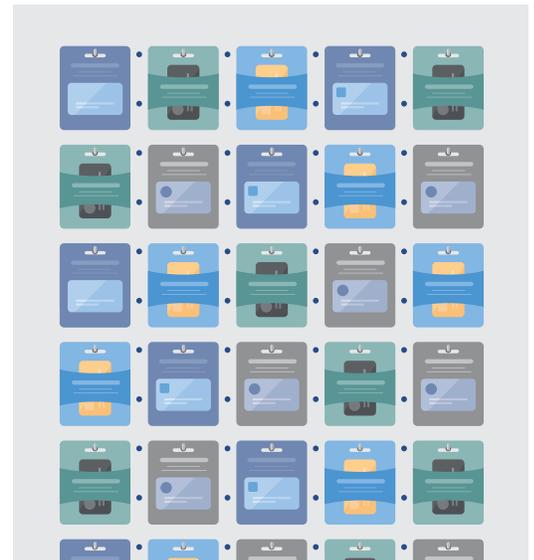


# Understanding prepaid cards

Prepaid cards might look like debit and credit cards, but there are some differences between them.

When you're shopping for a prepaid card, compare different cards to see which ones have the features you want and what the fees are. Think about how you will use the card and look at the fees that you will pay for those uses. When you buy the card, you pay the initial amount that you want to load onto the card—the "initial load"—plus the cost of the card. Some cards require a minimum initial load.

There are many different types of prepaid cards. There are reloadable or non-reloadable prepaid cards and some specialty cards, such as payroll cards or college ID cards. There are also government benefits cards. In addition, a prepaid card can be "open loop" or "closed loop." Here are some definitions and explanations to help you sort out the types of prepaid cards.



## Types of prepaid cards

**Reloadable prepaid card:** A card you can add more money to; sometimes called a General Purpose Reloadable Card, or GPR Card.

Pros	Cons
<ul style="list-style-type: none"> <li>▪ Some cards start out as non-reloadable but can be reloaded once you complete a registration process.</li> <li>▪ Some cards have certain legal protections under federal law.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Some cards charge fees for out-of-network ATM withdrawals, receiving paper statements, or checking your account balance at an ATM.</li> <li>▪ Some cards charge fees every time you make a purchase. Other cards charge a monthly fee.</li> </ul>

**Payroll card:** A card you get from your employer that you receive your paycheck on.

Pros	Cons
<ul style="list-style-type: none"><li>▪ Money is deposited into the card account and is usable on payday.</li><li>▪ In general, payroll cards have certain legal protections under federal law.</li></ul>	<ul style="list-style-type: none"><li>▪ Some cards charge fees for out-of-network ATM withdrawals, receiving paper statements, or checking your account balance at an ATM.</li><li>▪ Some cards charge fees every time you make a purchase. Other cards charge a monthly fee.</li></ul>

**Government benefits card:** Used by a government agency to pay certain government benefits, such as unemployment insurance.

Pros	Cons
<ul style="list-style-type: none"><li>▪ Money is deposited into the card account and is usable once it's received.</li><li>▪ In general, federal government benefits cards and some state government benefits cards have certain legal protections under federal law.</li></ul>	<ul style="list-style-type: none"><li>▪ Some prepaid cards charge fees.</li><li>▪ You may have a limited number of free ATM withdrawals every month.</li><li>▪ Federal law requires disclosures and protections for loss, theft, and errors for certain types of government benefits prepaid accounts, but not for other types.</li></ul>

**College ID cards:** Some are also prepaid cards. Some colleges offer cards that you can only use to pay for things on campus and maybe some nearby stores. Other schools offer cards that you can use at any retail location that accepts that card type. Be sure to check your specific card's terms and conditions.

## Open-loop and closed-loop cards

**Open-loop prepaid card:** Has a network logo on it. Examples of networks are Visa, MasterCard, American Express, and Discover.

Pros	Cons
<ul style="list-style-type: none"><li>▪ Can be used at any location that accepts that network.</li><li>▪ Most common type of prepaid card.</li><li>▪ Once registered, most cards provide protection against certain types of fraud and loss.</li></ul>	<ul style="list-style-type: none"><li>▪ Some cards may require a minimum initial load.</li><li>▪ These cards charge many different types of fees.</li></ul>

**Closed-loop prepaid card:** Can only be used at certain locations. Many gift cards are closed-loop cards.

Pros	Cons
<ul style="list-style-type: none"><li>▪ You can dedicate specific funds to be applied only to this card, which could make it easier to budget for specific expenses (such as transportation).</li><li>▪ Most gift cards do not have fees to use them.</li></ul>	<ul style="list-style-type: none"><li>▪ Might be good only at a specific store or group of stores, or on your public transportation system.</li><li>▪ Some cards may require a minimum initial load.</li><li>▪ Gift cards do not have the same protections under federal law as most open-loop prepaid cards.</li></ul>

## Is the money on my prepaid card federally insured?

Almost all deposits at banks and credit unions are insured for up to \$250,000 by one of two federal agencies. The Federal Deposit Insurance Corporation insures bank deposits. The National Credit Union Administration insures credit union deposits. This means that if your bank or credit union fails or goes out of business, the federal government will cover any loss of your deposits up to \$250,000. Whether or not the money on your prepaid card is insured depends on how the bank or credit union that holds your funds set up the card. Funds loaded onto prepaid cards are typically held in pooled (not individual) accounts at banks or credit unions. Pooled accounts may qualify for FDIC or NCUA pass-through insurance if they meet certain requirements. Your cardholder agreement may indicate whether your card is eligible for pass-through insurance.

## What fees are charged on my prepaid card?

When you're shopping for a prepaid card, compare different cards to see which ones have the features you want and to find out what the associated fees are. If you get your card in a store, you can find information about the card's fees and features on the card's packaging and website. This helps people compare the cards' fees and terms so they can choose the card that's best for them.

## Know your rights

- **You can choose how you get paid:** Your employer may offer to pay you on a prepaid card they choose, called a payroll card. Your employer can't require you to receive your wages on a payroll card. The employer must also offer you at least one other way to get paid – for example, a paper check or direct deposit to an account of your choice, such as a bank account or your own prepaid card. Some states allow your employer to require that you be paid electronically, but you always have the right to choose the account where the money is sent.
- **You can choose how you receive some government benefits:** Depending on the kind of benefit you receive, you may have a choice of how you receive your government benefits. For example, for some types of government benefits (such as unemployment benefits or Social Security disability benefits), you may have a choice between receiving the benefits on a government-arranged prepaid card or directly deposited into your bank account or your own prepaid card. Other types of government benefits (such as Supplemental Nutrition Assistance Program [SNAP] or Temporary Assistance for Needy Families [TANF] benefits) might only be provided using a government-arranged card.
- **You have protection with prepaid cards for loss, theft, or errors:** You have protections in case of an error or an unauthorized transaction if you have a prepaid card that you have successfully registered. For example, you generally can't be held responsible for unauthorized charges or other errors on these cards if you report them immediately. In addition, the card provider is generally required by federal law to credit the disputed amount to your account while investigating the problem if the investigation will take longer than 10 business days. You should write down the phone number that's on the back of your card and call it as soon as you notice your card is missing or notice charges you don't recognize. These protections do not apply to cards that distribute needs-tested benefits such as SNAP and TANF.
- **You may have additional protections for loss, theft, or errors:** Depending on the type of card you get, you may have additional protections in case of an error or unauthorized transaction. For example, cards with a Visa, MasterCard, American Express, or Discover logo typically have some protections. Check your cardholder agreement to find out about your specific card's terms and conditions.