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MEMORANDUM

March 13, 2017

To Our Clients and Friends

Re: CFPB Proposes Effective Date Extension for Prepaid Accounts Rule

The Consumer Financial Protection Bureau (CFPB) has proposed to delay the effective date of the new rule governing prepaid accounts until April 1, 2018. Although the CFPB does not propose to change any other part of the rule, the CFPB is seeking comments about any implementation challenges that may affect consumers, and how additional time will impact the industry and consumers. Comments on the proposal are due 21 days after it is published in the Federal Register.

The following provisions of the rule are affected by the proposal:

- Requirements for financial institutions offering prepaid accounts;
- Pre-acquisition disclosure requirements;
- Short form disclosure content;
- Disclosure of additional fee types;
- Effective date and special transition rules for disclosure provisions; and
- Internet posting of prepaid account agreements.

The CFPB did not propose to delay the October 1, 2018 effective date of the requirement to submit prepaid account agreements to the Bureau.

The rule extends Regulation E coverage to prepaid accounts and expands Regulation Z coverage to overdraft features that are offered in conjunction with prepaid accounts. Prepaid accounts are defined as those marketed or labeled as “prepaid” and redeemable at merchants for goods and services or usable at ATMs; and accounts that are issued on a prepaid basis or capable of being loaded with funds and whose primary function is to conduct transactions with merchants or at ATMs, or to conduct person-to-person transactions. Payroll card accounts and government benefit accounts that are currently subject to Regulation E are also treated as prepaid accounts. Gift cards and certificates as well as certain other accounts are excluded from coverage.

A copy of the CFPB’s proposal is available on our website at
<http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker, or Magda Gathani at (202) 776-0700.