



CFPB RELEASES PREPAID RULE COMPLIANCE GUIDE

On October 5, 2016, the Consumer Financial Protection Bureau (CFPB) issued a final rule on prepaid accounts (Prepaid Rule) under Regulation E, which implements the Electronic Fund Transfer Act, and Regulation Z, which implements the Truth in Lending Act. Recently, the CFPB released a Small Entity Compliance Guide highlighting certain information related to implementing the Prepaid Rule.

The Prepaid Rule extends Regulation E's coverage to prepaid accounts, which it defines to include payroll card accounts, government benefit accounts and certain other types of prepaid products. The Prepaid Rule modifies Regulation E to create specific provisions governing disclosures, limited liability and error resolution, and periodic statements for prepaid accounts. The Prepaid Rule also adopts new requirements that apply only to prepaid accounts. The Prepaid Rule regulates overdraft credit features that may be offered in conjunction with prepaid accounts and specifies when such features are subject to Regulation Z. Generally, the Prepaid Rule is effective on October 1, 2017, with the requirement to submit prepaid account agreements to the CFPB effective October 1, 2018.

The Prepaid Rule Guide discusses general provisions of Regulation E that apply to prepaid accounts as well as the provisions of Regulation E that the Prepaid Rule specifically modifies for prepaid accounts and the new provisions of Regulation E that the Prepaid Rule adds for prepaid accounts. The Guide first addresses what is a "prepaid account" with examples of what is and is not a prepaid account. For example, cards that can only be used to conduct closed-loop transactions, such as on a college campus, are not prepaid accounts. However, cards that can be used to purchase goods and services at multiple unaffiliated merchants are prepaid accounts. The test is based on the card's functions not the consumer's use. For cards that access multiple accounts, the test is applied to each account. The Guide also discusses error resolution and liability and overdraft credit features, among other topics.

Please let us know if you have questions regarding the Prepaid Rule or Guide or if you need assistance in interpreting and implementing the Prepaid Rule.

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