



Network Branded Prepaid Card Association

110 Chestnut Ridge Road, Suite 111

Montvale, NJ 07645-1706

201-746-0725

September 10, 2014

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Re: Comment Letter in Response to Request for Information Regarding the Use of Mobile Financial Services by Consumers and Its Potential for Improving the Financial Lives of Economically Vulnerable Consumers [Docket No.: CFPB-2014-0012]

Dear Ms. Jackson:

This letter is submitted to the Consumer Financial Protection Bureau (“CFPB” or “Bureau”) on behalf of the Network Branded Prepaid Card Association (“NBPCA”) in response to the Notice and Request for Information (“RFI”) published in the *Federal Register* on June 12, 2014 at 79 Fed. Reg. 33731. The RFI seeks information about how consumers are using Mobile Financial Services (MFSs) to access products and services, manage finances and achieve their financial goals with a focus on economically vulnerable consumers. The Bureau has specifically requested comments from all members of the public.

The NBPCA is a non-profit trade association representing a diverse group of organizations that take part in delivering network branded prepaid cards and other forms of prepaid access used by consumers, businesses and governments. The NBPCA’s members include prepaid access providers and sellers, in addition to financial institutions, card organizations, processors, program managers, marketing and incentive companies, card distributors, and law and media firms. The NBPCA is active on behalf of its members to inform and educate government officials, the media and consumers about these important payment products that provide critical access to financial services for the underbanked and underserved, as well as convenience, security and efficiency to users.¹ We welcome this opportunity to respond to the CFPB’s RFI.

¹ This letter does not necessarily represent the position of each of the organizations that are members of the NBPCA.



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I. General Overview

MFSs—including information exchange (such as account balances and text alerts), in-store and e-commerce purchasing, bill payment, person-to-person payments and remote check deposit—create tremendous new opportunities for consumers to interact with their financial institutions conveniently and safely using a device they carry with them almost every waking hour.

According to the Pew Research Internet Project (as of Jan. 2014), 90 percent of American adults have a cell phone and 58 percent have a smartphone. Cell phone ownership is high among all demographic categories; while smartphone ownership is decidedly heavier among Millennials (18-32) and GenXers (33-48). Higher incomes and educational levels also influence the likelihood of smartphone ownership; yet, smartphone ownership among households with the lowest incomes (less than \$30,000/year) is approaching 50 percent. On the race/ethnicity demographic, Hispanics are most likely to own a smartphone (61 percent), followed by African Americans (59 percent) and Whites (53 percent).

The Center for Financial Services Innovation finds that “Although underbanked consumers in the U.S. often have insufficient access to financial services, their access to mobile phones is fairly widespread.” (In Brief Aug. 2011) And, it posits that among lower income households, the smartphone may be the most cost-effective way to acquire Internet connectivity.

Where does this lead us? To the point that the acceptance and use of MFSs *by choice* is on the upswing across all demographics, and the trend will become more pronounced as Millennials and GenXers replace the Baby Boomer and Greatest generations. The availability of financial services through mobile devices should be regarded as a tremendous opportunity to use a popular delivery channel to enfranchise individuals across all ages and economic circumstances. And, this is a good development.

Mobile financial services also mark an exciting and important change in consumer protection for financial services because they allow consumers faster access to data about their card accounts and transactions. In the past, consumers had to wait for delivery of monthly statements to verify their account transactions. Or, they had to call a customer service center, or go to an ATM to find out their balance. The advent of mobile financial services enables prepaid, emerging and electronic payments to become much closer to real-time cash equivalents. Cardholders can be notified when a transaction occurs, together with the resulting balance, and be better able to detect fraudulent or unauthorized transactions much more quickly.



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It is clear that the growth and usage of MFSs has made payments faster, safer, and more efficient. The NBPCA urges the CFPB to encourage the increased use of MFSs and to recognize that older, traditional methods of consumer financial protections (e.g., the delivery of paper statements and terms & conditions) may be less effective in a world where MFSs are ubiquitous. Mobile Financial Services provide new solutions and our regulatory framework should adapt and accommodate these solutions broadly and fairly, without stifling innovation. The NBPCA gladly offers its assistance as the CFPB contemplates the long term impact of MFSs on consumer payments.

II. Specific Comments

(1) What are some of the ways in which consumers use mobile technology to access financial services? What are some of the benefits to consumers of enhanced access via mobile?

Specific to the prepaid industry, many general purpose reloadable prepaid cards (“GPR Cards”) offer MFSs through various mobile services and applications (“GPR Mobile Applications”). GPR Mobile Applications provide similar features to other available MFSs, such as those offered directly by a consumer’s financial institution. These applications allow consumers to access their account information and services in a more expedient and often less expensive manner. Several benefits include text purchase alerts, mobile bill pay, mobile point-of-sale, remote deposit capture and remote payment, as well as access to transaction histories, fraud alerts and card balances. These features provide consumers with enhanced and expedited access to financial services via mobile devices. Consumers also benefit from a faster access to check deposits, and the convenience of doing their payments from anywhere, and the ability to manage their money more effectively.

We are also seeing a significant increase in the issuance of virtual prepaid card products which can be accessed through a mobile device, replacing physical cards used for gift, rebate, incentive and loyalty purposes. For these uses, previously the physical prepaid card replaced the check; today, however, disbursement is increasingly being handled through mobile applications and virtual prepaid products, providing an even more convenient, timely and secure consumer experience.



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(2) How would making access via mobile differ from or improve overall access compared to only accessing financial services through an online channel?

These days, many more people own mobile devices than laptops or home computers. Mobile devices are less expensive and much more broadly dispersed than computers. Many mobile devices have online browsers, but not all mobile devices are “smart phones.” The ability also to deliver MFSs, such as text alerts, through SMS “text messaging” means that such services are available to a far wider range of consumers.

See General Overview above for additional information on mobile device ownership and usage.

(3) Based on your experience, what percentage of customers access accounts at financial institutions via mobile? Has there been any research that sheds light on level of use by income strata, age, or other demographic factors?

The NBPCA does not have access to such data or research.

(4) Is there evidence of lower costs to service providers and/or to consumers when providing MFSs? Identify how those cost savings are achieved. a. For which type of account or transaction does mobile reduce cost? Why?

While we believe that MFSs can meaningfully reduce the cost of providing account information and services for both providers and consumers, we do not have access to specific evidence on this point. Note, we have no specifics to add in response to sub-questions b and c.

(5) How can MFSs be brought to scale in ways that reach more consumers across the economic spectrum?

While there is no easy answer to this question, many solutions have been developed to make mobile phones and “smart phones” and their service plans more convenient and less expensive, *and* helping payment card issuers to meet their regulatory burdens by replacing paper, telephonic and other more expensive communications vehicles with MFSs. The best way for government to encourage these products is to (i) provide regulatory certainty to encourage development, (ii) take care not to overregulate, (iii) collect and incorporate research that shows what consumers really want, and (iv) work proactively with industry for win-win solutions.



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(6) How are financial service providers marketing MFSs? To underserved populations?

We have no specific information as to how financial service providers are marketing their products at this time.

(7) The 2014 FDIC White Paper identified that while MFS has the potential to help the underserved gain access to the banking system, MFS on a standalone basis appears to have a “limited role in motivating and facilitating the unbanked access to the financial mainstream.” Are there successful approaches to enhance access to financial services for the unbanked, whether it is via bank or nonbank providers?

While we have no specific information on this topic, we agree it is important to research. We believe a successful MFS product that provides access to the unbanked would require participation and cooperation by and between banks, merchants, non-bank service providers and consumers with support from their regulators.

(8) Are there any examples of or research on the use of mobile technology to enhance savings opportunities or habits for consumers? For economically vulnerable consumers?

We have no specific information to share at this time.

(9) Are there certain kinds of products or services that are more promising than others in terms of being adapted to mobile environment for the underserved market? Why?

GPR Mobile Applications have been identified as immensely beneficial to the underserved.² These applications offer a multitude of financial services, and provide an important solution in the mobile environment for underserved markets. Specifically, GPR Cards and GPR Mobile Applications offer underserved consumers the ability to engage in daily transactions and utilize services not otherwise practically available, including the delivery of account information.

a. Deposit Products?

While unbanked and underbanked consumers may not have access to or often use a bank account, they do make substantial use of mobile phones. For example, a recent study provided that among individuals surveyed who were unbanked, 64% have access to a mobile phone and

² See, e.g. JENNIFER MARBLE, MERCATOR ADVISORY GROUP, COMPARING THE CUSTOMER SUPPORT DELIVERED IN MOBILE PAYMENT APPLICATIONS 13 (2014).



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18% have access to a smartphone.³ Additionally, 91% of the underbanked have a mobile phone and 57% have a smarthphone.⁴ Thus, use of a GPR Mobile Application provides access for the underserved to MFSs not otherwise available to them. Examples of GPR Mobile Applications that are successfully serving the underserved market include Green Dot, NetSpend, H & R Block, and RushCard. Moreover, the underserved and Millennials comprise a large portion of the GPR Card market,⁵ and many underserved consumers and Millennials use GPR Cards and GPR Mobile Applications, including mobile deposit capture technologies, as their primary money management system and rely on these mobile applications for their daily financial needs.

b. Point-of-sale transactions?

GPR Mobile Applications may provide greater benefits to the underserved and Millennial markets for point-of-sale transactions than other products or services offered. Underserved consumers and Millennials may carry cash as an alternative to using MFSs for point-of-sale transactions. Utilizing GPR Cards and GPR Mobile Applications for these transactions may minimize the risk of loss or theft of funds when carrying cash, and increase the ability to track spending and budget expenses effectively, and therefore reduce the costs associated with engaging in point-of-sale financial transactions.

c. Paying for purchase of products and services remotely?

GPR Mobile Applications provide increased access for remote purchase of products and services. Consumers have the ability to use their GPR Mobile Applications to make payments for products and services directly from their mobile device. GPR Mobile Applications, in conjunction with GPR Cards, provide consumers with a more convenient, less time-consuming method of purchasing products and services remotely, especially in circumstances where there is no other practical alternative method for payment.

d. Bill payments?

GPR Mobile Applications make bill payment less time-consuming and provide services to the consumer at a lower cost, particularly underserved consumers. Without access to GPR Cards

³ BD. OF GOVERNORS OF THE FED. RESERVE SYS., CONSUMERS AND MOBILE FINANCIAL SERVICES 19 (2014), available at <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201403.pdf>.

⁴ *Id.*

⁵ *See id.* at 18 (finding that among the various alternative financial products and services, use of prepaid cards was most common in the sample – more than half (55 percent) of respondents report using some type of prepaid card).



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and GPR Mobile Applications, underserved consumers may, for example, have to take cash to a designated location to make bill payments or purchase money orders for an additional fee. The ability to use GPR Mobile Applications to make payments clearly provides convenience to consumers who otherwise would have had to spend time traveling to designated bill pay locations.

e. Overall money management products, including apps that enhance ability to manage money or set and meet financial goals?

GPR Mobile Applications enable consumers to check account balances and receive account alerts. The ability to check account balances gives consumers who use GPR Cards the ability to better manage their money and to track and stay updated on their finances. Further, certain providers are offering personal financial management (PFM) tools, such as budgeting, to the users of mobile devices. Using these PFM tools, a consumer can better budget and track their income and expenditures.

(10) Are there specific types of current or potential innovations that have been identified by community groups, consumer advocates, educators, or others as helpful to the underserved?

As stated previously, GPR Mobile Applications have been specifically identified as helpful to the underserved, as well as Millennials.⁶ GPR Mobile Applications often provide users with access to financial products and services, even where other MFSs are not available. This is particularly true for those consumers who, for a variety of reasons, do not maintain a traditional checking or savings account. GPR Cards and GPR Mobile Applications can provide these consumers with similar technology and benefits as consumers who utilize MFSs in connection with or from their financial institutions.

(11) How are loyalty and rewards programs being used for MFSs? What are some innovative programs that may help the underserved market: 1) Access more affordable financial services and products, and 2) achieve their financial goals?

The NBPCA does not have extensive data on the implementation of loyalty and reward programs. We understand, however, that rewards and rebates can increasingly be delivered via mobile channels and indeed, many retail applications, such as the Starbucks mobile payment application, are growing in popularity primarily because the reward (whether it be points, free

⁶ MARBLE, *supra* note 2.



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merchandise or other value) can be made immediately available at the time of purchase. We understand some retailers can utilize a mobile device's GPS functionality in order to recognize when a customer is at or near its retail locations in order to offer the customer a real-time discount or coupon offer.

(12) Many low-income consumers use prepaid products for their daily financial transactions. What opportunities are there for low-income consumers to use these products via mobile devices?

See response to Question (10) above. Additionally, a recent FDIC White Paper (the "White Paper")⁷ indicated that 17.8% of unbanked households have used a prepaid card in the past. Prepaid Products provide low-income consumers who may not have access to traditional financial services with the ability to engage in transactions otherwise not available, including access to MFSs. GPR Mobile Applications enable unbanked and underbanked consumers who rely on prepaid as the primary method for daily financial transactions to manage their spending better meet their financial needs and goals. Moreover, mobile services offered in conjunction with prepaid products may address many of the needs of underserved consumers not addressed by other MFSs.

The White Paper states that 32.8% of unbanked households specified the reason they did not have a bank account was because they "do not have enough money to put in an account."⁸ As a result, the White Paper concluded that MFSs are unlikely to address the top reasons consumers cite for not having a bank account.⁹ However, prepaid products in connection with their mobile applications may serve that market where traditional bank products cannot.

Further, the White Paper noted that several consumers cited identification requirements, credit or banking history problems as a reason for not having a bank account. Similar to those who cited insufficient funds as a reason they do not have an account, the White Paper asserted that those issues will likely still serve as an obstacle, even in light of the increasing availability of MFSs. Again, GPR Cards and GPR Mobile Applications can provide those consumers who are unable or do not want to obtain a bank account with the ability to engage in financial services otherwise not available to them.

⁷ SUSAN BURHOUSE, MATTHEW HOMER, YAZMIN OSAKI, MICHAEL BACHMAN, FEDERAL DEPOSIT INSURANCE CORPORATION, ASSESSING THE ECONOMIC INCLUSION POTENTIAL OF MOBILE FINANCIAL SERVICES 9 (2014), available at <http://www.fdic.gov/consumers/community/mobile/Mobile-Financial-Services-and-Economic-Inclusion-04-23-2014revised.pdf> (citing 2013 FDIC Survey of Unbanked and Underbanked Households).

⁸ *Id.* at 10.

⁹ *Id.* at 18.



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Questions 13-19: No comment.

(20) What types of customer service or technical assistance concerns are there in the context of MFSs? For example, should consumers always have access to a customer service telephone number and/or call center?

Most GPR Mobile Applications already have a range of available customer service or technical assistance features in connection with use of the services. This includes both in-app features as well as access to customer service via telephone or text message. The differences in available customer service methods vary across different GPR Mobile Applications.¹⁰ For example, the mobile application offered by NetSpend contains five customer service features including an extensive FAQ system and helpful in-application tutorial.¹¹ There is also an available customer service phone line, as well as options for fax and email where consumers can receive customer support. In addition, the H & R Block mobile app includes a help video in addition to other customer service features. Consumers vary based on which customer support features they find most helpful. Thus, consumers can choose which customer support features they prefer and determine the GPR Card with the features they find the most beneficial. As a result, the need to provide customer service telephone numbers may diminish over time as MFSs and applications are able to similarly meet consumers' service needs in a more efficient manner, with the added convenience of reducing or eliminating customer wait time.

Questions 21-32: No comment.

(33) Are additional financial consumer protections needed to protect low-income or otherwise economically vulnerable consumers in the use of MFSs? Please explain.

We do not believe so. MFSs are generally used as a conduit for information, updates and disclosures to consumers and merchants. As such, they pose little additional risk to consumers from a liability or error resolution perspective. To the extent this question is focused on the use of mobile devices or products as a means of payment, however, we note that currently, mobile devices and products generally represent new payment channels or form factors through which existing payment products (whether they be credit, debit or prepaid) may be used. In such cases, consumers are already or will be (once the CFPB prepaid rulemaking is finalized) protected under financial consumer services laws.

¹⁰ See, e.g. MARBLE, *supra* note 2, at 14 (providing a chart comparing the GPR Cards built-in customer service features for selected mobile applications).

¹¹ MARBLE, *supra* note 2, at 14.



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III. Conclusion

MFSs provide significant benefits to consumers by expanding financial access for consumers and providing more timely transaction information and financial management tools to help consumers manage their accounts. As MFSs evolve, it is important that regulators provide flexibility in the marketplace for it to adapt to new technology and changes in consumer needs. In order to better serve consumers, the industry needs the ability to adjust in order to provide solutions and resources to meet consumer financial needs. MFSs are an innovative mechanism that should be encouraged. More likely than not, additional consumer regulations in this area will simply stifle the industry in its rapidly-growing effort to provide consumers with more control over their finances and to offer more cost-efficient and expedient financial services via mobile. The NBPCA respectfully requests that the CFPB carefully consider any additional regulation of MFSs to ensure that they do not deter continued innovation and enable these services to evolve to meet consumer needs.

The NBPCA appreciates the opportunity to comment on this important subject and hope that this letter has been helpful. If you have any questions or require further information, please do not hesitate to contact us.

Sincerely,

Douglas Bower
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Government Relations Director, NBPCA