

I'm In Your Debit

By Reg P. Wydeven
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I remember just before going off to college, my folks helped me set up my own checking account. I felt very grown up writing my first check to Domino's Pizza, especially because I had Homer Simpson novelty checks.

It was another awesome milestone when my wife and I got married to open a joint checking account. At that time, both our employers offered the cutting edge technology of depositing our paychecks right into our checking account! We no longer had to go to the credit union to cash them.

Then our credit union offered debit cards. We could use it in stores that accepted credit cards, but the funds came directly out of our account. No more checks! No more cashiers scrutinizing my checks and shaking their heads in disappointment at my poor penmanship!

Next came prepaid debit cards. When I run out of gift ideas for my niece and nephews, now I can give them a prepaid debit card which is basically a gift certificate to everywhere.

While prepaid debit cards may have started out as gift cards, they have evolved into a multi-billion dollar industry. Savvy consumers have used them in place of traditional checking accounts. While fewer businesses are accepting checks, prepaid cards are accepted just about everywhere. Plus, with a specific amount of money loaded onto a card, you can't inadvertently spend more than you should and get hit with overdraft fees, like you can with a checking account.

According to the Pew Charitable Trusts, a charitable organization founded by the children of Sun Oil Life Company founder Joseph Newton Pew that researches government policies, in 2012, approximately \$65 billion was put onto prepaid cards. This figure is more than double the amount loaded in 2009, and is expected to double again by 2018.

Despite all these dollars, there was not much in the way of government regulation of prepaid debit cards. Early cards carried extremely high monthly fees and some even charged for putting money onto the card or checking balances. Last year, The RushCard, founded by hip-hop legend Russell Simmons, ran into technical difficulties that locked more than a hundred thousand customers out of their funds for weeks. In addition, traditional banks and financial services companies, such as JP Morgan Chase and American Express, have rolled out their own prepaid cards.

So for the past two years, the U.S. Consumer Financial Protection Bureau has been working on rules to govern the prepaid debit card industry. Under the new provisions, issuers of prepaid debit cards must provide their users with free basic account information, including balances and transaction history. Lost or stolen cards will also receive increased protections. Finally, the card's fees must be clearly disclosed on its packaging.

The new rules go into effect on October 1 of 2017. Richard Cordray, the director of the Consumer Financial Protection Bureau, released a statement about the impending regulations, saying, "Our new rule closes loopholes and protects prepaid consumers when they swipe their card, shop online, or scan their smartphone."

One measure not well received, however, was the ability for issuers to provide overdraft services. While only 2% of prepaid debit cards currently allow customers to overdraft, this number will most certainly rise. Overdraft fees are exactly what many users of prepaid cards abandoned checking accounts to avoid.

I've even heard of people now using their phones to pay bills. The cord on the phone in our kitchen isn't long enough to reach the store, though.

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