

Understanding prepaid cards

Students play a game and answer questions to learn about prepaid cards and explore whether they'd consider using them.

Learning goals

Big idea

Not all prepaid cards are the same. Each card has its own set of terms and fees.

Essential questions

- What are the different types of prepaid cards?
- What fees and features are associated with prepaid cards?

Objectives

- Understand the difference between prepaid cards and debit or credit cards
- Evaluate the features or fees of a prepaid card in a real-world scenario

What students will do

- Play a game to learn about prepaid cards.
- Reflect on what types of prepaid cards they might consider using now or in the future.

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (11-12)

Age range: 16-19

Topic: Spend (Buying things, Paying bills)

School subject: CTE (Career and technical education), Social studies or history

Teaching strategy: Cooperative learning, Gamification

Bloom's Taxonomy level: Understand, Evaluate

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Spending: 8-4, 12-2, 12-5, 12-8, 12-9

Managing credit: 12-8, 12-10, 12-13

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

Preparing for this activity

- While it's not necessary, completing the "[Banking basics card game](#)" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Create four to five sets of game cards, one for each team.
 - Print the game card template at the end of this guide and cut out the cards.
 - For more durable cards, print on cardstock weight paper.
 - You also can create game cards by writing the words for each card on index cards.
- Print one copy of the game scenarios in this guide to read during the game.
 - You also can use a projector to display each scenario to the class.
- Optional: You might consider showing the Consumer Financial Protection Bureau's (CFPB) 55-second "[Making prepaid accounts safer](#)" video at <https://www.consumerfinance.gov/prepaid-rule/>.
 - If you choose to show the video, consider previewing it to become familiar with it.
 - Secure a computer, a projector or a large monitor, and speakers to show the video. You also can make the link available to students so they can watch it on their own devices.

What you'll need

THIS TEACHER GUIDE

- [Understanding prepaid cards \(guide\)](#)
[cfpb_building_block_activities_understanding-prepaid-cards_guide.pdf](#)
- [Game scenarios \(in this guide\)](#)
- [The CFPB's "Making prepaid accounts safer" video at <https://www.consumerfinance.gov/prepaid-rule/> \(optional\)](#)
- [Computer, monitor or projector, and speakers to show the CFPB video \(optional\)](#)

STUDENT MATERIALS

- [Understanding prepaid cards \(handout\)](#)
[cfpb_building_block_activities_understanding-prepaid-cards_handout.pdf](#)
- [Game cards \(in this guide\)](#)

Exploring key financial concepts

Prepaid cards might look like debit and credit cards, but there are some important differences between them. A prepaid card is not linked to a bank checking account or to a credit union share draft account. Instead, you're spending money you placed in the prepaid card account in advance. This is sometimes called "loading money onto the card." In most cases, you can't spend more money than you have already loaded onto your prepaid card. Overspending can occur with a checking account for some types of uses and with a bank account debit card if you have "opted in" to your bank's overdraft program. This means that your bank may charge you a fee for covering the cost of a purchase or ATM withdrawal that exceeds what you have in your account. Your bank will also require you to repay the overdraft.

Prepaid cards are also very different from credit cards. This can be confusing because both types of cards may have a card network logo such as Visa, MasterCard, American Express, or Discover on them. When you use a credit card, you are borrowing money. Generally, when you use a prepaid card, you are spending money you have already loaded onto the card in advance. If your prepaid card provider also offers credit (including overdraft) on your prepaid card, it will need to comply with all the rules for other credit cards.

A gift card may look like a prepaid card, but it is different. A gift card may have a network logo that allows you to use the card widely, or it may only be usable at certain locations. While gift cards have some protections under federal law, they typically will not have the same protections as prepaid cards.

TIP

Because products, terms, and laws related to prepaid cards change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Ask students if any of them have ever used a gift card.
 - If they have, ask them to share some positive and negative things they have experienced when using them.
- Read the "Exploring key financial concepts" section to students.
- Distribute the "Understanding prepaid cards" handout or have students access it online.
- Give students time to quietly read the handout.

- Be sure students understand key vocabulary:
 - **ATM balance inquiry fee:** A fee you may be charged if you check your prepaid card balance at an ATM or if you call customer service to ask about your balance.
 - **Card replacement fee:** A fee your prepaid card provider may charge to replace your card if it is lost, stolen, or damaged.
 - **Closed-loop prepaid card:** This type of card can only be used at certain locations. For example, a closed-loop card might be good only at a specific store or group of stores or on your public transportation system.
 - **Direct deposit:** Money electronically sent to your bank account, credit union account, or prepaid card.
 - **Foreign transaction fee:** A fee your card provider charges when you use your prepaid card in a foreign country or to pay in a foreign currency. This fee is usually a percentage of your purchase, withdrawal, or other transaction, rather than a flat fee. This fee is also called a currency conversion fee. Not all cards can be used outside the United States, so check your cardholder agreement before you travel.
 - **Government benefits card:** A prepaid card used by a government agency to pay certain government benefits, such as unemployment insurance.
 - **Inactivity fee:** A fee charged if you don't use your card for a certain period of time. The length of time that triggers an inactivity fee varies. Not all prepaid cards charge inactivity fees.
 - **Open-loop prepaid card:** This type of card has a network logo on it. Examples of networks are Visa, MasterCard, American Express, and Discover. These cards can be used at any location that accepts that card type. Most prepaid cards are open-loop cards.
 - **Payroll card:** A type of prepaid card you get from your employer that you receive your paycheck on.
 - **Prepaid card:** A card on which you load money in advance to spend. While a prepaid card might look like a debit or credit card, there are differences. A debit card is linked to your checking account. When you use a credit card, you're borrowing money. A prepaid card is not linked to a checking account or credit union share draft account. In most cases, you can't spend more money than you have already loaded onto your prepaid card.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Transaction fee:** A fee charged every time you use the card for a certain type of transaction. Be sure to ask about fees or read the cardholder agreement associated with your card.

Group work

- Tell students they'll play a game to learn more about prepaid cards.
- Divide students into four to five teams.
- Give each team a set of game cards and explain that the cards reflect a feature, fee, or other detail about prepaid cards.
- Explain that you'll read (or display) a prepaid card scenario and that they'll have one minute to figure out which one of their game cards matches the scenario.
- After the minute is up, one student from each team will hold up the card they think best matches the scenario.
- Use the answer guide to provide correct answers. You can use the "Expanding understanding" section to add to the discussion.
- Teams will earn one point for every correct match and lose one point for every incorrect match.
- Once you've gone through all the scenarios, declare a winner.
 - If there's a tie, you could declare the team who can first correctly sort the cards into alphabetical order the grand winner.

Wrap-up

- Bring the class back together to discuss takeaways from the game.
- Below are some suggested questions to drive discussion:
 - How well did your team match the features, fees, or details of a prepaid card with the scenarios?
 - Share one feature, fee, or detail about a prepaid card that sticks out in your mind.
 - Would you consider purchasing a prepaid card to use now or in the future? If so, why? If not, why not?
- Optional: If time allows, you may choose to show the CFPB's "Making prepaid accounts safer" video and engage students in a discussion about it. Here are some suggested questions:
 - What information from the video stood out to you?
 - Which protection do you think would be most important to you now or in the future?

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of spending, including buying things and paying bills. Suggested activities include ["Debating ways to pay bills"](#) and ["Playing a banking fact and fiction game"](#).

Measuring student learning

Students' answers during the game and during discussion can give you a sense of their understanding.

The answer guide on the next page provides possible answers for the "Understanding prepaid cards" game. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

You can share the information in the “Expanding understanding” section to add to the discussion.

Scenario	Answer	Expanding understanding
1. Carmen has a prepaid card that charges fees on a “pay as you go” plan. What type of fee is this?	Transaction fee	A transaction fee is a fee charged every time you use the card for a certain type of transaction. Be sure to ask about fees or read the cardholder agreement associated with your card.
2. Jackson has a prepaid public transportation card he uses to ride the bus when he goes to work. But he can’t use this card if he needs to take a taxi into the city. What type of prepaid card is this?	Closed-loop prepaid card	This type of card can only be used at certain locations. For example, a closed-loop card might be good only at a specific store or group of stores, or on your public transportation system. Many gift cards are this type of card.
3. Ashanti is a freshman arriving on campus and is excited to get her new college ID card today. Her card has a logo on it from a major card network (such as Visa, MasterCard, American Express, or Discover). She read that she can use her ID card to pay for purchases both on and off campus with retailers who accept the network shown on her ID. What type of prepaid card is this?	Open-loop prepaid card	Some colleges offer a prepaid ID card. Some schools choose the “closed-loop” option, which you can only use to pay for things on campus and maybe some nearby stores. Other schools offer an “open-loop” card, which you can use at any retail location that accepts that card type. These cards have a network logo on them. Examples of networks are Visa, MasterCard, American Express, and Discover. Most prepaid cards are open-loop cards.
4. Jermaine has worked two weeks at his new job, and today is payday. He receives his pay on a card with an amount of money loaded on for this pay period. What type of prepaid card is this?	Payroll card	A payroll card is a type of prepaid card you get from your employer that you receive your paycheck on.

Scenario	Answer	Expanding understanding
5. Miguel isn't sure how much money he has left on his prepaid card. He's thinking about using an ATM to find out his balance. What type of fee could he be charged?	ATM balance inquiry fee	You may be charged a balance inquiry fee if you check your prepaid card balance at an ATM or if you call customer service to ask about your balance.
6. Sybil just found a \$50 prepaid card that she got over a year ago but never used. When she goes to make a purchase, she notices the balance is less than the original amount. What kind of fee was she charged?	Inactivity fee	An inactivity fee is a fee charged if you don't use your card for a certain period of time. The length of time that triggers an inactivity fee varies. Not all prepaid cards charge inactivity fees.
7. Kamryn received her unemployment insurance on a prepaid card while she was laid off from work. What kind of card did she receive?	Government benefits card	This is a prepaid card used by a government agency to pay certain government benefits, such as unemployment insurance.
8. Maren lost her payroll card and needs another one. What kind of fee could she be charged?	Card replacement fee	Your prepaid card provider may charge a fee to replace your card if it is lost, stolen, or damaged.
9. Lucia plans to fly to see her grandparents in Peru during spring break. She plans to take a prepaid card when she travels. What kind of fee could she be charged when she uses her card outside of the United States?	Foreign transaction fee	This is a fee your card provider charges when you use your prepaid card in a foreign country or to pay in a foreign currency. This fee is usually a percentage of your purchase, withdrawal, or other transaction, rather than a flat fee. This fee is also called a currency conversion fee. Not all cards can be used outside the United States, so check your cardholder agreement before you travel.

Understanding prepaid cards scenarios

Print a copy of these scenarios to read for the game.

Scenario

1. Carmen has a prepaid card that charges fees on a “pay as you go” plan. What type of fee is this?

2. Jackson has a prepaid public transportation card he uses to ride the bus when he goes to work. But he can’t use this card if he needs to take a taxi into the city. What type of prepaid card is this?

3. Ashanti is a freshman arriving on campus and is excited to get her new college ID card today. Her card has a logo on it from a major card network (such as Visa, MasterCard, American Express, or Discover). She read that she can use her ID card to pay for purchases both on and off campus with retailers who accept the network shown on her ID. What type of prepaid card is this?

4. Jermaine has worked two weeks at his new job, and today is payday. He receives his pay on a card with an amount of money loaded on for this pay period. What type of prepaid card is this?

5. Miguel isn’t sure how much money he has left on his prepaid card. He’s thinking about using an ATM to find out his balance. What type of fee could he be charged?

6. Sybil just found a \$50 prepaid card that she got over a year ago but never used. When she goes to make a purchase, she notices the balance is less than the original amount. What kind of fee was she charged?

7. Kamryn received her unemployment insurance on a prepaid card while she was laid off from work. What kind of card did she receive?

8. Maren lost her payroll card and needs another one. What kind of fee could she be charged?

9. Lucia plans to fly to see her grandparents in Peru during spring break. She plans to take a prepaid card when she travels. What kind of fee could she be charged when she uses her card outside of the United States?

Game card template

Print one single-sided copy of the game card template for each team and cut out the cards.



Government benefits card

A prepaid card used by a government agency to pay certain government benefits, such as unemployment insurance.

Closed-loop prepaid card

This type of card can only be used at certain locations. For example, a closed-loop card might be good only at a specific store or group of stores, or on your public transportation system.

ATM balance inquiry fee

A fee you may be charged if you check your prepaid card balance at an ATM or if you call customer service to ask about your balance.

Inactivity fee

A fee charged if you don't use your card for a certain period of time. The length of time that triggers an inactivity fee varies. Not all prepaid cards charge inactivity fees.

Foreign transaction fee

A fee your card provider charges when you use your prepaid card in a foreign country or to pay in a foreign currency. This fee is usually a percentage of your purchase, withdrawal, or other transaction, rather than a flat fee. This fee is also called a currency conversion fee. Not all cards can be used outside the United States, so check your cardholder agreement before you travel.

Open-loop prepaid card

This type of card has a network logo on it. Examples of networks are Visa, MasterCard, American Express, and Discover. These cards can be used at any location that accepts that card type. Most prepaid cards are open-loop cards.

Card replacement fee

A fee your prepaid card provider may charge to replace your card if it is lost, stolen, or damaged.

Transaction fee

A fee charged every time you use the card for a certain type of transaction. Be sure to ask about fees or read the cardholder agreement associated with your card.

Payroll card

A type of prepaid card you get from your employer that you receive your paycheck on.