

February 24, 2016

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray

Thank you for your reply following-up on the question I posed to you during the July 15, 2015, Senate Banking Committee hearing entitled, "*the Consumer Financial Protection Bureau's Semi-Annual Report to Congress.*"

In my question for the record, I noted that the CFPB is proposing that agencies provide new disclosures to all recipients of government benefit cards and raised concerns that these new disclosures may raise costs for taxpayers. I asked if the Bureau had conducted any sort of analysis to examine this cost.

I appreciate your response, however, I am very concerned that the Bureau did not proactively conduct a cost-benefit analysis regarding the economic impact of the agency's Prepaid Account Notice of Proposed Rulemaking (NPR)¹ on federally mandated government payments that are disbursed via a prepaid card. Specifically, despite writing an almost 900-page NPR, the CFPB did not take time to conduct a cost-benefit analysis on the potential impact to federal agencies, and ultimately the American taxpayer on switching from electronic payments to paper checks.

As I noted in my question to you, the Treasury Department has calculated that each payment by check costs just over \$1.03 compared with 10.5 cents per electronic payment. With millions of beneficiaries receiving checks every month, this adds up to a considerable savings. At a time when the Federal government is grappling with the solvency of mandatory spending trust funds like Social Security and Supplemental Security Income, we must take all steps to extend the life-span of these trust funds.

Furthermore, although you stated that the intent of including the phrase "You do not have to get your payments on this prepaid card. Ask about other ways to get your payments" was not to discourage the use of government benefit cards but rather to educate beneficiaries, current federal regulations already provide strong protections.

¹ Section 1005.15(c)(2) of the CFPN Prepaid NPRM

Both the Federal Payments Rule² and the Electronic Funds Transfer Act³ require that beneficiaries have the ability to select the payment option that best fit their financial needs. In addition, Direct Express recipients are already notified by Treasury of their right to select the financial institution (and product) that best fits their personal circumstances.

It is unclear why the CFPB did not specifically address these already existing provisions or provide for some kind of exception in its almost 900-page proposal. Instead, the Bureau appears to have just applied another broad regulatory layer without fully understanding all of the regulatory compliance burden that already exists in the prepaid market. Requiring Treasury to send Direct Express recipients yet another disclosure document will increase both industry costs and consumer confusion.

According to the Bureau's Fall 2015 Rulemaking Agenda, the Bureau is expected to publish its Prepaid Account Final Rule by the Spring of 2016.⁴

Before the Bureau releases its Final Rule, please conduct a detailed cost-benefit analysis that gauges the impact of the Prepaid Account NPR on federal entities and programs that utilize prepaid card products as an option for Americans to receive their federally mandated benefits specifically examining the increased costs of printing paper checks instead of electronic payments.

Thank you for your attention to this request. If you have any questions, please free to contact Chris Lucas on my staff at 202-224-5842.

Sincerely,



M. Michael Rounds
United States Senator

² http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title12/12cfr1005_main_02.tpl

³ <http://www.ecfr.gov/cgi-bin/text-idx?rgn=div5&node=31:2.1.1.1.8>

⁴ <http://www.consumerfinance.gov/blog/fall-2015-rulemaking-agenda/>