-party facility, such as a Green Dot MoneyPak, to load money. Of these, five cards (8 percent) disclose that a fee may be charged by the program manager if a cardholder loads cash onto the card at a third-party facility. Of the 66 cards examined, 11 (17 percent) disclose the existence of proprietary or affiliated loading facilities where cash (and in some cases funds from other sources, such as checks) can be loaded onto cards. Six cards (9 percent) provide free loading of funds by this means.

Two cards disclose a direct deposit fee of $2 per transaction, and one discloses a fee equal to 1.5 percent of the direct deposit amount, up to $50. Of the 46 cards which disclose that a third party may charge a fee, 13 include the amount. But because this charge is levied by a third party, the program manager is unlikely to be able to provide this information with certainty. The range for the lower end of these fees is $2.95 to $4.95, and the median is $4.95. Other types of loads mentioned in cardholder agreements include various types of electronic transfers, such as PayPal or Automated Clearing House transactions, wire transfers, and debit or credit card transfers; as well as loading from paper checks, including remote deposit capture.

Spending

Findings overview

The percentage of cards that disclose a fee for point-of-sale, or POS, signature transactions and personal identification number, or PIN, transactions has declined. In addition, a lower percentage of cards are charging point-of-sale decline fees, and the median for this fee has also declined.

10 of 66 cards (15%)	44 of 66 cards (67%)	12 of 66 cards (18%)
Disclose a POS signature transaction fee range: 95 cents-$1 median: $1	**Disclose a POS signature transaction as free**	**Do not disclose a POS signature transaction fee**

18 of 66 cards (27%)	36 of 66 cards (55%)	12 of 66 cards (18%)
Disclose a PIN transaction fee range: 95 cents-$2 median: $1	**Disclose a PIN transaction as free**	**Do not disclose a PIN transaction fee**

8 of 66 cards (12%)	11 of 66 cards (17%)	47 of 66 cards (71%)
Disclose a POS transaction decline fee range: 45 cents-$1.95 median: 50 cents	**Disclose a POS transaction decline fee as free**	**Do not disclose a POS transaction decline fee**

POS signature and PIN fees are charged by some cards when customers make a purchase either by signing their name or entering their personal identification number.

In our 2013 analysis, 54 of 66 cards (82 percent) disclose the cost of POS signature and PIN transactions. Furthermore, 44 cards (67 percent) and 36 cards (55 percent) disclose that there were no fees for POS signature and PIN transactions, respectively. Conversely, 10 cards (15 percent) disclose a fee for POS signature transactions, while 18 cards (27 percent) disclose fees for PIN transactions.

The price range for the 18 cards that charge a fee for PIN transactions is 95 cents to $2, and the median is $1. The range for the 10 cards that charge a fee for signature transactions is 95 cents to $1, and the median is $1.

Nineteen cards (29 percent) disclose fee information for a POS transaction that is declined, 11 of which (17 percent of the total) disclose that there is no fee for this. For the nine cards (14 percent) that charge a fee when a POS transaction is declined due to insufficient funds, the range is 45 cents to $1.95, and the median is 50 cents.

Pew, in its first study, found that 10 cards (19 percent) charged a POS signature transaction fee, and 15 cards (29 percent) charged for PIN transactions. That study also found nine cards (17 percent) charging a POS decline fee ranging from 45 cents to $5, with a median charge of $1.95.

Bill pay

Findings overview

The percentage of cards disclosing that they offer at least some free bill-pay features has increased, while the percentage of cards disclosing bill-pay fees and the median cost have decreased.

8 of 66 cards (12%)	38 of 66 cards (58%)	20 of 66 cards (30%)
Disclose the fee for bill pay via Automated Clearing House range: 25 cents-$3 median: $1	**Disclose the fee for bill pay via Automated Clearing House as free**	**Do not disclose the fee for bill pay via Automated Clearing House**

8 of 66 cards (12%)	19 of 66 cards (29%)	39 of 66 cards (59%)
Disclose the fee for bill pay via paper check range: 95 cents-$2.50 median: $1	**Disclose the fee for bill pay via paper check as free**	**Do not disclose the fee for bill pay via paper check**

Bill-pay options are services that allow a customer to log in to a website and use an application to pay a third party with funds from the GPR prepaid card. The bill is paid with an electronic Automated Clearing House transaction to the payee, or a physical check is created and sent by mail to the payee.[14]

In this study, Pew finds that:

- 46 of 66 cards (70 percent) disclose the cost of bill pay via Automated Clearing House on a per-transaction basis.

- 38 cards (58 percent) disclose at least one free Automated Clearing House bill pay option.
- 27 cards (41 percent) disclose the cost for paper check bill pay.
- 19 cards (29 percent) disclose that they offer at least one free paper check option.

For the 11 cards (17 percent) that charge a fee for bill pay by check or Automated Clearing House, the range for the lowest cost option is 25 cents to $3 per transaction, and the median is $1. In the earlier study, 25 of 52 cards (48 percent) disclosed free bill pay, while 10 cards (19 percent) charged a fee, with a median of 98 cents.

Withdrawals

Findings overview

More cards are disclosing the fee information for ATM withdrawals. The share of cards disclosing fees for in-network ATM withdrawals has declined, as have in-network and out-of-network ATM withdrawal fees. Fewer cards, by percentage, are charging an ATM decline fee.

65 of 66 cards (98%)	1 of 66 cards (2%)	0 of 66 cards (0%)
Disclose an out-of-network ATM withdrawal fee **range: $1-$3** **median: $2**	**Disclose an out-of-network ATM withdrawal fee as free**	**Do not disclose an out-of-network ATM withdrawal fee**
5 cards (8%) disclose that they offer at least 1 free out-of-network ATM withdrawal per month 60 cards (91%) disclose that they charge for all out-of-network ATM withdrawals		

13 of 66 cards (20%)	15 of 66 cards (23%)	38 of 66 cards (58%)
Disclose an in-network ATM withdrawal fee **range: $1-$2.50** **median: $2**	**Disclose an in-network ATM withdrawal fee as free**	**Do not disclose an in-network ATM withdrawal fee**
2 cards (3%) disclose that they offer free in-network withdrawals with direct deposit 2 cards (3%) disclose that they offer at least 1 free in-network withdrawal per month 9 cards (14%) disclose that they charge for all in-network withdrawals		

29 of 66 cards (44%)	5 of 66 cards (8%)	32 of 66 cards (48%)
Disclose an ATM transaction decline fee **range: 40 cents-$2** **median: $1**	**Disclose an ATM transaction decline fee as free**	**Do not disclose an ATM transaction decline fee**
4 cards (6%) disclose that some decline fees may be waived 25 cards (38%) disclose that they charge for all declined ATM transactions		

Disclosure of fees for in-network ATM withdrawals has declined by 16 percent. In addition, the median disclosed fees for in-network and out-of-network ATM withdrawals have decreased from $2.25 to $2. The percentage of cards charging an ATM decline fee has decreased as well, falling from 56 percent to 44 percent.

All 66 cards (100 percent) disclose fee information for out-of-network ATM withdrawals:[15]

- 65 cards (98 percent) disclose that they charge a fee, though five cards (8 percent) offer at least one free ATM withdrawal a month.
- 1 card (2 percent) discloses that it never charges an ATM fee.

Twenty-eight cards (42 percent) disclose fees at in-network ATMs.[16] Of those offering in-network ATM withdrawals:

- 13 cards (20 percent) disclose they charge a fee, though two offer at least one free in-network withdrawal per month, and two others disclose that they offer free withdrawals with direct deposit.
- 15 cards (23 percent) disclose they never charge an ATM fee.

The range for the 13 cards that have in-network ATM transaction fees is $1 to $2.50, with a median of $2, while the range for the 65 cards that disclose out-of-network ATM transaction fees is $1 to $3, and the median is $2.

For all cards, 34 (52 percent) disclose fee information for an ATM transaction that is declined, 29 cards (44 percent) charge a fee, while eight cards (12 percent) disclose that there was either no fee or at least one way to avoid this fee. In addition, one card (2 percent) discloses that in-network ATM declines are free, but charge a fee for out-of-network ATM declines. The range for the 29 cards that charge a fee for an ATM transaction that is declined, presumably for lack of funds, is 40 cents to $2, and the median is $1.

While the number of cards providing ATM fee disclosure increased, up from 96 percent in the previous report, the number disclosing in-network ATM fees has declined by 16 percentage points.[17] Previously, in 2012, 30 of the 52 cards (58 percent) offered in-network ATMs and included fee information for these transactions.

Balance inquiries

Findings overview

While most cards disclose a fee for out-of-network ATM balance inquiries, less than one-third do the same for in-network ATM balance inquiries.

50 of 66 cards (76%)	7 of 66 cards (11%)	9 of 66 cards (14%)
Disclose an out-of-network ATM balance inquiry fee range: 33 cents-$2.50 median: 85 cents	**Disclose an out-of-network ATM balance inquiry fee as free**	**Do not disclose an out-of-network ATM balance inquiry fee**
2 cards (3%) disclose some free out-of-network ATM balance inquiries 48 cards (73%) disclose a fee for all out-of-network ATM balance inquiries		

10 of 66 cards (15%)	11 of 66 cards (17%)	45 of 66 cards (68%)
Disclose an in-network ATM balance inquiry fee range: 50 cents-$1 median: 95 cents	**Disclose an in-network ATM balance inquiry fee as free**	**Do not disclose an in-network ATM balance inquiry fee**
1 card (2%) discloses some free in-network ATM balance inquiries 9 cards (14%) disclose a fee for all in-network ATM balance inquiries		

Fifty-seven of the 66 cards (86 percent) disclose fee information for ATM out-of-network balance inquiries:

- 50 cards (76 percent) disclose that they charge a fee. But one of these cards (2 percent) offers one free inquiry a month, and another card (2 percent) discloses one free inquiry within 30 days of a direct deposit.
- 7 cards (11 percent) disclose that they never charge a balance inquiry fee.

Twenty-one cards (32 percent) disclose balance inquiry fees at in-network ATMs:

- 10 cards (15 percent) disclose that they charge a fee, but one of these cards (2 percent) offers one free inquiry within 30 days of a direct deposit.
- 11 cards (17 percent) disclose that they never charge a fee.

The range for in-network ATM balance inquiries is 50 cents to $1, and the median for cards charging this fee is 95 cents. For out-of-network ATM balance inquiries, fees range from 33 cents to $2.50, and the median is 85 cents.

Card purchase

Findings overview

The frequency and amount of fees charged for purchasing a GPR prepaid card have changed only slightly between 2012 and 2013.

35 of 66 cards (53%)	24 of 66 cards (36%)	7 of 66 cards (11%)
Disclose a card acquisition fee range: 95 cents-$9.99 median: $8.73	**Disclose a card acquisition fee as free**	**Do not disclose a card acquisition fee**

Fifty-nine out of 66 cards (89 percent) disclose the cost of acquiring the card, including 24 (36 percent) that disclose that the card is free to acquire. A further nine cards (14 percent) can be acquired for free online or in conjunction with a service, such as a checking account, from the issuing bank.

Of the 26 cards that always charge a fee for acquisition, the range for the lowest cost option is 95 cents to $9.99, and the median is $8.73.

In 2013, a smaller percentage of cards are free to acquire (36 percent vs. 38 percent in 2012). The range and median fees are essentially unchanged from the previous examination.

Customer service

Findings overview

Most cards disclose fee information for live and automated customer service calls, although the number of cards charging these fees has decreased.

26 of 66 cards (39%)	33 of 66 cards (50%)	7 of 66 cards (11%)
Disclose a live customer service call fee range: 50 cents-$3.99 median: $1.98	**Disclose a live customer service call fee as free**	**Do not disclose a live customer service call fee**
14 cards (21%) disclose that some live customer service calls are free 12 cards (18%) disclose that a fee is always charged for all live customer service calls		

14 of 66 cards (21%)	26 of 66 cards (39%)	26 of 66 cards (39%)
Disclose an automated customer service call fee range: 25 cents-99 cents median: 50 cents	**Disclose an automated customer service call fee as free**	**Do not disclose an automated customer service call fee**
6 cards (9%) disclose that they offer some free automated customer service calls 8 cards (12%) disclose a fee for all automated customer service calls		

Fifty-nine cards (89 percent) disclose fee information about live customer service:

- 26 cards (39 percent) disclose that they charge a fee. Of these, 13 cards (20 percent) disclose that they offer at least one free call per month, and one card (2 percent) discloses free calls for customers with regular direct deposits.
- 33 cards (50 percent) disclose that live customer service is always free.

Forty cards (61 percent) disclose information about automated or integrated voice-recognition calls:[18]

- 14 cards (21 percent) disclose that they charge a fee. Of these, 6 cards (9 percent) disclose that they offer at least one free automated call per month, but eight cards (12 percent) appear to charge fees for every integrated voice-recognition call.
- 26 cards (39 percent) disclose that they never charge a fee for this service.

For the 26 cards that disclose that they charge for live customer service calls, the range is 50 cents to $3.99, and the median is $1.98.

- 13 cards disclose that they provide at least one call free of charge.
- 2 cards disclose that they provide calls for free with direct deposit.
- 1 card discloses that it does not charge a fee during normal business hours.
- 1 card discloses that it applies the fee only for balance inquiries (the same card that charges only for live call balance inquiries).
- 1 card discloses that it does not charge a fee to report a lost card or unauthorized transactions.

Of the 14 cards that disclose that they charge for the use of automated or integrated voice-recognition phone systems, the fee ranges from 25 cents to 99 cents, and the median is 50 cents. Six of these cards provide at least one no-cost call per month, and one applies the fee only for balance inquiries, not for other customer service calls.

The number of cards disclosing live service call fee information increased since the previous survey (89 vs. 81 percent), while the number of cards charging a fee decreased (39 vs. 60 percent). For automated or integrated voice-recognition calls, the number of cards disclosing fee information, as well as those charging a fee, has decreased from the 2012 survey (61 vs. 79 percent and 21 vs. 38 percent, respectively).

The minimum and maximum charges by the cards for customer service calls are virtually unchanged from the previous survey. The median fee for automated or integrated voice-recognition calls is unchanged, but the median fee for live customer service has increased from $1.25 to $1.98.

Text and email alerts

Findings overview

Almost three-quarters of the cards studied offer text alerts, and more than half offer email alerts regarding account balances and transactions.

2 of 66 cards (3%)	41 of 66 cards (62%)	23 of 66 cards (35%)
Disclose a text alert fee	Disclose a text alert fee as free	Do not disclose a text alert fee

1 of 66 cards (2%)	26 of 66 cards (39%)	39 of 66 cards (59%)
Disclose an email alert fee	Disclose an email alert fee as free	Do not disclose an email alert fee

Prepaid card companies can send text and email alerts to their consumers to warn them when the balance on their card is low. Forty-nine cards (74 percent) disclose that they offer text alerts and 37 (56 percent) disclose that they offer email alerts regarding account balances and transactions.

Forty-one (62 percent) and 26 (39 percent) cards disclose that there is no fee charged for text alerts and email alerts, respectively. Only two cards offering email or text alerts charge for the service. One charges 15 cents after 100 texts during a month, and another charges 10 cents after four texts during a month and 10 cents after four emails during a month.

Replacement of lost or stolen cards

Findings overview

Fewer cards, by percentage, charge fees for replacement cards, and the median fee charged is lower in 2013 than it was in 2012.

51 of 66 cards (77%)	7 of 66 cards (11%)	8 of 66 cards (12%)
Disclose a lost or stolen replacement card fee range: $3-$15 median: $5.95	Disclose a lost or stolen replacement card fee as free	Do not disclose a lost or stolen replacement card fee
5 cards (8%) disclose that they offer 1 free replacement card per year 46 cards (70%) disclose that a fee applies for all replacement cards		

Fifty-eight cards (88 percent) disclose fee information for replacing a lost or stolen card. Of those disclosing a replacement card fee, 51 (77 percent of total) disclose a fee and seven (11 percent of total) disclose that the service is always free. Five cards (8 percent of total) offer one free replacement per year. The fee for the 51 cards that disclose a replacement fee ranges from $3 to $15, with a median charge of $5.95.

More cards disclose card replacement fee information in 2013 (88 vs. 85 percent), but fewer charge for replacements (77 vs. 81 percent). The highest fee charged has increased since 2012 ($15 vs. $10), but the median fee has fallen from $9.95 to $5.95.

Deposit insurance

Findings overview

More cards disclose FDIC insurance coverage in 2013 than did in 2012, and the disclosures are more prominent.

63 of 66 cards (95%)	2 out of 66 cards (3%)	1 out of 66 cards (2%)
Disclose that funds were FDIC-insured	Disclose that funds were not FDIC-insured	Do not disclose whether funds were FDIC-insured or not

By law, every holder of a U.S. bank account is insured for losses through the FDIC for up to $250,000 should the bank fail. But this law applies imperfectly to funds loaded onto GPR prepaid cards. Most card funds are likely covered by FDIC "pass-through" insurance, which protects each individual covered for losses up to $250,000 should the bank holding the funds fail, so long as the bank or program manager has kept records in the manner required by the FDIC. But there is no mandate that these funds be federally insured, and there is no way for consumers to know if their funds are actually fully protected.[19]

Sixty-three of 66 cards (95 percent) explicitly state that a cardholder's funds are insured by the FDIC. Two cards (3 percent) disclose that funds are not insured by the FDIC. One card (2 percent) does not disclose whether it has FDIC insurance coverage. Forty-six cards (70 percent) provide this information in the cardholder agreement or fee schedule.

The number of cards expressly stating they have FDIC deposit insurance has increased since the last report (95 vs. 77 percent). Previously, 6 percent disclosed a lack of coverage vs. 3 percent during this collection.

Paper statements

Findings overview

More than three-quarters of cards include fee information for paper statements in their disclosures, and two-thirds charge a fee for these statements.

45 of 66 cards (68%)	7 of 66 cards (11%)	14 of 66 cards (21%)
Disclose a paper statement fee range: 99 cents-$10 median: $2.95	Disclose a paper statement fee as free	Do not disclose a paper statement fee

Fifty-two of 66 cards (79 percent) disclose fee information for paper statements, including 45 cards (68 percent) that charge a fee and seven cards (11 percent) disclosing that paper statements are available for free. Some companies allow customers to sign up to receive regular monthly statements, while others require a request for each statement. For the 45 cards charging fees for paper statements, the range is 99 cents to $10, with a median of $2.95. Sixty-five of the cards (98 percent) disclose that they provide transaction information online free of charge.

Liability for unauthorized transactions

Findings overview

Almost all cards provide at least some information about limitations of liability for unauthorized transactions. But only two-fifths include all of the protections required by law for debit cards tied to checking accounts.

Checking accounts are required by the Electronic Fund Transfer Act to limit account holders' liability for unauthorized transactions. Banks are also required to provide written periodic statements (unless the consumer has opted to receive only electronic statements) to facilitate this protection. Payroll cards, which are like GPR prepaid cards except they are provided by an employer, must adhere to most of these rules. But GPR prepaid cards are not required to extend this protection to cardholders, though many do so voluntarily through the terms in their account agreement.

Of the 66 cards studied, all but two provide information about cardholders' liability for unauthorized transactions on their websites. This includes liability for lost or stolen cards or PINs as well as protection against fraudulent transactions or other errors posted onto consumers' accounts. All of these cards provide at least some protection to consumers. Of the cards that disclose policies for unauthorized transactions, 25 (38 percent) include terms that cover limits on liability as well as extensions of time limits for good cause. These 25 cards follow the error-resolution policies required for checking accounts for fraudulent transactions if a consumer gives notice within 60 days of receiving a statement or allow claims of unauthorized transactions within 120 days of the transaction as is allowed under the Electronic Fund Transfer Act regulations for payroll cards.[20]

The other cards all fail in at least one respect to provide by contract what is guaranteed by law to checking account holders, and without language in the contract promising those protections, the consumer must rely on the cards' discretion. The terms, required by the Electronic Fund Transfer Act, that are not disclosed include:

- The lack of mandatory extensions of time frames to submit claims for good cause, such as a long trip or hospital stay, is the most frequent omission, with only 31 of 66 cards (47 percent) disclosing this safeguard.
- 5 cards (8 percent) do not explicitly limit liability for lost or stolen cards that are reported within two days.
- 4 cards (6 percent) do not disclose either that a customer has to be provided a transaction history (i.e., a written statement) before the 60-day window to dispute fraudulent transactions or errors begins; or that consumers have 120 days for disputes and also have means to access their accounts, including electronically and by telephone.
- 1 card (2 percent) provides no protection for PIN transactions.
- 1 card (2 percent) does not allow claims for transaction errors (this company provides protection only against unauthorized transactions resulting from a lost or stolen card).

Dispute resolution

Findings overview

More cards require consumers to take a dispute to arbitration in 2013 than did in 2012.

Arbitration agreements allow companies to mandate that any dispute be resolved through a nonjudicial third-party process. These agreements frequently also include provisions that limit the rights of the participants, including the right to bring a class action lawsuit, rights to a jury trial, and rights of appeal.

Of the 66 cards studied, 51 (77 percent) have clauses that require cardholders to submit to mandatory binding arbitration. Forty-one of the 51 agreements (80 percent) have exceptions for consumers who wish to bring actions in small claims court. Fifty of the 66 cards (76 percent) disclose a class action waiver preventing a cardholder from participating in a class action against the card. Eight of the 51 cards (16 percent) disclose that cardholders can opt out of arbitration if the card company is notified in writing within 60 days of activation of the card or receipt of the agreement.

When researching our 2012 report, Pew collected information on binding arbitration clauses but did not publish that data. That year, Pew found 34 card agreements (65 percent) contained mandatory binding arbitration clauses.

Changes in terms

Findings overview

Almost all of the card disclosures include language allowing for changes in the terms and conditions. More than half disclose that notice must be provided for these changes to take effect.

All cards that disclose their account agreements online (64 cards, 97 percent) disclose that the contract terms can be changed at any time. Forty-one cards (62 percent) disclose that a notice is necessary for terms to change, and the remaining 23 cards (35 percent) disclose that terms can change without notice.

Big banks offering GPR prepaid cards

Since the data collection for Pew's 2012 report on GPR prepaid cards, a number of big banks have entered this market. As part of the data collection for this report, Pew examines the disclosures from all GPR prepaid cards offered by the 50 largest banks measured by size of domestic deposit volume. At the time of the data collection, 10 of these large banks offered prepaid cards.

Big banks offering prepaid cards

BB&T	JPMorgan Chase	Fifth Third Bank	PNC Bank	U.S. Bank
BBVA Compass	Commerce Bank	OneWest Bank	Regions Bank	Wells Fargo

Pew collected disclosures for these GPR prepaid cards that had information available on the banks' websites. We also collected information for the basic checking accounts offered at each of these banks for the purpose of comparing those accounts to the GPR prepaid cards offered by each bank.

This data collection is in addition to the cards offered online at the websites of American Express, MasterCard, and Visa, the major payment networks that provide a list of available GPR prepaid cards on their websites.

Disclosure

Findings overview

All of the banks studied post the fee schedules and account agreements for their prepaid card offerings online, and most do so for their most basic checking account.

All 10 of the GPR prepaid cards offered by the big banks provide cardholder agreements and fee schedules on their websites. BBVA Compass Bank, however, did not provide its account agreement for its basic checking account online, nor did it mail the document when requested by Pew staff. For purposes of this study, this omission affects only our look at dispute resolution, as all other relevant data were available in additional documents on BBVA Compass Bank's website.

Opening an account and acquiring a card

Findings overview

Bank prepaid cards tend to charge a fee to acquire, but few require an initial load. In contrast, no banks charge a fee to open a checking account, but all include minimum initial deposits.

Bank Prepaid Cards

5 of 10 bank prepaid cards	2 of 10 bank prepaid cards	3 of 10 bank prepaid cards
Disclose a card acquisition fee **range: $3-$5.95** **median: $4**	**Disclose a card acquisition fee as free**	**Do not disclose a card acquisition fee**
	1 of these cards discloses a minimum initial load of $25	1 of these cards discloses a minimum initial load of $25

Checking Accounts

0 of 10 checking accounts	0 of 10 checking accounts	10 of 10 checking accounts
Disclose an account opening fee	**Disclose an account opening fee as free**	**Do not disclose an account opening fee**
		This fee has not historically been charged by banks 10 checking accounts disclose requiring a minimum initial deposit range: $25-$100 median: $50

Basic checking accounts generally require a minimum deposit of up to $100, while prepaid cards require a fee for setup, with the median charge being $4.

The processes for acquiring a GPR prepaid card or a checking account are different, as are the requirements. Checking accounts generally require a rather extensive application process. In contrast, many GPR prepaid cards are advertised as "no credit check needed" and have less stringent requirements. Many nonbank GPR prepaid cards can initially be bought at a drugstore or supermarket, although identification is required to add more than a small amount of funds to the card. Some banks that offer GPR prepaid cards require that the customer visit a branch and fill out an application in order to obtain a card.

For the 10 banks that offer prepaid cards, five require the consumer to pay a fee for acquiring it, ranging from $3 to $5.95, with a median of $4. Only two cards require an initial load, both dictating $25 deposits. This is different from checking accounts, which traditionally do not require a fee to open one, as is the case for the 10 accounts Pew studied. All 10 banks, however, require minimum initial deposits for checking accounts, ranging from $25 to $100, with a median value of $50.

Monthly fees

Findings overview

Almost all checking accounts and prepaid cards have monthly fees. These fees are generally higher for checking accounts but can also be waived by maintaining a certain balance or monthly deposit amount. Most monthly fees on GPR prepaid cards cannot be avoided.

Bank Prepaid Cards

9 of 10 bank prepaid cards	0 of 10 bank prepaid cards	1 of 10 bank prepaid cards
Disclose a monthly fee **range: $3-$7** **median: $4.95**	**Disclose a monthly fee as free**	**Do not disclose a monthly fee**
4 bank prepaid cards disclose ways to reduce or waive monthly fees under certain conditions 5 bank prepaid cards disclose that they do not offer ways to reduce the monthly fee		

Checking Accounts

8 of 10 checking accounts	2 of 10 checking accounts	0 of 10 checking accounts
Disclose a monthly fee **range: $5-$12** **median: $9.50**	**Disclose a monthly fee as free**	**Do not disclose a monthly fee**
8 checking accounts disclose that the monthly fee could be waived with a minimum balance or monthly direct deposit	1 of these checking accounts charges a monthly fee only if customer chooses to receive a paper statement or if the account is inactive for 60 days	

The structure of monthly fees varies between GPR prepaid cards and checking accounts at the 10 banks we studied. Checking accounts generally have a monthly fee with one or more ways of reducing or eliminating it. Prepaid cards sometimes, but not as frequently, follow this structure.

For prepaid cards, the monthly fee for the nine cards that disclose a fee amount ranges from $3 to $7, with a median of $4.95. Four cards offer ways of reducing the fee. One card does not charge the fee if the customer also has a checking account at the bank. One card waives the fee with a minimum monthly direct deposit of $500. Two other cards reduce their fees with minimum monthly deposits of $500 and $1,000, respectively.

For checking accounts, eight charge a monthly fee that ranges from $5 to $12, with a median of $9.50. Two of the checking accounts disclose that they do not charge a monthly fee. Of the eight checking accounts that charge a monthly fee, all offer at least one way of waiving it. One of the free accounts charges a monthly fee only if a customer chooses to receive a paper statement or if the account is inactive for 60 days. The eight other accounts charging a monthly fee all waive it with a minimum balance. Two accounts require $1,000 and six accounts require $1,500 to waive the fee. Six of these accounts also waive the monthly fee with a minimum monthly direct deposit ranging from $100 to $1,000, with a median amount of $500. Three accounts also reduce the monthly fee by $2 if the customer chooses to forgo paper statements.

ATM fees

Findings overview

For checking accounts and prepaid cards, most banks charge for out-of-network ATM withdrawals, while cash from in-network ATMs is free.

Bank Prepaid Cards

10 of 10 bank prepaid cards	0 of 10 bank prepaid cards	0 of 10 bank prepaid cards
Disclose an out-of-network ATM withdrawal fee range: $2-$3 median: $2.50	Disclose an out-of-network ATM withdrawal fee as free	Do not disclose an out-of-network ATM withdrawal fee

2 of 10 bank prepaid cards	8 of 10 bank prepaid cards	0 of 10 bank prepaid cards
Disclose an in-network ATM withdrawal fee $1 per withdrawal after some free withdrawals	Disclose an in-network ATM withdrawal fee as free	Do not disclose an in-network ATM withdrawal fee

9 of 10 bank prepaid cards	1 of 10 bank prepaid cards	0 of 10 bank prepaid cards
Disclose an out-of-network ATM balance inquiry fee range: 50 cents-$2.50 median: $2	Disclose an out-of-network ATM balance inquiry fee as free	Do not disclose an out-of-network ATM balance inquiry fee

0 of 10 bank prepaid cards	9 of 10 bank prepaid cards	1 of 10 bank prepaid cards
Disclose an in-network ATM balance inquiry fee	Disclose an in-network ATM balance inquiry fee as free	Do not disclose an in-network ATM balance inquiry fee

Checking Accounts

9 of 10 checking accounts	1 of 10 checking accounts	0 of 10 checking accounts
Disclose an out-of-network ATM withdrawal fee range: $2-$2.50 median: $2.50	Disclose an out-of-network ATM withdrawal fee as free	Do not disclose an out-of-network ATM withdrawal fee

0 of 10 checking accounts	10 of 10 checking accounts	0 of 10 checking accounts
Disclose an in-network ATM withdrawal fee	Disclose an in-network ATM withdrawal fee as free	Do not disclose an in-network ATM withdrawal fee

4 of 10 checking accounts	0 of 10 checking accounts	6 of 10 checking accounts
Disclose an out-of-network ATM balance inquiry fee range: $2-$2.50 median: $2	**Disclose an out-of-network ATM balance inquiry fee as free**	**Do not disclose an out-of-network ATM balance inquiry fee**

0 of 10 checking accounts	5 of 10 checking accounts	5 of 10 checking accounts
Disclose an in-network ATM balance inquiry fee	**Disclose an in-network ATM balance inquiry fee as free**	**Do not disclose an in-network ATM balance inquiry fee**

All of the checking accounts disclose that in-network withdrawals are free. For in-network balance inquiries, five accounts disclose that they are free, while five accounts do not disclose any fee information.

For their prepaid cards, all 10 banks disclose that they offer at least some free in-network ATM withdrawals. Eight of the cards have unlimited free ATM withdrawals. One card has two free per month. Another has one free per month between in-network and out-of-network ATMs. Both of the last two cards that limit free ATM transactions charge $1 for subsequent proprietary ATM withdrawals.

For checking accounts, one discloses it offers free out-of-network ATM withdrawals while the other nine disclose that they charge fees. The range for these fees is $2 to $2.50, with a median of $2.50. For out-of-network ATM balance inquiries, three accounts disclose a $2 fee while one charges $2.50.

All 10 prepaid cards disclose that they charge a fee for out-of-network ATM withdrawals (one card, as mentioned above, allows for one free withdrawal per month across all ATM withdrawals). The range for these fees is $2 to $3, with a median of $2.50. Nine of the 10 cards disclose that they charge a fee for balance inquiries at out-of-network ATMs, ranging from 50 cents to $2.50, with a median of $2, while one card discloses they are free.

Customer service call fees

Findings overview

Banks are much more likely to levy fees for calling customer service on prepaid card customers than on basic checking account customers. All of these cards include at least a limited number of fee-free calls.

Bank Prepaid Cards

6 of 10 bank prepaid cards	3 of 10 bank prepaid cards	1 of 10 bank prepaid cards
Disclose a live customer service call fee range: $1-$2.95 median: $2	**Disclose a live customer service call fee as free**	**Do not disclose a live customer service call fee**
All 6 cards disclose that they provide some free calls		

2 of 10 bank prepaid cards	4 of 10 bank prepaid cards	4 of 10 bank prepaid cards
Disclose an automated customer service call fee **Both charge 50 cents**	**Disclose an automated customer service call fee as free**	**Do not disclose an automated customer service call fee**
Both cards disclose that they provide some free calls		

Checking Accounts

2 of 10 checking accounts	0 of 10 checking accounts	8 of 10 checking accounts
Disclose a live customer service call fee **range: $1-$2**	**Disclose a live customer service call fee as free**	**Do not disclose a live customer service call fee**
Both cards disclose that they provide some free calls		

0 of 10 checking accounts	1 of 10 checking accounts	9 of 10 checking accounts
Disclose an automated customer service call fee	**Disclose an automated customer service call fee as free**	**Do not disclose an automated customer service call fee**

Prepaid card customers are offered at least a limited number of free calls to live and automated or integrated voice-recognition systems. Six of the 10 prepaid cards disclose fee information for both live and automated or integrated voice-recognition calls, with two cards disclosing that all calls are free and four disclosing a fee. The median fee is $2 per live call and 50 cents per integrated voice-recognition call.

Nine cards disclose information about live customer service calls. Six cards disclose that they charge fees for some live customer service calls, but all include a limited number of free calls. One card allows five free calls per year, two allow one free call per month, and three allow two free calls per month. Two cards also charge 50 cents per automated call, with one of those allowing one free call per week and the other allowing one free call per month before the fee is incurred.

The majority of checking accounts do not provide disclosures about the cost of customer service calls, perhaps because they have historically been free. Two accounts do disclose fees for live calls. One charges $2 after two free calls per month, and another charges $1 after five free calls per month. The other eight accounts do not provide any mention of customer service calls in their disclosures. Only one account provides information about automated or integrated voice-recognition calls, and it lists them as always free.

Paper statement fees

Findings overview

Almost all of the banks charge prepaid card customers for receiving paper statements, while many also give checking account customers discounts if they forgo the paper statements they are entitled to under federal regulations.

Bank Prepaid Cards

8 of 10 bank prepaid cards	2 of 10 bank prepaid cards	0 of 10 bank prepaid cards
Disclose a paper statement fee range: $2-$5.95 per month median: $3	**Disclose a paper statement fee as free**	**Do not disclose a paper statement fee**

Checking Accounts

6 of 10 checking accounts	4 of 10 checking accounts	0 of 10 checking accounts
Disclose a direct or effective paper statement fee	**Disclose a paper statement fee as free**	**Do not disclose a paper statement fee**
2 checking accounts disclose fees for receiving paper statements; fees are $1 and $3 4 checking accounts effectively charge a fee by discounting for e-statements range of discount: $2-$5 median: $2		

Paper statements are required under the Electronic Fund Transfer Act for checking accounts, but many checking accounts offer a discount to customers who choose not to receive them, which could be viewed as charging for this service. GPR prepaid cards are not required by regulation to provide monthly statements, paper or electronic, but many offer paper statements, usually for a fee, while providing account information online free of charge.

Regulations under the Electronic Fund Transfer Act require payroll cards to comply with most provisions that apply to checking accounts.[21] One exception is that payroll cards do not have to provide paper statements if they have an alternative way to notify consumers of their account history. Under the alternative structure, payroll card companies provide the following: the consumer's account balance through a readily available telephone line, a 60-day transaction history through a website, and a periodic statement upon request with at least 60 days of transaction history.

Two checking accounts explicitly disclose fees for receiving a paper statement, which are $1 and $3, respectively. But four of the other eight accounts effectively charge a fee by discounting the monthly fee for those who opted for electronic statements. The discount ranges from $1 to $5, with a median of $2 (including accounts where fees are explicitly charged).

Eight of the 10 prepaid cards charge for paper statements; two cards provide this service for free. Of the cards that charge, the fees range from $2 to $5.95 a month, with a median of $3. Aside from the two banks that do not charge for paper statements (for checking accounts or prepaid cards), the eight other banks charge prepaid card customers higher fees for paper statements than checking account holders.

Penalty fees

Findings overview

While all of the banks charge checking account holders fees for overdrawing their accounts, none charge their prepaid card customers these fees.

Bank Prepaid Cards

0 of 10 bank prepaid cards	5 of 10 bank prepaid cards	5 of 10 bank prepaid cards
Disclose an overdraft penalty fee	**Disclose an overdraft penalty fee as free**	**Do not disclose an overdraft penalty fee**

2 of 10 bank prepaid cards	0 of 10 bank prepaid cards	8 of 10 bank prepaid cards
Disclose other penalty fees for declined transactions	**Disclose other penalty fees for declined transactions as free**	**Do not disclose other penalty fees for declined transactions**

Checking Accounts

10 of 10 checking accounts	0 of 10 checking accounts	0 of 10 checking accounts
Disclose an overdraft penalty fee range (highest fee): $30-$38 median: $35.50	**Disclose an overdraft penalty fee as free**	**Do not disclose an overdraft penalty fee**
9 checking accounts disclose a limit on number of fees charged range: 3-10 median: 4 1 checking account does not disclose a limit		
4 checking accounts disclose an extended overdraft fee after median of 6.5 days range: $7-$25 median: $20 3 checking accounts disclose an extended overdraft fee as free 3 checking accounts do not disclose an extended overdraft fee		

0 of 10 checking accounts	0 of 10 checking accounts	10 of 10 checking accounts
Disclose other penalty fees for declined transactions	Disclose other penalty fees for declined transactions as free	Do not disclose other penalty fees for declined transactions

Overdraft penalty fees describe charges that are levied for initiating a transaction with insufficient funds to cover it. For the most part, the 10 bank prepaid cards do not disclose penalty fees. None of the cards discloses overdraft fees, whereby a customer is allowed to overdraw an account and a fee is charged. Five card agreements state that overdraft fees are not charged. One card discloses a 50-cent transaction-decline fee (for both point-of-sale and ATM transactions), and another card discloses a $1 ATM decline fee for out-of-network ATMs and a $1.50 decline fee for international ATMs.

All 10 of the checking accounts charge overdraft fees for at least some types of transactions. Some banks charge a range of fees, such as a lower price for the first occurrence. The range for the highest overdraft fees is $30 to $38, with a median of $35.50. The range for the banks' lowest overdraft fees is $15 to $38; the median is $32. All but one account discloses a limit on the number of fees charged, with a range of three to 10, and a median of four. Four of the accounts also charge extended overdraft fees after a median of 6.5 days, with a range of $7 to $25 and a median of $20. Three accounts disclose that they do not charge extended overdraft fees, and three accounts are silent on the matter.

Unauthorized transactions

Findings overview

Half of the 10 bank prepaid cards disclose all the protections against unauthorized transactions that are guaranteed to checking account holders by the Electronic Fund Transfer Act.

As was discussed earlier, checking accounts are required to limit customers' liability for unauthorized transactions. This legal protection is not extended to GPR prepaid cards, although most offer at least some protection against fraudulent transactions by contract in the account agreement.

Of the 10 bank-based prepaid cards studied, five give the same disclosure of limited liability for unauthorized transactions as is required for checking accounts. Of the five cards that do not, three fail to extend the time limits for notifying the institution about unauthorized transactions or lost or stolen cards if there is good cause, as required under Electronic Fund Transfer Act regulations. One of these also does not provide any details on limiting liability for lost or stolen cards (it does provide details for transaction errors).

Another of these cards discloses that PIN transactions are considered to be an authorized transaction, without exception, and thus consumers have no right to claim that their cards and PINs were stolen. This onerous standard is not allowed for checking accounts under federal regulations. The two cards that fail to meet the standards of the Electronic Fund Transfer Act do not require actual notice of the customer's transaction history before limited liability protection lapses (one allows claims within 60 days of an unauthorized payment, the other within 90 days).

Dispute resolution

Findings overview

Most banks are consistent in whether they require customers to submit to arbitration for any dispute as a condition of maintaining a checking account or GPR prepaid card. For both products, most include this requirement.

For checking accounts, seven of the nine banks that have account agreements available disclose binding arbitration agreements, with all seven accounts also banning class action lawsuits.[22] All of these accounts have an exception for small claims, and two include opt-out provisions that allow account holders to avoid arbitration by opting out when, or soon after, opening their accounts.

For prepaid cards, eight of the 10 cards have binding arbitration agreements, with the same eight including waivers for class action lawsuits. Seven of the eight cards have exceptions for small claims, and one has an opt-out provision.

For seven of the 10 institutions, the dispute resolution terms are fairly consistent; that is, if they have an arbitration agreement for their checking accounts, they also have one for their GPR prepaid cards. But one bank has a mandatory binding arbitration agreement for its checking account but not for its GPR prepaid card, and another bank has an arbitration agreement for its prepaid card but not for its checking account.

Analysis of 2013 findings compared with 2012

Just as in Pew's 2012 report, GPR prepaid cards still include a wide variety of "core" fees. But the overall market has shifted in what fees are charged, with more cards charging acquisition and monthly fees, but fewer cards charging most other core fees that customers are likely to encounter. (See Exhibit 1.) The number of cards charging some types of fees, such as customer service fees, also dropped precipitously over the past year.

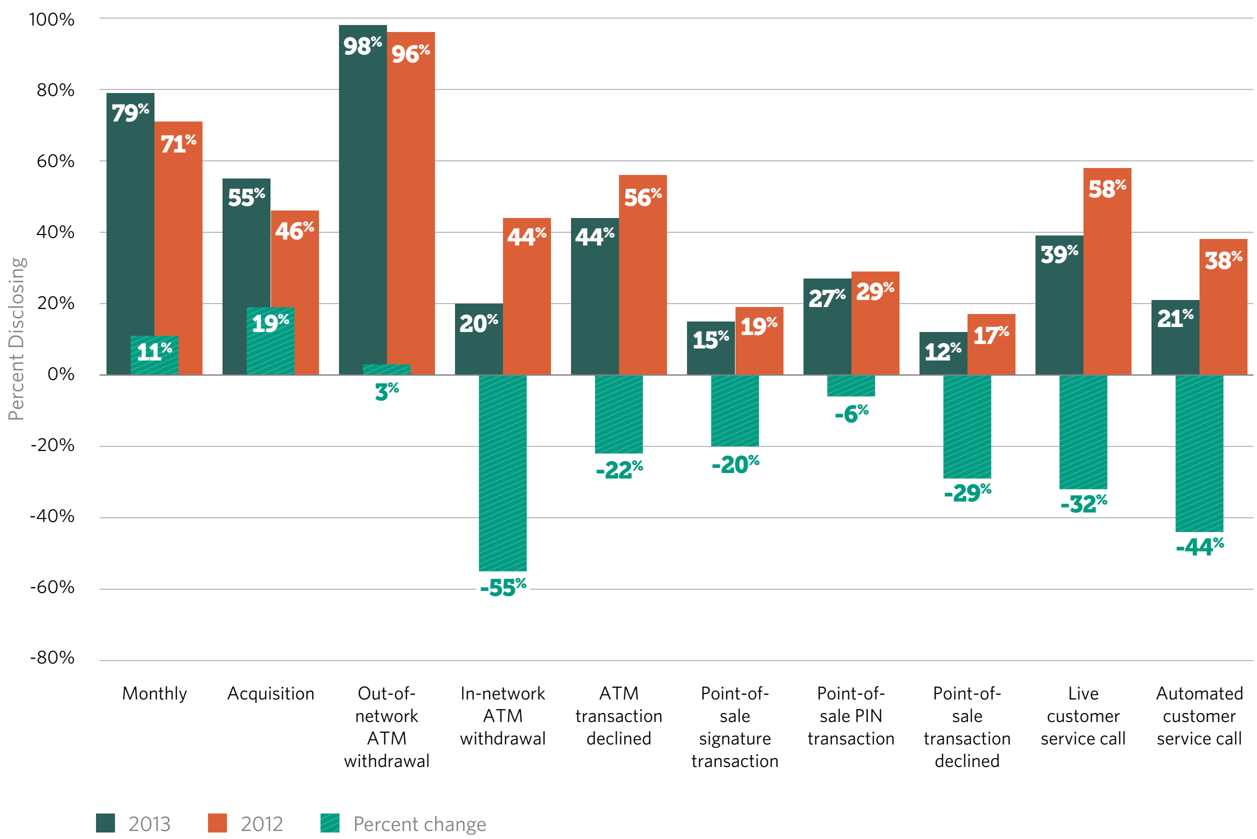
Core Fees on General Purpose Reloadable Prepaid Cards

- Monthly fee
- Acquisition fee
- Out-of-network ATM withdrawal fee
- In-network ATM withdrawal fee
- ATM transaction declined fee
- Point-of-sale signature transaction fee
- Point-of-sale PIN transaction fee
- Point-of-sale transaction declined fee
- Live customer service call fee
- Automated customer service call fee

Exhibit 1

Disclosure of Core Fees for GPR Prepaid Cards

A comparison of disclosures, 2012 and 2013, with percent change

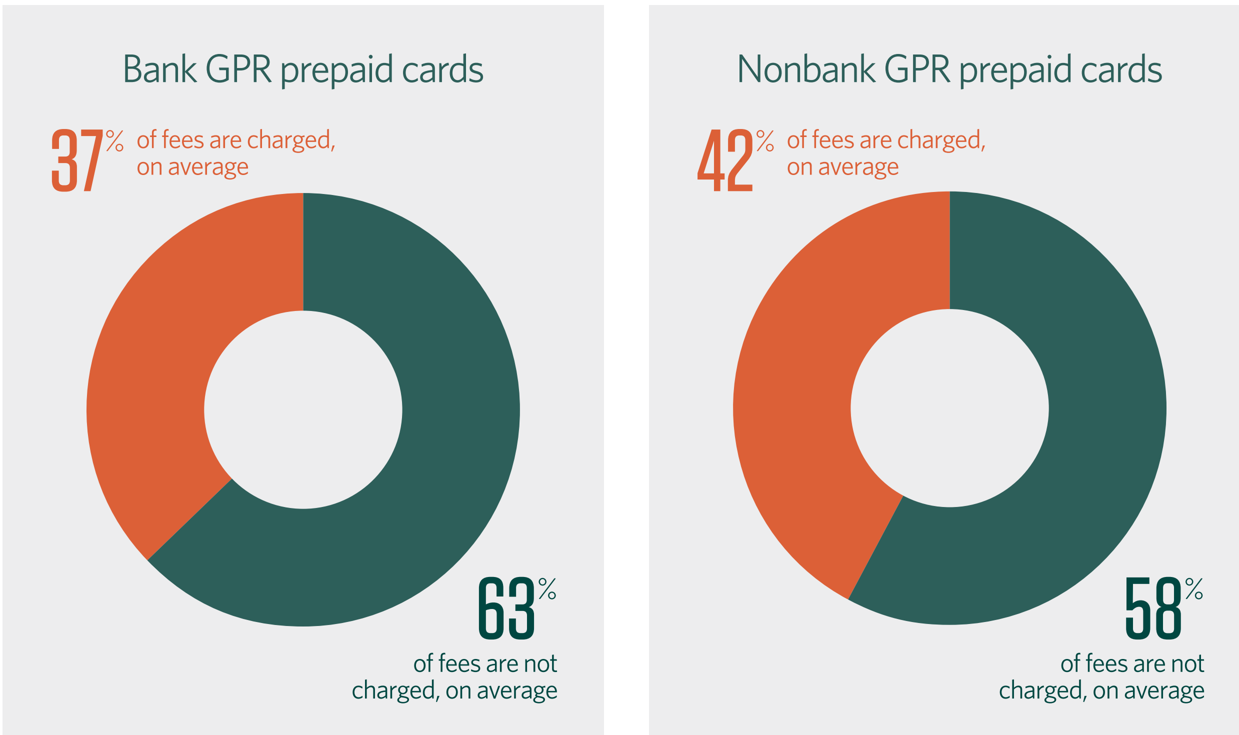


Because of the increase in bank-based GPR prepaid cards, Pew extended this review to include these cards to more accurately reflect products currently available. When looking at the number of core fees charged by these 10 bank prepaid cards compared with the cards offered through nonbank program managers, the results are similar. The average number of core fees charged by nonbank prepaid cards is a little more than 10 percent higher than bank prepaid cards. (See Exhibit 2.)

Exhibit 2

Core Fees Charged for GPR Prepaid Cards, Banks and Nonbanks

A comparison of the average incidence of core fees, 2013



Although the number of cards charging what are known collectively as core fees changed quite a bit from 2012 to 2013, the median fees charged stayed the same or changed very little. The only fees with large changes in the median value were point-of-sale decline fees, which dropped from $1.95 to 50 cents, and live customer service fees, which increased from $1.25 to $1.98. The only other median fees that changed were in-network and out-of-network ATM withdrawal fees, which both decreased from $2.25 to $2. (See Exhibit 3.) For a comparison of bank and nonbank median core fees for 2013, see Exhibit 4.

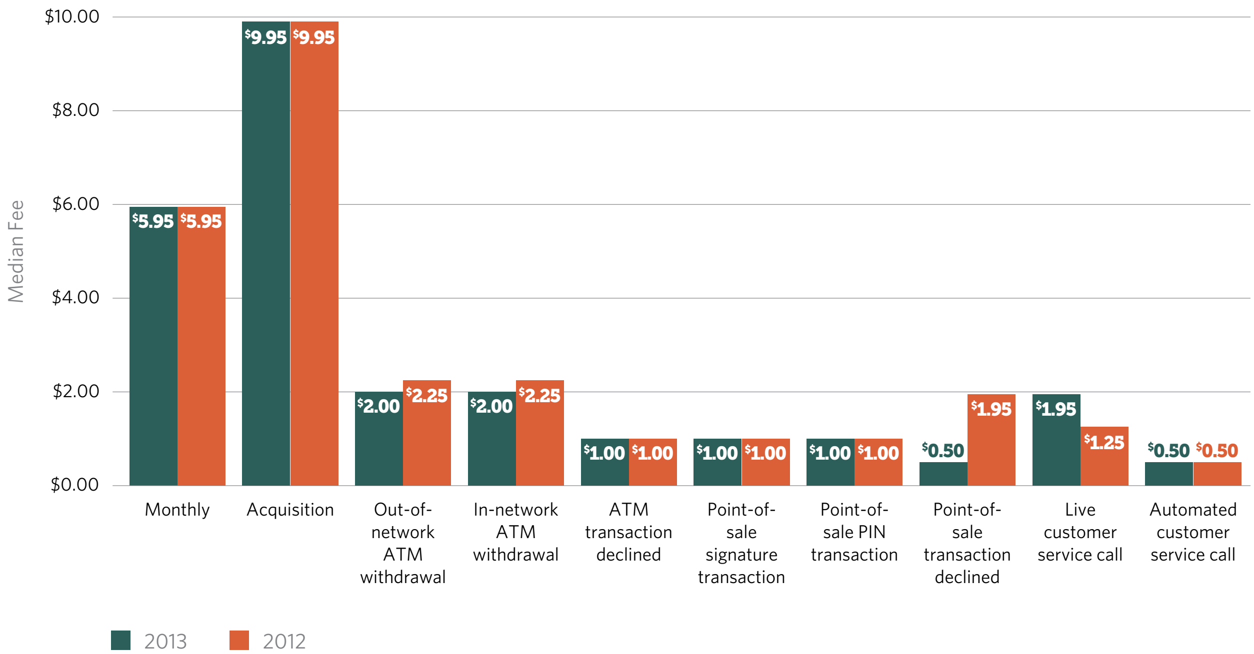
Overdraft and other transactional penalty fees

Overdraft penalty fees levied on checking account holders can be costly to consumers. These high costs have drawn scrutiny from regulators, including a white paper that was published by the Consumer Financial Protection Bureau in June 2013.[23] Pew also has studied overdraft fees extensively and has recommended that the bureau strengthen consumer protections in this area.[24]

Exhibit 3

Median Core Fees for GPR Prepaid Cards

A comparison of core fees, 2012 and 2013



In our May 2012 report, "Overdraft America: Confusion and Concerns About Bank Practices," we found that checking account customers were often bewildered by overdraft policies, with the majority saying these services are bad for consumers. Further, Pew found that many GPR prepaid cardholders have chosen to abandon the use of their checking accounts because of hidden fees, such as overdraft penalty fees, and do not want this feature on GPR prepaid cards.[25] (See Exhibit 5.)

While most GPR prepaid cards do not charge overdraft fees, and are therefore much safer in this regard for customers who have a propensity to overdraw their accounts, they do sometimes charge transaction decline fees for ATM or point-of-sale transactions that are attempted when there are not sufficient funds to cover the cost of the transaction. But these fees are generally much lower than overdraft fees and cannot result in the consumer being trapped in a cycle of debt. In our May 2013 report, "Checks and Balances: Measuring Checking Accounts' Safety and Transparency," we found that the median overdraft penalty fee was $35 compared with a median fee for a declined GPR prepaid card transaction of $1. Still, these declined transaction fees are frequently levied on customers who already have very low balances.

Overdraft and its attendant fees, including extended overdraft fees, are not available on most prepaid cards. The continued growth of the GPR prepaid card market without the reliance on revenue generated from overdraft fees indicates that this product can thrive without using back-end fees that punish customers who overspend their accounts, which in turn can lead to repetitive use of overdrafts as an expensive form of credit. GPR prepaid card companies provide other features such as mobile alerts and savings accounts that could attract potential customers. This type of innovation and service can propel market growth without the inclusion of risky credit products.

Exhibit 4

Median Core Fees for GPR Prepaid Cards, Banks and Nonbanks

A comparison of core fees, 2013

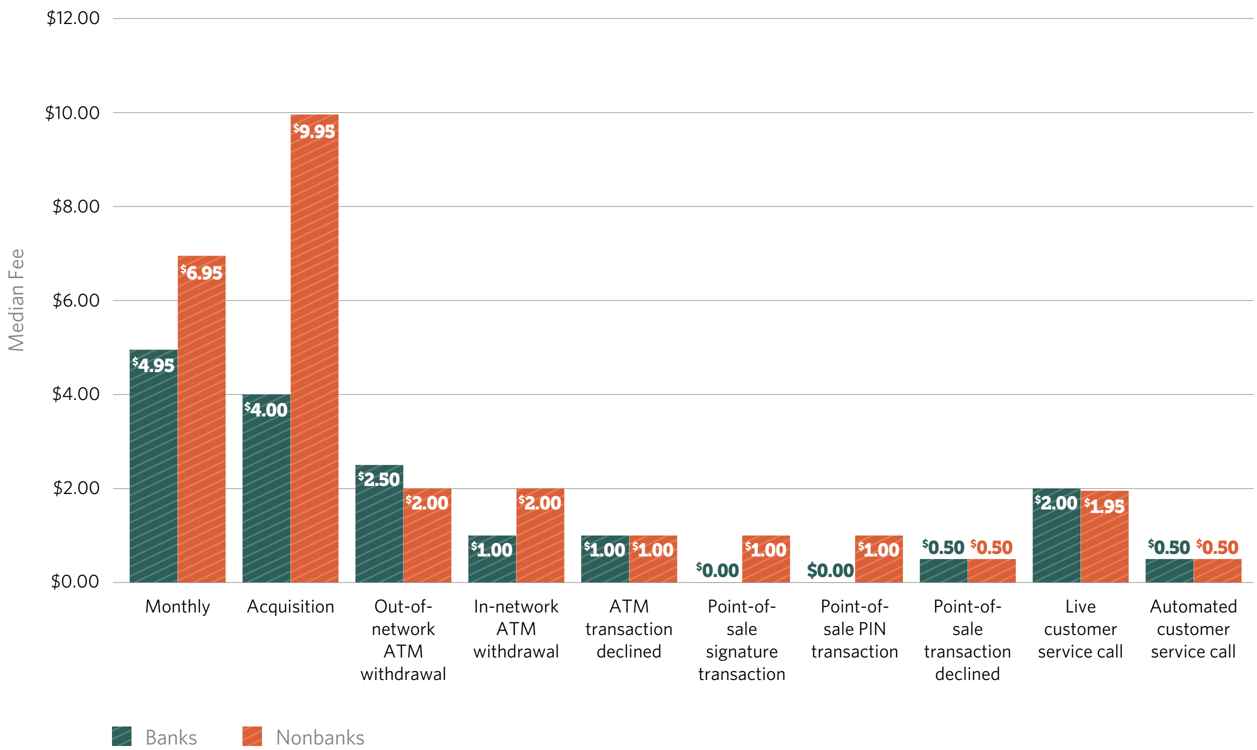


Exhibit 5

GPR Prepaid Cardholders' Views on Overdrafts

Most do not want overdraft or line of credit options on their cards

	A feature similar to a line of credit allowing cardholders to borrow money for a fee	A feature allowing payday loans for a fee	A feature allowing overdrafts for a fee
Like to have	36%	30%	27%
Not like to have	63%	69%	71%
Don't know/refused	1%	1%	2%

Source: The Pew Charitable Trusts, "Why Americans Use Prepaid Cards," 2014

Electronic Fund Transfer Act

In May 2012, the Consumer Financial Protection Bureau issued an Advance Notice of Proposed Rulemaking concerning GPR prepaid cards.[26] One of the issues raised was whether and to what extent GPR prepaid cardholders should be protected from liability for unauthorized transactions (as checking accounts and payroll cardholders are). Currently, protection is provided voluntarily by most cards at least to a certain extent, although as was detailed above, there are many shortcomings. Additionally, there are at least three reasons that voluntary implementation of limited liability schemes is insufficient to fully protect consumers.

First, as discussed above, some cards fail to include these provisions in their contracts, making any protections purely discretionary and not a legal requirement. In addition, most GPR prepaid card disclosures do not include limited liability protection to consumers to the extent required by Electronic Fund Transfer Act regulations, which means customers may lose a greater amount of money if their cards are lost or stolen. There are numerous shortcomings in the contractual language of cardholder agreements. Some of the variations might be considered to be fairly minor, such as omitting language about extending time limits to notify the card company about an unauthorized transaction when there is good cause. But some of the agreements include provisions that could easily be used to shift liability for, say, the use of a stolen card, to a consumer in ways that would be impermissible under the Electronic Fund Transfer Act. One example of this is a card that does not allow for disputes of any transactions in which a customer's PIN is used.

Second, any protections mandated by contract between a payment network and a prepaid card cover only transactions performed over that payment network. While many commenters have noted that Visa and MasterCard require that customers be protected at or beyond what is mandated by the Electronic Fund Transfer Act, not all transactions performed on a prepaid card use these payment networks. The Visa and MasterCard networks, for example, do not perform ATM transactions, which are included in Electronic Fund Transfer Act protections. These protections are available when using GPR prepaid cards via Visa and MasterCard networks due to contracts between payment networks and card providers, but consumers have no knowledge of the specific details of these contracts. It also is unlikely that many consumers understand exactly which of their transactions are processed by which payment networks, so if payments are processed on a network other than Visa or MasterCard, protections that would otherwise exist might not be applicable.

Third, every cardholder agreement Pew examined online stated that the company could change the terms of the agreement unilaterally, and many claimed they could do so without providing notice to the customer. This means GPR prepaid card companies could decide not to offer protection on any or all types of transactions.

There are many positive aspects of the current market for GPR prepaid cards that could be used as a model for providing consumers with the information necessary to keep track of their transaction histories and account balances. Almost every card provides free online access to account information. Most cards also provide email and text alerts free of charge (other than possible mobile message rates charged by the customers' wireless telephone provider). Many cards also include the option to receive paper statements, either on a monthly basis or upon request, though a fee is usually charged. And finally, most cards provide customers with at least a limited number of free interactive voice-recognition customer service calls that allow for access to account information.

Arbitration

Pew did not publish data concerning GPR prepaid card arbitration clauses in our first report even though the data were collected in 2012. Since then, we completed an extensive study of arbitration agreements in checking accounts and have recommended that predispute mandatory arbitration agreements should be prohibited in checking accounts.[27] Pew took this position based on the pervasiveness of these clauses, the impracticality of most consumers selecting accounts to avoid arbitration clauses, and the overwhelming opinion of a nationally representative sample of checking account holders that consumers should have a choice of whether to go to court or allow a third party to decide their case.

Pew's data show that GPR prepaid cards are more likely than checking accounts to have binding arbitration agreements, and the number of cards with these clauses is on the rise.[28] Additionally, the arbitration agreements in GPR prepaid card agreements are very similar to one another. Almost all the cards that had arbitration agreements also ban class action lawsuits. Yet unlike checking accounts, almost none of the prepaid cards Pew examined included loss, costs, and expenses clauses which require a consumer who pursues a dispute to pay the bank's loss, costs, and expenses no matter the outcome of the case.[29]

FDIC insurance

FDIC insurance is a basic consumer protection that should be included on all GPR prepaid cards. Almost every card Pew studied in 2013 claims to provide FDIC insurance on their cards, and, much like 2012, almost all the cards studied disclosed that their funds were insured by the FDIC. Moreover, a much higher percentage of cards made this clear in either the account agreement or fee schedule. One company that had forgone FDIC insurance for its GPR prepaid cards added that feature for some of the cards it offers. But a few cards still do not offer FDIC insurance.

Then there's the issue of FDIC pass-through insurance, which allows funds held in a pooled account at a single institution to be protected at up to $250,000 per customer, even if the total amount held is over that amount. This type of federal deposit insurance does not always cover funds held on a prepaid card.[30] For funds to be FDIC-insured, they must be held in an FDIC-insured depository institution. But when a prepaid card user purchases (for example) a Green Dot MoneyPak, the funds from that purchase are initially held at the retail store where the loading mechanism was acquired. When these funds actually become FDIC-insured is an open question due to the lack of clarity about the determination of when the bank is holding the funds and how the business deposits the funds into the bank.

FDIC pass-through insurance

An example of language used to describe pass-through insurance

> **FDIC Insurance.** When you have registered and loaded your Card, Green Dot will make sure that there are enough funds at the Bank to cover the amount of money credited to your Card. The money credited to your Card will be held in a custodial account at the Bank on your behalf. The amount of money in this custodial account is insured to the maximum limit provided by the FDIC. Unless we have registered your Card, any funds credited to your Temporary Card will not be insured by the FDIC.

Source: Green Dot Corp. Cardholder Agreement

Model consumers

For customers who frequently use their GPR prepaid cards and services related to them, paying a monthly fee instead of paying for every aspect of using their cards is probably a more economical option. In our first report on GPR prepaid cards, we created three model consumers—savvy, basic, and inexperienced—to measure the cost of prepaid cards based on three distinct behavior patterns. (See Exhibit 6.) A full explanation of these models can be found in Appendix 3. Using the same models, this report examines how the range and median costs for GPR prepaid cards have changed since 2012. (See Exhibit 7.)

Exhibit 6

Three Types of GPR Prepaid Card Users

Measuring the cost based on behavior patterns

Savvy	Basic	Inexperienced
• Avoids fees whenever possible • Uses direct deposit	• Not as proficient at avoiding fees • Incurs one overdraft or point-of-sale decline fee per month	• Makes heavy use of services and does not avoid fees • Incurs two overdraft penalty fees or decline fees per month

The median cost of GPR prepaid cards using Pew's consumer models decreased slightly in the present study compared with data collected in 2012. The median cost for the savvy and basic consumer each declined by less than $2, and the median cost for the inexperienced consumer went down by more than $3. The minimum and maximum fees paid also did not change greatly.

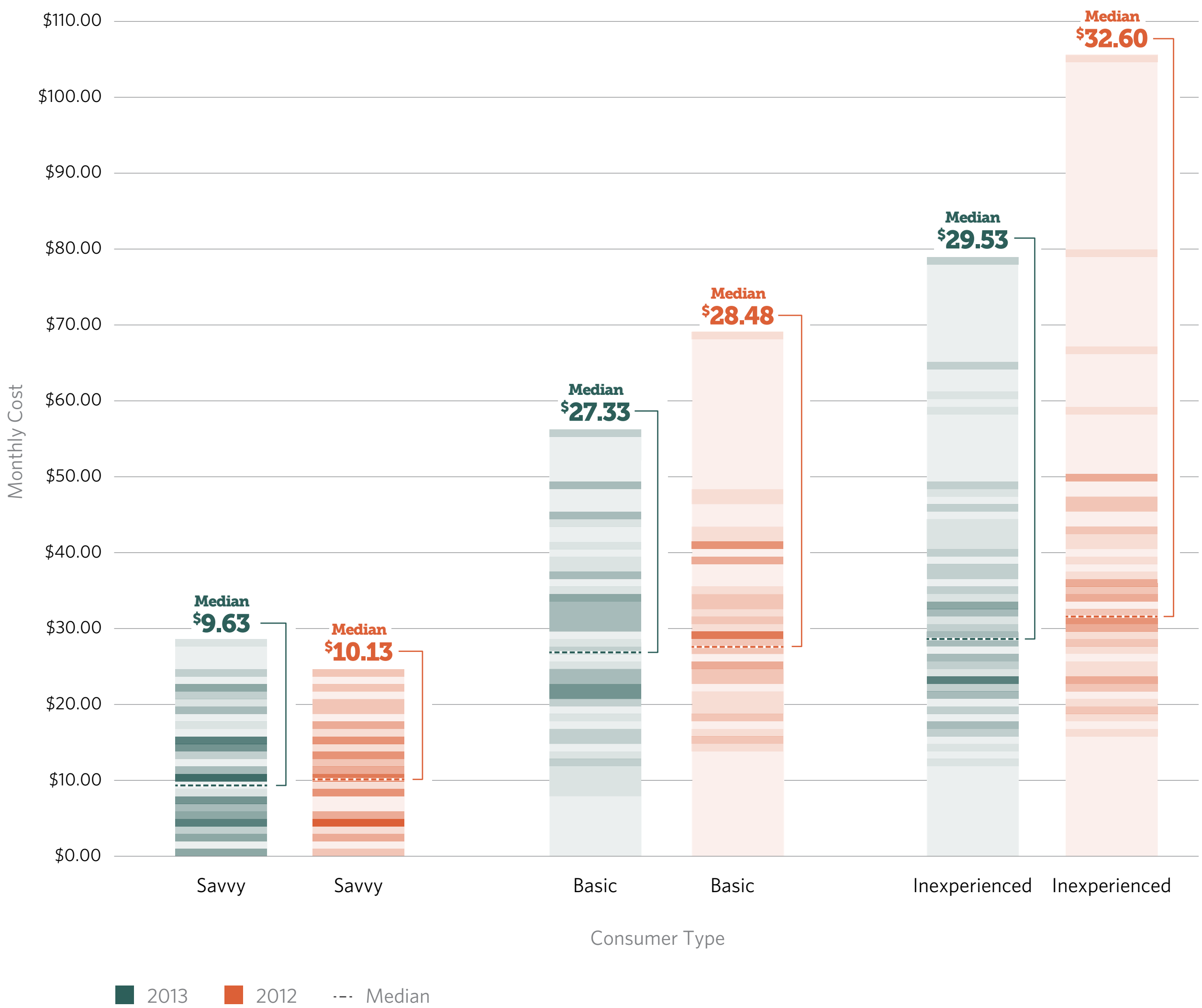
Though a few long-standing cards still dominate the market, the GPR prepaid cards managed by large retail banks have reduced the median costs for Pew's model consumers. For each of the three models, the 10 cards managed by banks are significantly cheaper when looking at the medians. For the savvy consumer, bank GPR prepaid cards have a median cost of $5.30, compared with $10.73 for nonbank cards. For the basic consumer, the two medians are $16.45 and $30.38, respectively, with bank cards again a better value. And lastly, an inexperienced consumer would pay a median monthly amount of $22.30 with a card managed by one of the 50 largest banks, while other cards that Pew studied have a median cost of $32.10. (See Exhibit 8.) For the savvy and basic consumers, the median cost is higher than it was in 2012 if the bank prepaid cards are not included, based on our modeling calculations. But for the inexperienced consumer, the cards are still 50 cents less if we had not included the bank prepaid cards in our analysis.[31]

A few factors made GPR prepaid cards managed by banks more appealing to users, based on our three model consumers. For all model consumers, cards managed by banks are much less likely to charge for transactions other than out-of-network ATM withdrawals, which make them appealing to all consumer types. Additionally, the savvy consumer is not paying many fees. In fact, for most cards the only fee incurred by savvy consumers is the monthly fee, which tends to be lower for bank-managed than nonbank-managed cards. For the basic and inexperienced consumers, the availability of a bank network of physical locations where they can use their bank-managed GPR prepaid cards to withdraw or reload funds for low or no cost means the cards are much less expensive.

Exhibit 7

Monthly Costs of GPR Prepaid Cards for Three Consumer Types

A comparison of savvy, basic, and inexperienced users, 2012 and 2013. Darker areas represent a higher concentration of cards in those price ranges.



The caveat to these results is that for most of the bank GPR prepaid cards, electronic bill pay is not an option. (See next section, Issues with bank prepaid cards.) For this reason, Pew adjusted the three consumer models to charge bank prepaid card customers for U.S. Postal Service money orders in lieu of electronic bill pay, because without this service consumers would need to use money orders to pay bills such as rent. Also, the model does not factor in the time and expense that may be incurred in traveling to and from the post office (or another location, such as a convenience store) to complete this task. For this report we have changed the focus of our comparison between prepaid cards and checking accounts. In our 2012 report on GPR prepaid cards, we used data collected from our May 2012 report "Still Risky: An Update on the Safety and Transparency of Checking Accounts" to compare the cost of prepaid cards and checking accounts. For this report, the comparison between checking accounts and prepaid cards is limited to the 10 large banks that offer both products. Pew used the three model consumers to compare the range and median costs for those customers for the most basic checking account and the prepaid cards offered at these 10 banks. (See Exhibit 9.)

Our analysis shows that for many consumers, a GPR prepaid card can be a better deal in terms of reducing fees associated with a checking account—when compared with the most basic account offered by a large financial institution. This is true despite the frequent added cost of paying bills by check or electronic bill pay. The biggest savings offered by these bank GPR prepaid cards is avoiding overdraft transfer and penalty fees that cover lack of funds.

But several stipulations should be considered when looking at these results. First, checking accounts are not available to everyone. Many people are denied them because they have had an account closed and are listed in ChexSystems, a private database that financial institutions use to identify consumers who have had deposit accounts closed while holding a negative balance. Thus, a checking account is not an option for these consumers, although a prepaid card generally is.

Exhibit 8

Median Monthly Costs of GPR Prepaid Cards for Three Consumer Types, Bank and Nonbank

A comparison of savvy, basic, and inexperienced users, 2013

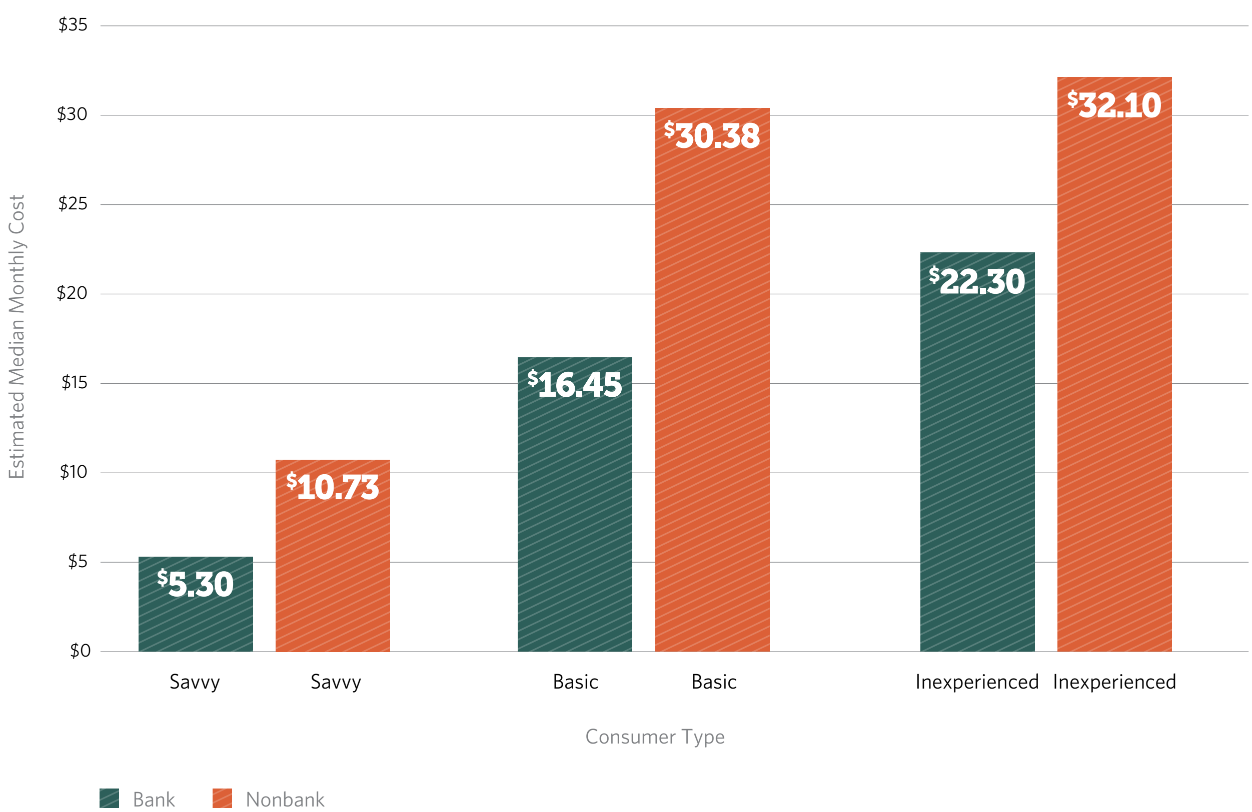
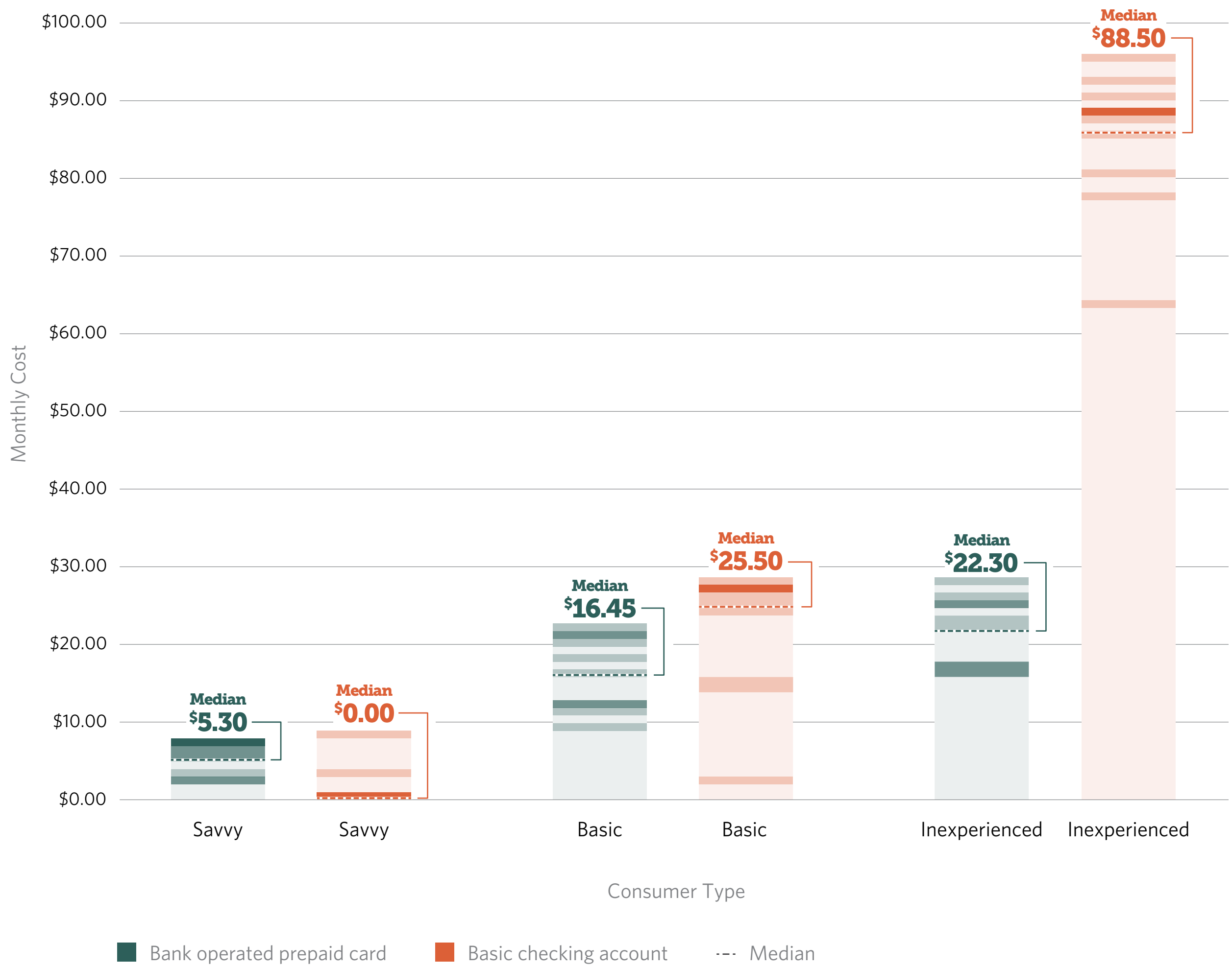


Exhibit 9

Monthly Costs for Three Consumer Types, Bank GPR Prepaid Cards and Basic Checking Accounts

A comparison of savvy, basic, and inexperienced users, 2013. Darker areas represent a higher concentration of cards in those price ranges.



Second, other aspects of GPR prepaid cards as they are currently regulated raise concerns about their appropriateness as a consumer financial product, rendering these cards less appealing than basic checking accounts. Whether the prices and services offered by various bank and nonbank GPR prepaid cards and checking accounts are beneficial to a consumer probably depends on individual needs and wants.

Issues with bank prepaid cards

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 included a provision referred to as the Durbin Amendment that required the Federal Reserve to set an upper limit on the "interchange fees" a bank with more than $10 billion in assets can charge merchants for processing a debit card transaction.[32] The effect of this provision is that checking account debit card transactions are now less profitable for big banks than they were before this change. Prepaid card transactions, under certain circumstances, are not covered under this law and do not have limits on interchange fees.[33] This is one possible factor pushing many large banks to offer GPR prepaid cards.

Still, bank-issued prepaid cards must meet several requirements for the exemption to remain in place. To avoid the cap, prepaid cards must not charge customers any fees for overdrawing their accounts and must also provide at least one free ATM withdrawal per month. (This requirement does not cover third-party ATM fees.)[34] The restrictions on overdraft fees in the Durbin Amendment are quite broad. It prohibits "a fee for an overdraft, including a shortage of funds or a transaction processed for an amount exceeding the account balance."[35]

In addition, the Durbin Amendment limits the functionality of big bank cards in order to be considered a "prepaid card" as defined in the law.[36] Many of the cards studied in this report would not meet that definition because the only means of accessing funds must be by using the card itself (though using the 16-digit card number for card-not-present transactions is allowed).[37] Thus, cards with online bill pay functions or a savings or other account do not fall under the exemption.

The 10 bank-issued prepaid cards in our study are not required by law to follow the rules as outlined above. But if they do not follow these guidelines, the Durbin Amendment will apply for those cards and the interchange rate they can charge is capped.

The interchange fees that GPR prepaid cards charge merchants is not public information, so it is possible that some bank-based cards are staying within the cap set by the Federal Reserve Board.[38] Yet two of the bank-managed cards in the study disclose that they charge fees for declined point-of-sale and/or ATM transactions. These charges are arguably "a fee or charge for an overdraft" as they could be considered a fee for a "shortage of funds" and would place those cards outside of the exception outlined in the Durbin Amendment.[39]

Large bank-managed prepaid cards are not able to offer online bill pay features and retain the exemption from the Durbin Amendment. As was previously shown, the cost of a GPR prepaid card offered at many of these banks is very competitive compared with their checking accounts and other prepaid card offerings. But if customers must use a third-party provider to pay bills instead of using their prepaid card account, the value and convenience of the GPR prepaid card can be severely diminished.

Policy recommendations

Based on this research, Pew has developed the following policy recommendations:

- GPR prepaid cards should not have overdraft or other automated or linked credit features.
- Prepaid cardholders should be protected against liability for unauthorized transactions that occur either when a card is lost or stolen or a charge is incorrectly applied.
- GPR prepaid cardholders should have access to account information and transaction history.
- GPR prepaid cards should be required to provide information about terms, conditions, and fees in a uniform, concise, and easy-to-read format. This information should be included with the card packaging so that it is accessible prepurchase at retail outlets as well as online.
- Prepaid card funds should be federally insured against loss caused by the failure of an institution.
- Predispute binding arbitration clauses in cardholder agreements, which prevent cardholders from having the choice to challenge unfair and deceptive practices or other legal violations in court, should be prohibited.

Each of these recommendations is examined in detail below.

Overdraft products for GPR prepaid cards should be prohibited.

Overdraft fees cause many checking account holders to become trapped in cycles of debt that can cost consumers thousands of dollars per year and potentially push them out of the banking system.[40] Pew's survey research shows a large majority of those who have incurred debit card overdraft fees at the point of sale would rather have their transactions declined. In fact, these high fees are a major driving force behind the GPR prepaid card industry's growth in customer acquisition.[41]

Pew's survey research shows that consumers' ability to control spending, know that the balance in the account can never go negative, and avoid fees that are equivalent to triple-digit interest rates are features that make GPR prepaid cards attractive. The current industry standard followed by the vast majority of cards does not include overdrafts. As such, this should be ingrained in the industry by a federal regulation banning any automatic or linked credit product from being attached to a GPR prepaid card.

Access to transaction history and liability limitations for unauthorized transactions should be extended to GPR prepaid cards.

GPR prepaid cardholders should be protected against liability for unauthorized transactions that occur either when a card is lost or stolen or a charge is incorrectly applied. The Electronic Fund Transfer Act and the regulations promulgated under it—known as Regulation E in the Code of Federal Regulations—have been a major boon to electronic transactions over the past few decades, as consumers largely believe that they will be reimbursed for transactions they did not initiate or authorize. Industry representatives have championed the notion that most GPR prepaid cards offer this protection voluntarily and through mandated contracts with payment networks.

Yet Pew found language in some agreements that not only failed to provide all the protections guaranteed by Regulation E, but also blatantly amended those protections with contractual terms that would put consumers at risk. A regulation mandating this protection would bring certainty to this liability protection and prevent bad actors from using the goodwill created by companies offering Regulation E protections to deceive consumers with noncompliant practices. Consumers also must be granted legitimate access to their transaction histories and balances, through paper statements or other equally viable means, to keep track of the funds in their accounts.

When crafting a rule for unauthorized liability, it is important that policymakers focus on protecting consumers from excessive liability and ensuring that GPR prepaid card companies allow customers to receive all important account information so users can track their transactions and know when an unauthorized items have been charged to their accounts.

GPR prepaid cards should be required to provide information about terms, conditions, and fees in a uniform, concise, and easy-to-read format.

Consumers seeking to purchase GPR prepaid cards should have access to all the important information necessary to make an informed choice. Currently, there are no specific disclosure requirements for these cards, and Pew research shows that consumers rarely make purchasing decisions based on the specific attributes of one card over another. A mandated concise and uniform disclosure document that summarizes fees and other important terms would allow for comparison before purchasing a card, which would be a better outcome than the "trial and error" process of finding out about a fee or term after using a card.

All of the largest providers of GPR prepaid cards offer their products online, including allowing customers to sign up for cards by filling out an application on their Web site. These Web sites generally contain detailed information about the product, though finding information relevant to the consumer is usually not very easy. Whether consumers look to purchase cards online or in person, they need clear, concise, and uniform information provided prepurchase so that they can comparison shop and know the terms of what they are buying.

GPR prepaid card funds should be federally insured against all losses up to $250,000.

GPR prepaid cards can be used exactly like checking accounts in most respects and are used by many customers this way. Federal deposit insurance rules allow for pass-through insurance that can fully protect consumers. Most program managers have taken full advantage of this and disclose that they have deposited consumer funds in FDIC-insured accounts. But all GPR prepaid card funds should be protected from loss caused by the failure of an institution. All GPR prepaid card programs should be required to hold their funds in a federally insured account that protects consumers against all losses up to $250,000, and issuers and program managers should be required to document the beneficial owners of the cards to avoid any losses of consumers' funds.

The alternative to FDIC insurance is for the funds to be covered under state money transmitter licenses, which vary greatly by state and provide a much lower level of protection.[42] Pew does not recommend this alternative because holding funds outside of FDIC-insured accounts is unsafe and may provide a competitive advantage in that the company is able to earn a greater return investing these funds in more profitable, yet riskier instruments than would likely be possible holding funds in FDIC-insured accounts.

Predispute binding arbitration clauses in GPR cardholder agreements should be prohibited.

Predispute binding arbitration clauses, which prevent cardholders from choosing to challenge unfair and deceptive practices or other legal violations in court, impairing individual rights and potentially allowing those violations to spread unchallenged by thorough legal or public scrutiny, are a growing aspect of many financial products. The Consumer Financial Protection Bureau is conducting a study, mandated by law, to determine what effects they have on consumers. Numerous pending court cases regarding checking account holders have shown that these agreements can prevent consumers from seeking redress.[43] These clauses can be added at any time to account agreements and are confusing to most consumers, even if carefully read. They are also prevalent in GPR prepaid card contracts, which prevent consumers from shopping to try to avoid these terms. These clauses should be prohibited.

Appendix 1

List of prepaid cards in 2012 and 2013 data collections

AccountNow Gold Prepaid Visa Card
AccountNow Prepaid Visa Card
ACE Elite Pay-as-You-Go Plan (NetSpend Visa Prepaid Card)
ACE Elite Fee Advantage Plan (NetSpend Visa Prepaid Card)
Akimbo Prepaid Visa Card
American Express Prepaid Card
Bluebird by American Express
Bank Freedom Platinum Visa Prepaid Card
CashZone Prepaid Visa Card
Green Dot Card (listed as two cards in 2012)
H&R Block Emerald Prepaid MasterCard
I.C.E. MasterCard Prepaid Card
Jump Visa Prepaid Debit Card
Mango Prepaid MasterCard
MoneyGram AccountNow Prepaid Visa Card
NetSpend Visa Prepaid Card Pay-as-You-Go Plan (listed as two cards in 2012)
NetSpend Visa Prepaid Card Fee Advantage Plan (listed as four cards in 2012)
REACH Visa Prepaid Card
ReadyCARD Visa Prepaid Card
ReadyCARD MasterCard Prepaid Card
READYdebit Visa Prepaid Card Platinum (two cards; issued by different banks)
READYdebit Visa Prepaid Card Select (two cards; issued by different banks)
READYdebit Visa Prepaid Card Control (two cards; issued by different banks)
Rush Visa Card Monthly Plan
Rush Visa Card Pay as You Go Plan
TransCash Visa Prepaid Debit Card
Univision MasterCard Prepaid Card
UPside Visa Prepaid Card
Vision Preferred Visa Prepaid Card
Vision Premier Visa Prepaid Card
Walmart MoneyCard
Western Union Prepaid Card (listed as two cards in 2012)
Wired Plastic Visa Prepaid Card

List of prepaid cards only in 2013 data collection

24/7 Visa Prepaid Debit Card—Value Plan
24/7 Visa Prepaid Debit Card—Remittance Value Plan
24/7 Visa Prepaid Debit Card—Pay as You Go Plan
AARP Foundation Reloadable Prepaid MasterCard
AchieveCard Prepaid MasterCard Platinum
AchieveCard Prepaid MasterCard Gold

AchieveCard Prepaid MasterCard Silver
AchieveCard Prepaid Visa
Approved Card
CashPass Prepaid MasterCard Premier $9.95
CashPass Prepaid MasterCard Premier %
Jackson Hewitt smartcard Visa Prepaid Card
KAIKU Visa Prepaid Card
Kmart Halogen Card
PayPal Prepaid MasterCard
PayPower Visa Prepaid Card
PayPower Visa Prepaid Card
Rush Visa Card RushUnlimited Plan
Suma Visa Prepaid Card
Union Plus Prepaid Debit Card

List of bank-managed prepaid cards in 2013 data collection

BB&T MoneyAccount Card (also in 2012 data collection)
BBVA Compass SafeSpend Card
Chase Liquid
Commerce Bank mySpending Card
Fifth Third Bank Access 360° Card
OneWest Bank Prepaid Card
PNC SmartAccess Prepaid Visa Card
Regions Now Visa Prepaid Card
U.S. Bank Convenient Cash Card
Wells Fargo Prepaid Card

List of checking accounts in 2013 data collection

BB&T@Work Checking
BBVA Compass Bank Build-to-Order Checking
Chase Bank Total Checking
Commerce Bank myDirect Checking
Fifth Third Bank Essential Checking
OneWest Bank Personal Checking
PNC Bank Free Checking
Regions Bank Lifegreen
U.S. Bank Easy Checking
Wells Fargo Bank Value Checking

List of prepaid cards in 2012 data collection and not in 2013 data collection

Capital One Prepaid Card
excella Prepaid Visa Debit Card
Facecard Prepaid Teen MasterCard
Pass from American Express

Bank Freedom Prepaid MasterCard
South Carolina Federal Prepaid Card
Prepaid Travel Card MasterCard
Visa TravelMoney Card (Travelex)
UPside Clear Visa Prepaid Card

Appendix 2

Data collection

The Pew Charitable Trusts is researching checking accounts, small-dollar loans, and related financial products such as prepaid cards. Its goal is to support the development of sound policy, regulation, and business decisions for financial products through data-driven analysis.

Data in this report are based on an analysis of general purpose reloadable prepaid card account holder agreements and other documents available through the websites of Visa, MasterCard, American Express, and the 50 largest retail banks in the United States based on FDIC data. In collecting the data from the websites of the three payment networks, Pew used the list of available GPR prepaid cards that each provided. Each of these sites includes a list of these prepaid cards that may be obtained online. In collecting the data from the 50 largest retail banks, Pew searched each bank website for information about GPR prepaid cards that was generally available to the public. For these institutions, Pew did not exclude cards that required the consumer to visit a bank branch. Data collection for this report occurred in February and March 2013.

To qualify for inclusion in the study, a GPR prepaid card had to be generally available to the public, allow for spending and withdrawal of cash at ATMs, and allow loading of funds through direct deposit as well as at least one form of cash loading. For the cards at the network websites, the card had to be available online. All of the cards in this study are marketed directly to consumers, as opposed to government benefit cards or payroll cards.

Pew's study was limited to the available terms and conditions offered on prepaid card websites. This included cardholder agreements, pages listing frequently asked questions, and home pages. Because prepaid cards' terms and conditions are not standardized, information about certain fees and services was frequently not available online. If we did not find information through this method, we did not draw any conclusions as to whether a term or condition did or did not apply. In the study, a statement such as "X percent of cards studied charged a fee for Y" means that X percent disclosed the fee online. Because prepaid cards are not subject to government-mandated disclosure requirements, it is possible that some cards charged fees that were not disclosed.

Prepaid card selection

Prepaid cards are run by program managers that frequently offer multiple cards. The funds that are loaded onto such cards are held in an affiliated bank account (for nonbank program managers). GPR prepaid card program managers sometimes use multiple partner banks. The cards Pew studied represent at least 76 percent of the market, as determined by Mercator Advisory Group's study of program managers.[44]

Pew looked at every card plan that was offered individually. In some cases, one program manager offered two cards that differed only in that one relied on the Visa payment network while the other relied on MasterCard, and each card was issued by a different bank. In these cases, Pew did not classify these cards as being separate offerings. But if two cards offered by the same company had materially different terms or fee structures, then they were classified as separate cards. Some cards, for example, had a "pay as you go" option as well as a monthly fee option. These were considered to be two cards.[45] In contrast, if a card had a discounted monthly fee or available overdraft only for customers who use direct deposit and this information was contained within one cardholder agreement, it was considered to be one card.

Using this method of classification, Pew identified 66 unique cards. These cards included the primary offerings from the 10 largest GPR prepaid card program managers as determined by Mercator Advisory Group, as well as several other cards. In addition to 56 cards offered through the websites of Visa, MasterCard, and American Express, 10 cards were available at the websites of the 50 largest retail banks. For the 66 prepaid cards studied, there were 22 different financial institutions that issued the cards.[46]

Data determinations

In most cases, the fees that were disclosed were clear and unambiguous. In a few instances, however, the information available online was contradictory. In this situation, Pew assumed that if one document disclosed a fee or that the fee for a service was higher than in another document, it was the correct disclosure and the contradictory information was incorrect. For instance, one card disclosed in its cardholder agreement that it has no inactivity fee but also disclosed in its fee schedule that the inactivity fee was $2. In this case, we assumed the $2 figure was correct. This was not a common occurrence and had little or no effect on the medians or ranges for fee amounts. In addition, in some cases percentages may add up to more than 100 percent due to rounding.

Appendix 3

Prepaid cards vs. checking accounts: Consumer models

The tables below summarize the models for each of Pew's three categories of consumers. The numbers in each row correspond to the number of times a customer incurs a fee for a service if it was applicable to the account or card.

The savvy consumer does not visit out-of network ATMs, uses direct deposit to load the card and waive fees if possible, and keeps track of his or her balance online so that he or she does not need to call customer service or make a balance inquiry at an ATM. He or she does not incur any overdraft penalty fees or declined transaction fees during the month.

The basic consumer is not as proficient when it comes to avoiding fees. He or she does not use direct deposit, and one of the three ATM visits per month is at an out-of-network ATM withdrawal. He or she makes one balance inquiry a month and conducts one transaction per month with insufficient funds, which is an overdraft transfer with a checking account and either an overdraft or a point-of-sale decline fee with a prepaid card, if applicable.

The inexperienced consumer makes the heaviest use of services offered by his or her checking account or prepaid card. Two of his or her three withdrawals are at out of-network ATMs. He or she makes two balance inquiries and one customer service call per month. He or she conducts two transactions per month that exceed his or her balance, which result in overdraft fees or declined transaction fees, depending on the terms of the contract.

Some of these fees are possible to waive. It was assumed that the consumer models loaded at least $1,500 per month onto their prepaid cards and have their monthly fees waived if applicable. All three consumers also had any inactivity fees waived, since all actively use their cards during the month. The savvy consumer uses direct deposit, so his or her bank and prepaid monthly fees are waived where appropriate. Waivers for balance inquiries and live phone calls were tracked and applied where relevant. Some prepaid cards capped the amount of money a customer would pay per month in transaction charges, and our models include these limitations.

Pew did not make any assumptions about the balance that these customers carried during the month, so they were not eligible for checking account monthly fee waivers that are premised on maintaining an average daily balance. In the sample, all of the checking account monthly fee waivers required a minimum balance of at least $1,000 to qualify.

In most cases, the checking account and prepaid models are identical for each model consumer, unless the services available at banks and prepaid companies do not match. Thus, the basic consumer's overdraft transfer with a checking account may become a declined point-of-sale transaction on a prepaid card. The savvy consumer has only one ATM transaction when using a prepaid card, because he or she makes sure two of the point-of-sale transactions are validated by a PIN, in order to get cash back. Not all prepaid cards charge overdraft penalty fees, so, where applicable, the inexperienced consumer incurs a point-of-sale decline fee and an ATM decline fee instead of two overdraft charges (both are reflected in the following chart, and the relevant fees are charged on a card-by-card basis).

Not all prepaid cards disclosed an in-network ATM fee. When no reference was made to a proprietary ATM network, Pew assumed none existed, and all in-network ATM transactions for that card were treated as out-of-network charges with attendant surcharges. The exception to this was the savvy consumer, who was assumed to make two PIN transactions with cash back in lieu of more expensive out-of-network ATM withdrawals if that were the case.

Six of the prepaid cards, including four cards issued and managed by banks also offering checking accounts, disclosed that cash could be loaded onto a card at a proprietary location free of charge. For all other cards, a $4.95 loading fee was charged for each load, along with any additional fees charged by the prepaid card provider. It was assumed that the basic and inexperienced consumers used proprietary loading when available at a bank branch or retail chain. Savvy consumers were assumed to load using direct deposit.

There is also a difference in the assumption made about the availability and use of online bill pay between prepaid cards that are provided by one of the 50 largest banks and the other prepaid cards. For the nonbank prepaid cards, if fee information for bill pay is not disclosed, then Pew assumed that the option was available and there was not a fee for it. Almost every card at least discloses the existence of bill pay, and it is commonly a free service. But there is a strong reason to believe that prepaid cards managed by these large banks do not offer online bill pay. Doing so would make them ineligible for an the exception to the "Durbin Amendment" which allows large institutions to charge merchants a higher interchange rate so long as they do not offer customers access to funds via Automated Clearing House transactions, which online bill-pay programs rely on.

In fact, the eight bank-based prepaid cards that do not disclose bill-pay information all strongly suggested in disclosures that the option is not an available feature, which further strengthens the rationale behind this distinction. Therefore, it is assumed that the model customer for banks that do not disclose bill-pay information instead must purchase cashier's checks to pay bills.

Bank bill-pay plans charge a flat fee for monthly use, if a fee is charged at all, so all of our consumer models incur this fee once per month when using a checking account. Prepaid cards charge per use of bill pay, so here the inexperienced consumer incurs an additional charge because he or she uses the service twice per month.

To account for the lack of bill pay for prepaid cards issued by the large banks, each of the model consumers is charged for a money order assumed to cost $1.60. For the inexperienced consumer who pays for a second bill, a second money order assumed to cost $1.20 is applied.[47]

	Customers		
Banks	**Savvy**	**Basic**	**Inexperienced**
Monthly fee	1	1	1
Withdrawal at proprietary ATMs	3	2	1
Withdrawal at nonproprietary ATMs	0	1	2
Debit card transaction fee	17	17	17
Bill pay	1	1	1
Automated customer service/balance inquiry	0	1	2
Live customer service	0	0	1
Point-of-sale decline fee	0	0	0
ATM decline fee	0	0	0
Overdraft penalty fee	0	0	2
Overdraft transfer fee	0	1	0

	Customers		
Prepaid	**Savvy**	**Basic**	**Inexperienced**
Monthly fee	1	1	1
Withdrawal at proprietary ATMs	3*	2	1
Withdrawal at nonproprietary ATMs	0	1	2
Point-of-sale transaction (signature)	17*	17	10
Point-of-sale transaction (PIN)	0*	0	7
Bill pay	1	1	2
Automated customer service/balance inquiry	0	1	2
Live customer service	0	0	1
Point-of-sale decline fee	0	1	1
ATM decline fee	0	0	1
Overdraft penalty fee	0	1	2
Loading fees	0	2	2

* When using a prepaid card the savvy consumer may opt to make two point-of-sale transactions validated by a PIN, in order to get cash back, in place of two proprietary ATM and two signature point-of-sale transactions when doing so is a less-expensive alternative.

Endnotes

1 The Pew Charitable Trusts, *Loaded with Uncertainty: Are Prepaid Cards a Smart Alternative to Checking Accounts?* (Sept. 2012), p.5, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Prepaid_Checking_report.pdf.

2 The Pew Charitable Trusts, *Loaded with Uncertainty*, p. 12.

3 Mercator Advisory Group.

4 The Pew Charitable Trusts, *Why Americans Use Prepaid Cards* (Feb. 2014).

5 Green Dot Corp. and H&R Block Inc. operate their cards through proprietary banks, Green Dot Bank and H&R Block Bank. They are listed as "nonbank cards" because they are not traditional retail banks and are run similarly to other traditional GPR prepaid card providers. The designation of "bank-based" cards is reserved for the large retail banks that recently entered the GPR prepaid card market.

6 Mercator Advisory Group.

7 See Electronic Code of Federal Regulations, Regulation E, 12 CFR § 1005.1 et al., http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title12/12cfr1005_main_02.tpl.

8 U.S. Department of the Treasury, Financial Management Service, 31 CFR § 210.5(b)(5)(i), http://fms.treas.gov/ach/31cfr210_text.html.

9 A retail bank is defined as a bank that offers at least one type of consumer checking account. Deposit data are from the FDIC.

10 The Pew Charitable Trusts, *Loaded with Uncertainty*, p. 8.

11 Pew searched the websites of the 50 largest retail banks based on FDIC data and included any GPR prepaid cards that were advertised. For these cards only, inclusion in the data set did not require that the cards be available online.

12 Only one of the five cards that discloses overdraft fees in 2013 also disclosed overdraft fees in 2012. Two of the cards that disclosed overdraft fees in 2012 were not a part of this study. The other two stopped disclosing overdraft fees in their fees schedules or account agreements.

13 In 2012, cards listed on the websites of American Express, MasterCard, or Visa were considered in the data collection. However, for the current collection, there was a methodological change: Cards were not considered unless they disclosed that they offered direct deposit loading. This excluded a small number of cards that would have been included using the 2012 methodology and is responsible for the increase in cards in the present study that accept direct deposit loading.

14 The Automated Clearing House is an electronic network used by financial institutions to transfer money.

15 ATM transaction fee information was assumed to be for out-of-network transactions unless it was made clear that it applied to a proprietary or affiliated network.

16 "In-network" refers to proprietary ATMs that are owned by the card manager, bank, or affiliated ATM networks that do not charge third-party fees.

17 All 66 cards disclosed information on ATM fees. However, many cards do not make clear whether the fee information disclosed pertains to in-network ATMs. In fact, it is possible that many of these cards do not have in-network ATM fees, so the absence of disclosed fees does not necessarily mean customers are better off.

18 Integrated voice response is when a customer calls the service number and the call is handled by a computerized voice-recognition system that connects the user with account information.

19 Pass-through insurance allows program managers to hold customers' funds in a single pooled account and facilitate up to $250,000 in federal insurance to each cardholder. See FDIC Deposit Insurance Coverage Rule, 12 CFR § 330.14(a), 2013.

20 Regulations under the Electronic Fund Transfer Act require payroll cards, provided to an employee for the purpose of remitting wages or salary, to comply with most provisions of the act. One exception is that they do not have to provide paper statements if they have an alternative way to provide notice to consumers of their account history. This alternative method requires the payroll card company to provide all of the following: the consumer's account balance through a readily available telephone line; a 60-day transaction history through a website; and a periodic statement upon request with at least 60 days of transaction history.

21 Regulation E, 12 CFR § 1005.18, 2013.

22 BBVA Compass did not provide its checking account agreement online or by mail. The dispute resolution clause is normally found in this document.

23 Consumer Financial Protection Bureau, "CFPB Study of Overdraft Programs" (June 2013), http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf.

24 The Pew Charitable Trusts, *Checks and Balances: Measuring Checking Accounts' Safety and Transparency* (May 2013), p. 4, http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/ChecksBalances-new.pdf; and The Pew Charitable Trusts, *Overdraft America: Confusion*

and Concerns About Bank Practices (May 2012), p. 8. http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Fact_Sheets/Safe_Checking/Overdraft_America_Final.pdf.

25 The Pew Charitable Trusts, *Why Americans Use Prepaid Cards*.

26 Consumer Financial Protection Bureau, Advance Notice of Proposed Rulemaking, *77 Fed. Reg*. 30923 (May 24, 2012), http://www.gpo.gov/fdsys/granule/FR-2012-05-24/2012-12565/content-detail.html.

27 The Pew Charitable Trusts, *Banking on Arbitration: Big Banks, Consumers, and Checking Account Dispute Resolution* (Nov. 2012), http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pew_arbitration_report.pdf.

28 In The Pew Charitable Trusts, *Checks and Balances: Measuring Checking Accounts' Safety and Transparency* (May, 2013) pp. 27-34, 58 percent of studied banks included arbitration agreements, but the data set for this report shows that 77 percent of prepaid card disclosures include arbitration agreements.

29 In previous reports, The Pew Charitable Trusts has found that many checking account agreements include clauses that require the account holder to pay the bank's loss, costs, and expenses regardless of the outcome of the case. Though there is little if any precedent of these clauses withstanding legal scrutiny, Pew has recommended that the Consumer Financial Protection Bureau examine these clauses because their inclusion in a contract could have a chilling effect on consumers considering a claim. See Pew reports *Hidden Risks: The Case for Safe and Transparent Checking Accounts*,(April 2011), p. 19. http://www.pewstates.org/uploadedFiles/PCS_Assets/2011/SafeChecking_Pew_Report_HiddenRisks.pdf; *Still Risky: An Update on the Safety and Transparency of Checking Accounts* (June 2012),p. 32, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pew_Safe_Checking_Still_Risky.pdf; and *Checks and Balances*, p. 27.

30 The Pew Charitable Trusts, *Imperfect Protection: Using Money Transmitter Laws to Insure Prepaid Cards* (March 2013), p. 5, http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_prepaid_money_transmitter.pdf.

31 Two of the GPR prepaid cards studied in *Loaded with Uncertainty* were managed by large banks (BB&T and Capital One) and were included because they were listed on the website of either Visa or MasterCard.

32 Dodd-Frank Wall Street Reform and Consumer Protection Act, 15 U.S.C. § 1693o-2(a)(2)-(3) (2013), http://www.gpo.gov/fdsys/pkg/USCODE-2011-title15/pdf/USCODE-2011-title15-chap41-subchapVI-sec1693o-2.pdf.

33 15 U.S.C. § 1693o-2(a)(7).

34 15 U.S.C. § 1693o-2(a)(7)(B).

35 15 U.S.C. § 1693o-2(a)(7)(B).

36 15 U.S.C. § 1693o-2(a)(7(A)(ii). A GPR prepaid card, as defined in the Durbin Amendment, is "a plastic card, payment code, or device that is—linked to funds, monetary value, or assets which are purchased or loaded on a prepaid basis; not issued or approved for use to access or debit any account held by or for the benefit of the card holder (other than a subaccount or other method of recording or tracking funds purchased or loaded on the card on a prepaid basis); redeemable at multiple, unaffiliated merchants or service providers, or automated teller machines; used to transfer or debit funds, monetary value, or other assets; and reloadable and not marketed or labeled as a gift card or gift certificate."

37 See 15 U.S.C. § 1693o-2(a)(7)(A)(2).

38 Federal Reserve Regulation II, 15 CFR 235.3. http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=d058ec22308b34eb4c7c5c2958c2e525&rgn=div5&view=text&node=12:4.0.1.1.6&idno=12#12:4.0.1.1.6.0.1.3

39 See 15 U.S.C. § 1693o-2(a)(7)(B)(i). Exemption does not apply if card charges "a fee for an overdraft, including a shortage of funds or a transaction processed for an amount exceeding the account balance." See also Federal Reserve Regulation II, 15 CFR § 235.5(d)(1). Exemption does not apply if card charges "a fee or charge for an overdraft, including a shortage of funds or a transaction processed for an amount exceeding the account balance, unless the fee or charge is imposed for transferring funds from another asset account to cover a shortfall in the account accessed by the card."

40 The Pew Charitable Trusts, *Slipping Behind: Low-Income Los Angeles Households Drift Further from the Financial Mainstream* (Oct. 2011), p.7, http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe_Banking_Opportunities_Project/Slipping%20Behind.pdf; and Federal Deposit Insurance Corp., *The 2011 National Survey of Unbanked and Underbanked Households* (Sept. 2012), http://economicinclusion.gov/surveys/2011household.

41 The Pew Charitable Trusts, *Key Focus Group Findings on Prepaid Debit Cards* (April 2012), p. 2, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/FSP_12014%20Pew%20DebitCards_R10A-4-5-12.pdf.

42 The Pew Charitable Trusts, *Imperfect Protection*, p. 4.

43 E,g. Powell-Perry v. Branch Banking & Trust Co., 485 Fed. Appx. 403 (11th Cir. 2012).

44 Our study includes the cards offered online by program managers that make up at least 75 percent of the market. It is believed that the terms and conditions of cards offered by these companies exclusively at physical locations do not materially differ from the online offerings. However, some cards do indicate that retailers will charge a fee for purchase of the card, while it is free if obtained online.

45 In some cases, one card is advertised as having a choice between a monthly fee and a pay-as-you-go plan. In other cases, these options are advertised as two card choices.

46 American Express Travel Related Service Inc., Bancorp Bank, BBVA Compass, Branch Bank and Trust Co., Central National Bank and Trust of Enid, Commerce Bank, Fifth Third Bank, First Bank and Trust, First California Bank, GE Capital Retail Bank, Green Dot Bank, H&R Block Bank, Inter National Bank, JPMorgan Chase Bank, MB Financial Bank, MetaBank, Metropolitan National Bank, OneWest Bank, FSB, PNC Bank, Regions Bank, U.S. Bank, and Wells Fargo Bank.

47 This cost is based on the price of a money order at the U.S. post office, https://www.usps.com/shop/money-orders.htm.

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