

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

June 6, 2012

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Consumer Financial Protection Bureau (CFPB) Considers Rules on Prepaid Cards

On May 23, 2012, the CFPB issued an [Advance Notice of Proposed Rulemaking](#) (ANPR) to seek comment, data, and information from the public about general purpose reloadable (GPR) prepaid cards (GPR cards). Although only a limited number of companies currently offer these products, we understand that many financial institutions may be considering their offering, particularly since the recent restrictions on debit interchange fees do not apply to prepaid cards. Also, the expected growth in the prepaid market could have ancillary impacts on the banking industry. While the ANPR generally refers to a “card,” these devices may include other mechanisms, such as a key fob or cell phone application, that access a financial account. As a result, institutions considering prepaid cards or other alternative payment mechanisms, or who otherwise have insights into the implications of these products, are encouraged to utilize the comment period as an opportunity to inform the CFPB’s understanding of the benefits and risks associated with prepaid cards and to help prevent unintended consequences resulting from any new rules.

Request for Comment

The CFPB is seeking information from the public with respect to GPR cards, including their costs, benefits, and risks to consumers. The CFPB has indicated it will use these comments, along with other outreach and analysis, to formulate a proposal to regulate these products. Comments on the ANPR must be received by the CFPB by July 23, 2012. As indicated in their [press release](#), the CFPB plans to evaluate several topics:

- Fees and Terms Disclosures – The CFPB will evaluate the best way to balance the need for disclosure with the fact that many cards are purchased at retail locations and space for disclosures is limited. The CFPB also plans to evaluate how prepaid card issuers should disclose the FDIC insurance status of cardholders’ funds.
- Unauthorized Transactions – The CFPB will evaluate the costs and benefits of issuers providing limited liability protection from unauthorized transactions.
- Product Features – The CFPB will look for public input on the costs, benefits, and consumer protection issues related to the prepaid card product features.

Resources

Additional information regarding the ANPR and information on how to submit a comment can be found at the CFPB’s website, at <http://www.consumerfinance.gov/notice-and-comment/>.

The CFPB also launched [Ask CFPB: Prepaid Cards](#) – a searchable online tool with answers to questions about prepaid cards. The questions cover a range of topics from a general overview of prepaid cards and their fees to how to obtain, reload, and use a prepaid card.

Additional information about the Bureau’s activities can be found by referencing their website at <http://www.consumerfinance.gov>.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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