



CONFERENCE OF STATE BANK SUPERVISORS

July 23, 2012

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

Dear Ms. Jackson,

The Conference of State Bank Supervisors (CSBS) appreciates the opportunity to comment on the Bureau of Consumer Financial Protection's (CFPB or Bureau) Advanced Notice of Proposed Rulemaking (ANPR) [Docket No. CFPB-20120019] on the extension of provisions of Regulation E, which implements the Electronic Funds Transfer Act (EFTA), to General Purpose Reloadable (GPR) Prepaid Cards. State regulators have extensive experience in the licensing and examination of GPR card issuers. Based on our experience, we support the extension of appropriate provisions of Regulation E to GPR Cards. CSBS also supports federal standards that allow for consumers to be better informed and prepared to use such products.

State regulators with intimate knowledge of the GPR card industry have generally noted fewer consumer complaints in the GPR card industry relative to other financial service providers. Indeed, a notable portion of the industry already voluntarily complies with provisions of Regulation E and provides consumers with multiple avenues for avoiding fees. However, CSBS recognizes the potential for abuse exists without explicit consumer protections and standards for the industry. Accordingly, consumers should be informed clearly of the card's terms.

With regard to a specific question posed by the CFPB, CSBS strongly supports requiring direct disclosure of the presence, or lack thereof, of FDIC pass through insurance on GPR cards. This should include all forms of covered electronic payment, including fobs, wireless device applications, and online transactions. Consumers need to be appropriately informed of the risks associated with the product, and insurance is a vital piece of information needed to assess costs and benefits. As the CFPB notes, some consumers are using GPR cards in lieu of a checking account. This trend amplifies the need for FDIC pass through insurance disclosure requirements. Additionally, CSBS recommends that overdraft options on GPR cards be prohibited. State regulators have witnessed consumers unwittingly overdraft on prepaid cards and subsequently be subject to exorbitant interest rates.

The CFPB also solicited comment on how the Bureau can best enable a consumer to compare various GPR cards, or other payment products, that may have different fee structures or be offered through various distribution channels. CSBS recommends a simple disclosure akin to a

nutrition label on the packaging of a card. CSBS believes four pieces of information are vital for any consumer when assessing the benefits and costs of a particular product:

1. The cost of purchasing a product (general cost and other upfront fees?);
2. The cost to reload funds onto a product (how much will it cost to add new funds to a card or other product?);
3. The cost of maintaining a product (are there monthly fees? What is the cost of using a GPR card to hold your funds?); and
4. Whether or not a product has pass through FDIC insurance.

CSBS also notes that certain prepaid cards, such as university cards, are currently exempted because of their “limited” nature. We believe the CFPB should consider the increasing usability of such cards as it develops regulations in this area. In many college towns, for instance, university cards can be used beyond the confines of university establishments.

CSBS is thus supportive of the CFPB’s efforts to extend Regulation E to General Purpose Reloadable cards. Making sure consumers know where they are putting their money and the terms of doing so is incredibly important. Setting a standard across the entire industry should help consumers approach these products more confidently and will also help them avoid costly surprises.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Ryan". The signature is fluid and cursive, with a long horizontal stroke at the end.

John W. Ryan
President & CEO