



## HIGH-YIELD INTEREST “SAVINGS ACCOUNTS” ARE ALL THE CRAZE

On Friday, a large student loan lender announced a new high-yield interest “hybrid account” offering. At the beginning of January, an online point-of-sale financing program publicized that it will soon offer online-only “savings accounts” with a 2% interest rate. Many are aware of the December blunder by an online brokerage firm that announced the offering of an insured high-yield interest “savings account” that turned out to be neither a bank account nor an insured account. FDIC insurance is often touted in amounts many times standard coverage.

While the media is generally describing these accounts as “savings accounts” or “savings products,” some of the recently announced account offerings are not actually bank accounts but cash management arrangements utilizing brokered deposits and achieving bank-like functionalities.

The recent “savings accounts” craze represents a larger trend of financial service providers seeking to diversify and cross-sell offerings to their customer base. We are happy to discuss these various “savings account” products and advise on the regulatory challenges associated with such product offerings. □

✧ *Mike Tomkies and Susan Seaman*

## CFPB RELEASES FINAL RULE ON PREPAID ACCOUNTS

The CFPB has issued a final rule creating consumer protections for prepaid accounts under Regulation E and Regulation Z, implementing the Electronic Fund Transfer Act and the Truth in Lending Act, respectively. The final rule modifies Regulation E to create special provisions governing disclosures, limited liability, error resolution and periodic statements. The final rule also regulates overdraft credit features offered in conjunction with prepaid accounts, which, subject to certain exceptions, will be covered under Regulation Z. The effective date for the rule is April 1, 2019.

On February 27<sup>th</sup>, the CFPB published technical specifications for the submission of prepaid account agreements under the rule. □

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