

**For Immediate Release**

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**Sens. McCain, Flake Urged to Reject Measure to Block Fraud and Fee Protections on Pre-paid Debit Cards**

*Obscure, fast-track law would stop Consumer Financial Protection Bureau card rule*

Tucson, Arizona –February 6, 2017 –The Southwest Center for Economic Integrity today called on Arizona Senators John McCain and Jeff Flake and members of the Arizona Congressional delegation to reject fast-track resolutions filed in the United States Senate February 1 and in the House February 3 that would allow Congress to block the Consumer Financial Protection Bureau’s prepaid card rule in order to allow NetSpend, owned by Georgia-based Total System Services Inc., to keep charging customers [\\$80 million](#) a year in overdraft fees on prepaid cards. The move would block basic fraud and fee disclosure protections for all prepaid cards, 98 percent of which, unlike NetSpend’s, don’t have overdraft fees.

“Overdraft fees on prepaid debit cards are just another way for companies to get around Arizona’s small consumer lending laws,” said Kelly Griffith, executive director of the Center for Economic Integrity. “Any member of Congress that attacks the Consumer Financial Protection Bureau’s important work on behalf of the public should be ashamed. The CFPB, in just a few years, has demonstrated its value to Arizona residents and consumers around the country, returning nearly [\\$12 billion](#) to 29 million consumers across the country.”

Prepaid cards are used to receive deposits of income and benefits and to make payments by families that usually do not have bank accounts. In Arizona 7.3 percent of households (201,042) used prepaid cards in 2015, [according to the FDIC](#).

The [CFPB rule](#) was issued last fall and is scheduled to go into effect October 1. It extends to prepaid cards the same basic protections against fraud, unauthorized charges, and errors that bank account debit cards have. The rule also gives consumers a simple chart of fees to help them shop for a prepaid card and avoid unwanted fees. The CFPB rule does not prohibit overdraft fees but requires hybrid prepaid-credit cards that can overdraft to comply with the rules for credit cards, including limits on fees in the first year, consideration of ability to pay, payments due only once a month, and a ban on requiring automatic repayment from incoming deposits.

“Payday lenders used prepaid cards to make loans in Arizona after Prop 200 led to sunset of the payday loan law,” noted Griffith. “While a [2012 complaint to the Comptroller of the Currency](#) led to [Urban Trust Bank](#) terminating its debit card lending at CheckSmart stores several years ago, a repeal of the CFPB rule to curtail credit on prepaid cards could permit high-cost lending in Arizona on prepaid plastic.”

The only major prepaid card provider with overdraft credit is NetSpend, which [primarily](#) sells its cards at check cashing stores and through payroll cards used by employers of low-wage workers. NetSpend’s cards offer opt-in overdraft “protection” that allows the card to be used when it is empty, with the overdraft and a \$15 to \$25 fee taken out of the next deposit to the card. These high-rate short-term loans repaid out of the next deposit function just like payday loans that are not authorized in Arizona.

“CFPB’s prepaid card rule extends protections that bank account customers take for granted to the unbanked Arizonans who use prepaid cards as a bank account on plastic,” said Cynthia Zwick, Executive Director of Arizona Community Action Agency Association. “Over 234,000 Arizona families were unbanked in 2015. They deserve protection for their hard-earned money held on debit cards through rules adopted by CFPB after extensive research and public comments.”

The prepaid card resolutions (H.J. Res. 62 and S.J. Res. 19) were filed under the [Congressional Review Act](#), an obscure law that gives Congress, with the President’s signature, a window to veto a rule from going into effect. If a rule is blocked by a CRA vote, the CFPB is forever banned from issuing a substantially similar rule unless Congress authorizes it.

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Americans for Financial Reform and Center for Economic Integrity comments in CFPB rule-making on prepaid cards at

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