

March 23, 2015

Monica Jackson  
Office of the Executive Secretary  
Consumer Financial Protection Bureau  
1700 G Street N.W., Washington, DC 20552

**Re: Joint Comments regarding CFPB Prepaid Account Proposed Rule, CFPB-2014-0031, RIN 3170-AA22**

Dear Ms. Jackson:

The undersigned trade associations (collectively, the “Associations”) submit these comments in response to the Consumer Financial Protection Bureau’s (the “Bureau’s”) proposed rulemaking (“NPRM”) for prepaid accounts.<sup>1</sup> The Associations support the Bureau’s goal of establishing effective consumer protections in the prepaid market and of promoting consumer choice, as well as transparency, and fairness in the marketplace.

The Associations are concerned, however, that the NPRM, as drafted, includes proposed provisions that have the potential to increase the cost of prepaid accounts for consumers, limit consumer access to credit, and stifle the development of new and innovative products and services. The Associations therefore encourage the Bureau to develop a final rule that is consistent with its statutory mission of ensuring that “consumers may access markets for financial products, and . . . that these markets are fair, transparent, and competitive.”<sup>2</sup>

Prepaid accounts provide safe, cost-effective, convenient, and innovative payment options for millions of consumers, particularly for lower-income and unbanked consumers who may not have access to other financial services. The prepaid market has expanded rapidly in recent years because consumers value the accessibility, affordability and convenience of these products. At the same time, the prepaid industry has responded to the needs of consumers by implementing a number of innovative, features such as fee disclosures, opt-ins for overdraft protection, fee limits, and cooling-off periods. This continues to ensure that consumers have choice and flexibility so that they may select those products that best fit their individual financial needs. To this end, the Associations encourage the Bureau to keep the following principles in mind when finalizing the prepaid account rule.

**The Final Rule Should Promote Innovation in the Market.** The Associations are concerned that the proposed rule is overly broad and has the potential to chill innovation and the development of products and services. One example is the NPRM’s expansive, one-size-fits-all definition of “prepaid account.” The prepaid market continues to evolve rapidly, along with new technologies such as digital wallets, peer-to-peer payment services, and virtual currencies, to name just a few. These products and services are based on new technologies and often differ in form and function from traditional prepaid products, such as the general-purpose reloadable

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<sup>1</sup> *Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)*, 79 Fed. Reg. 77102 (Dec. 23, 2014).

<sup>2</sup> 12 U.S.C. § 5511.

cards discussed in the Bureau's Advanced Notice of Proposed Rulemaking. The Bureau's proposed definition of "prepaid account," however, establishes sweeping regulations based on a snap shot of today's market, even though history has shown that the industry and corresponding technology will grow and evolve in unanticipated ways. By adopting such a broad definition of "prepaid account", the Bureau will stifle the development of new products or limit the expansion of new technologies that have been (or will be) introduced in the market, such as digital wallets and peer-to-peer payment systems. We therefore encourage the Bureau to take a less rigid approach to defining prepaid account so that it can tailor the rule through its policy functions moving forward.

**The Final Rule Should Protect Consumer Choice and Access to Products.** The final rule should ensure that proposed consumer protections do not make prepaid accounts inconvenient or cost-prohibitive for consumers. Many consumers use prepaid accounts to avoid the higher costs associated with other products or because these consumers cannot access traditional financial services. We are concerned that the substantially-increased regulatory burdens imposed by the proposed rule could hamper the ability of prepaid account companies to continue offering affordable and accessible products and services, especially to the roughly 10 million unbanked consumers in the United States.

**The Final Rule Should Provide Industry with Additional Time to Implement the Proposed Sweeping Changes.** As a practical matter, the NPRM requires that prepaid account issuers, packaging manufacturers, and service providers change how they produce, package, and market their products. When it comes to the proposed disclosures, for example, it is unclear whether the disclosures can be incorporated into current product packaging or how such disclosures should be disclosed online or in the mobile space. Addressing these challenges alone will realistically require more than the nine months the NPRM currently contemplates. We therefore suggest that the final rule provide industry with at a minimum 18 month implementation timeline. This revised timeline will provide industry with sufficient time to comply with the rule without sacrificing quality or consumer access to products and services.

As recognized by the Bureau in the NPRM, prepaid accounts provide great benefit to consumers and the economy as a whole. The Associations support the development of rules for the prepaid market that preserve those benefits, and believe that consumers will be best served and protected by a rule that provides appropriate protections while being tailored to the specific needs of consumers. The Associations appreciate the opportunity to submit these comments and look forward to working with CFPB to structure a final rule that provides consumers with important protections and the full benefits of market innovation.

Please do not hesitate to contact us if we can be of further assistance.

American Bankers Association

Consumer Bankers Association

Credit Union National Association

Electronic Transactions Association

Financial Services Roundtable

National Association of Federal Credit Unions

Online Lenders Alliance