

## **2016 Prepaid Industry Scorecard:**

Assessing Quality in the Prepaid Industry  
with CFSI's Compass Principles

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The Center for Financial Services Innovation (CFSI) is the nation's authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

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## Executive Summary

Prepaid cards are generally high-quality products that allow consumers to build financial health by helping them spend wisely, save, and plan for the future. Over the last two years, the quality of prepaid cards has improved in a few key areas. Today, the industry receives an A- for Core practices, a B for Stretch practices, and a B- for Next Generation practices outlined in CFSI's *Compass Guide to Prepaid*. Among other developments, these scores represent an increase in the prepaid card industry's Next Generation grade from a C- to a B- since 2014.



Four trends have contributed to improvements in the quality of prepaid cards over the last two years:



### 1. Easier Loading and Unloading

Cardholders now have multiple, affordable ways to load and withdraw funds from their cards. These options are enhancing the overall usability of prepaid cards and helping cardholders to build financial health by allowing them to avoid costly fees for cashing checks and transferring money.



### 2. More Transparent and Supportive Fees

Program managers are increasingly communicating fees in clear and easy-to-understand ways. Easy-to-remember fee amounts and explicit tips are helping users avoid unnecessary fees. Charts and comparison tables are helping consumers understand fees and choose a card that best fits their needs. Fees designed to promote positive usage are helping cardholders build and sustain financial health.



### 3. Increased Personalization

Many prepaid cards allow customers to customize their user experience to fit their needs and preferences. Some programs offer a variety of account plans, allowing customers to select the fees and functionality that best fit their usage patterns. Other programs offer customizable alerts and budget notifications that cardholders can use to manage their spending on a daily basis.



### 4. Enhanced Functionality

Additional features, such as companion cards, budgeting tools, and savings platforms are transforming prepaid cards into sophisticated and versatile financial tools that can help people spend wisely, plan, and save for the future.

This report also highlights areas where providers can further improve the quality of their cards. Providers should use this Scorecard to assess and improve the quality of their existing products to ensure that prepaid cards can continue to help consumers build and maintain financial health.

## Introduction

Prepaid cards – specifically, general-purpose reloadable (GPR) cards – are versatile financial tools that provide consumers with valuable access to the financial system.<sup>1</sup> When designed well, prepaid cards can help people build financial health by allowing them to spend wisely, save, and plan for the future.

But the quality of prepaid cards is not uniform throughout the industry; some cards carry high fees and have more limited functionality than others. Understanding the features and functionality that make prepaid cards high quality can help providers design products that position consumers for success.

To help the industry in this endeavor, CFSI developed the *Compass Guide to Prepaid* in 2012 to establish guidelines for what a high-quality prepaid card should look like. Two years ago, we measured the quality of the prepaid industry through the lens of the Compass Guide and published our results in the *2014 Prepaid Industry Scorecard*. We found that the industry provided many of the “Core” features – the basic standards for a high-quality product – recommended in the Guide; but adoption of the “Stretch” and “Next Generation” practices – best practices for providers looking to go beyond the basics – was not as widespread.

This year, we reassessed the prepaid industry to determine whether the quality of the marketplace had changed. In addition to the industry’s Next Generation grade improving from a C- to a B-, we observed four trends that are shaping the future of the industry:



### 1. Easier Loading and Unloading



### 2. More Transparent and Supportive Fees



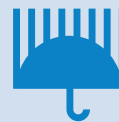
### 3. Increased Personalization



### 4. Enhanced Functionality

## Financial Health

Financial health occurs when your daily financial systems help you build resilience and take advantage of opportunities. Financial health – like physical health – is not a one-time result that can be achieved and then ignored. Rather, it must be cultivated over time. Establishing and maintaining financial health requires not only individual persistence, but also reliable access to well-designed, high-quality financial products and services. Learn more about financial health in CFSI’s *Consumer Financial Health Brief*.



Despite these advances, additional opportunities remain for providers to improve the quality of their cards. Prepaid program managers can use this Scorecard to assess the quality of their existing products and to consider introducing new services and features that help cardholders build financial health. Others in the prepaid supply chain – including banks, payments networks, distributors, and investors – can use the Scorecard to assess potential partners. With the anticipated release of prepaid regulations from the Consumer Financial Protection Bureau (CFPB), some program managers may need to adjust the features and policies of their products.<sup>2</sup> Providers should leverage insights from this Scorecard and the recommendations outlined in the *Compass Guide to Prepaid* to ensure that their cards can continue to help consumers build and maintain financial health.

<sup>1</sup> For the remainder of this report, “prepaid cards” will refer exclusively to GPR cards.

<sup>2</sup> The CFPB’s proposed regulation would amend key portions of the Federal Reserve’s Regulation E and Regulation Z, instituting new requirements on prepaid cards that would cover disclosures, fraud protection, error resolution, and the provision of credit or overdraft services. For more information about the CFPB’s prepaid regulations, see [www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/](http://www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/)

## Methodology

This report examines 22 prepaid programs, including cards from the largest providers in the industry, as well as innovative products from smaller providers (Chart 1). To collect data, CFSI reviewed online marketing materials and legal agreements. We supplemented this information by conducting phone interviews with providers to collect additional data that was not publicly available.<sup>3</sup>

Based on proprietary and third-party industry research, we estimate that this sample covers 95 percent of the prepaid card market. Chart 1 depicts the approximate number of active cards for each program manager as of September 2015. The industry grades presented throughout this report are weighted to reflect the relative market shares of each provider.

This report should be used in conjunction with CFSI's *2014 Prepaid Industry Scorecard*, which includes a more detailed explanation of our methodology. While data was once again collected for all product dimensions and practices outlined in the *Compass Guide to Prepaid*, we found significant improvement only in some areas. This report focuses on the most notable trends in the prepaid card industry; it does not report on all of the changes that have taken place over the past two years.

This report scores the prepaid card industry in the aggregate, in acknowledgment of the fact that no single prepaid provider can adopt all of the recommendations articulated in the *Compass Guide to Prepaid*. Companies have pursued different strategies to meet the needs of consumers: some programs offer basic cards with few supplemental features at a very low cost to consumers; others offer more sophisticated cards at a potentially higher cost to consumers. There is value for consumers in both of these approaches. We believe that the industry as a whole should offer an array of products ranging from simple, low-priced cards to more sophisticated, multi-functional cards.

Following the structure of the *Compass Guide to Prepaid*, the prepaid card industry was scored at the following levels:

- » For each of the cards included in this report, data was gathered on the **Examples** (e.g., “One Free Way to Check Balance”) listed in the *Compass Guide to Prepaid*. These examples are presented in the Appendix of the report.
- » These examples are grouped into **Practices** (e.g., “Individual Fees”) in the *Compass Guide to Prepaid*. Grades awarded at this level represent the extent to which the prepaid card industry has adopted these Practices.

- » Practices are further grouped into **Product Dimensions** (e.g., “Pricing Design”) in the *Compass Guide*. Grades awarded at this level represent the extent to which the prepaid card industry has adopted the recommendations outlined under each of the six Product Dimensions listed in the *Compass Guide*.
- » The practices are also categorized as **Core, Stretch, and Next Generation** recommendations. Grades awarded at this level represent the extent to which the prepaid card industry has adopted, respectively, the core standards, stretch practices, and “next generation” features listed in the *Guide*. The colors in the Summary Scorecard on the next page indicate whether recommendations are Core (green), Stretch (orange), or Next Generation (purple).

**Chart 1: Prepaid Cards Included in the 2016 Scorecard (Approx Number of Active Cards as of September 2015)**

	Program Manager	Card Name
<b>&gt; 1 million cards</b>	American Express	Bluebird Card Serve Card
	Green Dot	Green Dot Card Walmart MoneyCard
	H&R Block	Emerald Card
	NetSpend	NetSpend Card
<b>100,000-1 million cards</b>	AccountNow	Gold Card
	Blackhawk	PayPower Card T-Mobile Card*
	JPMorgan Chase	Chase Liquid Card
	Fifth Third Bank	Access 360° Card
	UniRush	Rush Card
	Urban FT	Boost Mobile Card*
<b>&lt; 100,000 cards</b>	Banking Up	UPside Card
	BB&T	MoneyAccount Card
	Kaiku	Kaiku Card*
	Mango Financial	Mango Card*
	Moven	Moven Card*
	Navy Federal Credit Union	GO Card*
	PNC Bank	SmartAccess Card
	Regions Bank	Now Card
	US Bank	Contour Card

\*These cards were not included in the 2014 Scorecard

<sup>3</sup> Interviews were conducted with 14 companies, representing 17 of the 22 prepaid cards included in this report.

## 2016 Prepaid Industry Scorecard

CORE A-		STRETCH B		NEXT GEN* B-	
PRODUCT DIMENSIONS					
Product Functionality	Marketing & Communications	Customer Service & Account Info	Pricing Design	Distribution & Acquisition	Additional Services*
A-	B+	B	B+	A-	B-
PRACTICES					
Deposit Insurance A	Fee Disclosure A	Access to Balance and Transaction History B	Pricing Schedule and Options A-	Account Access B	Budgeting* B
Load* B+	Account Terms and Privacy* A-	Customer Service A	Individual Fees* B+	Reaching the Consumer A	Savings* B+
Pay A-	Promoting Positive Consumer Use C	Fraud & Error Resolution A	Supportive Customer/Provider Relationship* B		Credit Access and Overdraft Services D
Withdraw A		Paper Statements B			Credit Reporting N/A
Additional Benefits* B+		Alerts* B+			Other Financial Services* C

\*Denotes improvement from 2014

Over the last two years, the quality of the prepaid card industry has improved in a few key areas. (An asterisk on the Summary Scorecard above indicates grades that have changed from 2014). Today, the industry receives an A- for Core practices, a B for Stretch practices, and a B- for Next Generation practices. The Core and Stretch grades have not changed since 2014, but the industry's Next Generation grade increased from a C- to a B-.

The improvement in the industry's Next Generation grade was due to the adoption of practices listed under the product dimension of Additional Services, which increased from a C- to a B-. Among these practices, Budgeting increased from a C to a B, Savings increased from a B to a B+, and Other Financial Services increased from a D to a C. (See the Appendix of this report for a description of each of these practices).<sup>4</sup>

While other product dimension grades did not change, other grades at the practice level also saw modest improvement: Load, Additional Benefits, Account Terms and Privacy, Alerts, and Individual Fees each improved by half a letter grade. Supportive Customer/Provider Relationship improved a full letter grade, from a C to a B. A complete list of 2014 and 2016 grades is presented in the Appendix of this report.

<sup>4</sup> The improvements in grades described here and in the following "Trends" section of this report reflect changes observed across the entire sample of prepaid cards; they are not simply the result of adding additional cards to this report.

## Trends

Four trends have contributed to improvements in the quality of prepaid cards and their increased potential to help cardholders build financial health. Within the description of each trend, data is presented on the weighted share of the prepaid market sampled that has adopted a particular recommendation from the [Compass Guide to Prepaid](#). Colors indicate whether that recommendation is Core (green), Stretch (orange), or Next Generation (purple). Illustrative examples of programs that have adopted recommendations in a particularly innovative or high-quality way are presented at the end of each trend.<sup>5</sup>

The graphs at the top of each trend on the following page reflect the *weighted* share of the prepaid card market that has adopted a recommendation outlined in the [Compass Guide to Prepaid](#). Market shares were estimated based on the number of active cards each program had in market as of September 2015 (Chart 1). Since the percentages shown in the circle graphs are *weighted* averages, they do not directly match the *number of cards* that have adopted a certain recommendation. Moreover, since the data in the graphs are weighted averages, there are instances where the percentages may have increased from 2014, even though the total number of cards has decreased, and vice versa.



**Easier Loading  
and Unloading**



**More Transparent  
and Supportive Fees**



**Increased  
Personalization**



**Enhanced  
Functionality**

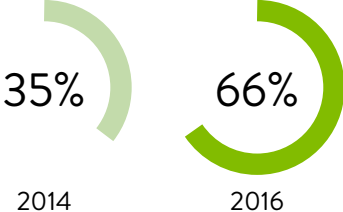
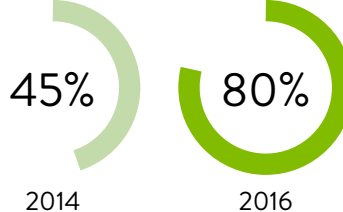
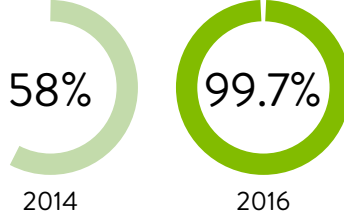
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<sup>5</sup> The innovation spotlights presented throughout this report are illustrative; they are not an exhaustive list of every company that has adopted a certain recommendation.



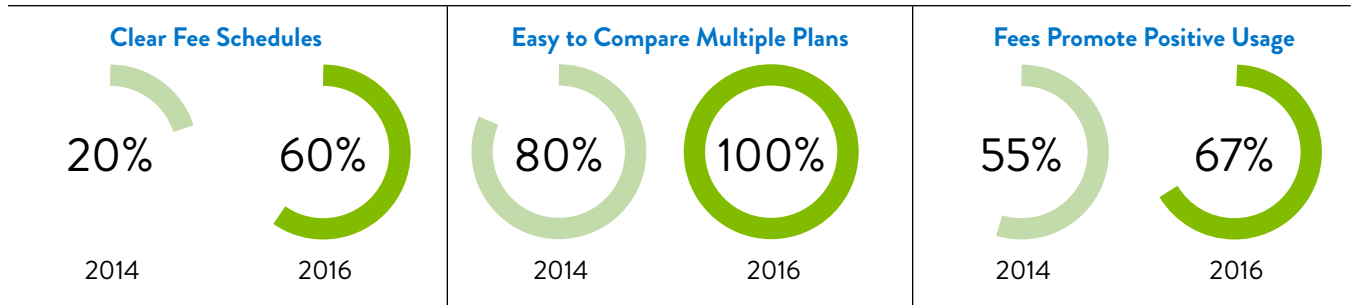
## 1. Easier Loading and Unloading

Cardholders now have multiple, affordable ways to load and withdraw funds from their cards. These options are enhancing the overall usability of prepaid cards and helping cardholders build financial health by allowing them to avoid costly check cashing fees.

<p><b>Remote Deposit Capture</b></p>  <p>35% 2014      66% 2016</p>	<p><b>Person-to-Person Payments</b></p>  <p>45% 2014      80% 2016</p>	<p><b>One-Step Cash Reloads</b></p>  <p>58% 2014      99.7% 2016</p>
<p>Today, 66% of the prepaid market sampled (15 of 22 cards) offer users the option to load checks through remote deposit capture (RDC). In 2014, 35% of the market sampled (7 of 18 cards) offered RDC.</p> <p>RDC allows users to take a picture of a check with a smart phone and either access the funds instantly (often for a small fee), or deposit the funds into an account for free, with access to the funds a few days later. By using this service, cardholders can avoid costly fees levied by check cashers.</p> <p>Nine of the 15 cards that offer RDC partner with Ingo Money. Cardholders are either directed to the Ingo Money app, or to a feature on the card's mobile app that is serviced by Ingo. A variable fee structure allows for consumer choice; users can select instant deposit for a fee of up to 4%, or they can receive a deposit in 10 days for no charge. The six other cards that offer RDC have developed proprietary systems to process mobile deposits.</p>	<p>Today, 80% of the prepaid market sampled (15 of 22 cards) allow users to make person-to-person (P2P) payments. In 2014, 45% of the market sampled (7 of 18 cards) offered P2P payments.</p> <p>P2P functionality allows cardholders to send money to other cardholders via electronic funds transfers. This allows cardholders to transfer money without converting stored funds into cash, allowing for quicker and safer money transfers.</p> <p>All 15 cards that offer P2P functionality allow users to send funds to other cardholders within the same provider. Fourteen providers offer this service for no charge. One provider charges 99 cents per transaction.</p> <p>Six cards also allow cardholders to transfer funds to non-cardholders through checks, PayPal, or another online service. Fees for these services vary significantly; some are offered at no cost, others have fees as high as \$10.</p>	<p>Today, 99.7% of the prepaid market sampled (21 of 22 cards) offer cardholders one-step cash reloads. In 2014, 58% of the market sampled (7 of 18 cards) offered one-step cash reloads.</p> <p>One-step cash reloads allow cardholders to seamlessly load funds at retail locations. Cardholders simply provide their card and cash to a cashier and the cashier loads funds onto their prepaid card. The funds are available either immediately or the following business day. Loading cash without having to use online redemption codes eliminates time-consuming additional steps for the cardholder.</p> <p>Eight of the 21 cards that offer one-step cash reloads are members of Visa's ReadyLink network; seven cards use Green Dot's Reload @ the Register network; and six cards use other systems. Retailers can set fees at their discretion. The highest fee among cards included in this report was \$5 per reload.</p>
<p><b>Innovation Spotlight</b> AccountNow was among the first cards to partner with Ingo Money when the company first launched in 2013. AccountNow allows cardholders to deposit checks up to \$2,500 per transaction.</p>	<p><b>Innovation Spotlight</b> Urban FT partners with Ria, a money transfer company, to provide Boost Mobile cardholders with access to international and domestic money transfers. Cardholders can access these services directly through the Boost Mobile app.</p>	<p><b>Innovation Spotlight</b> Since Green Dot launched Reload @ the Register in 2014, more than 200 companies have adopted the service to provide instant cash reloads to cardholders. The service is available at several major grocery and pharmacy chains nationwide.</p>

## 2. More Transparent and Supportive Fees

Program managers are increasingly communicating fees in clear and easy-to-understand ways. Easy-to-remember fee amounts and explicit tips are helping users avoid unnecessary fees. Charts and comparison tables are helping consumers understand fees and choose a card that best fits their needs. Fees designed to promote positive usage are helping cardholders build and sustain financial health.



Today, 60% of the prepaid market sampled (12 of 22 cards) present their fee plans in clear and easy-to-remember ways. In 2014, 20% of the market sampled (4 of 18 cards) presented fees in this manner.

While some aspects of fee disclosure are governed by regulation, providers may take extra steps to ensure that fee plans are easy for cardholders to remember. This approach allows users to make better choices without constantly consulting a fee table.

All 12 cards arrange their fees in clear groupings with jargon-free descriptions. Three of these cards also structure their fees in ways that are particularly easy for cardholders to remember, with consistent dollar amounts. Another three cards provide explicit tips for avoiding fees.

Today, 100% of the prepaid market sampled that offers multiple fee plans (9 of 9 cards) provide clear and easy-to-compare pricing schedules. In 2014, 80% of the market sampled that offered multiple fee plans (4 of 5 cards) provided clear and easy-to-compare pricing schedules.

Charts and tables that list fees in simple and straightforward ways can help consumers choose a card and a fee plan that best fits their needs. CFSI's proposed [fee box](#) provides one example of how companies might do this.

All nine of the cards that offer multiple fee plans provide clear comparisons between different plans. The CFPB's upcoming industry regulations may further help cardholders compare fee plans by requiring cards sold in retail locations to display fees in a uniform "short-form" disclosure prior to purchase.<sup>6</sup>

Today, 67% of the prepaid market sampled (12 of 22 cards) has fees that promote positive usage. In 2014, 55% of the market sampled (14 of 18 cards) had fees that promoted positive usage.

Providers can structure fee plans to align profitability for the provider with success for the consumer. For example, encouraging cardholders to sign up for direct deposit benefits users by allowing them to avoid costly check cashing fees. It benefits the provider by leading to higher card usage and a longer account lifetime.

Seven cards encourage cardholders to sign up for direct deposit by waiving the monthly fee if they do. Three other cards provide fee waivers if cardholders have a checking account with the provider. Two others offer monthly fee waivers for loads above a certain threshold.

### Innovation Spotlight

The Mango Card has an easy-to-remember fee structure: \$3 monthly fee, \$2 ATM withdraw fee, and \$1 ATM balance request fee. The only additional fee that Mango charges is for international transactions.

### Innovation Spotlight

The UPSide Card groups fees into categories (e.g., "Add Money" or "Get Cash"). For each fee, the company lists how often a user will incur that fee given typical usage patterns (e.g., "ATM Withdrawal Fee – 2 per month"). Uniform presentation allows for easy comparison between the UPSide Card different plans.

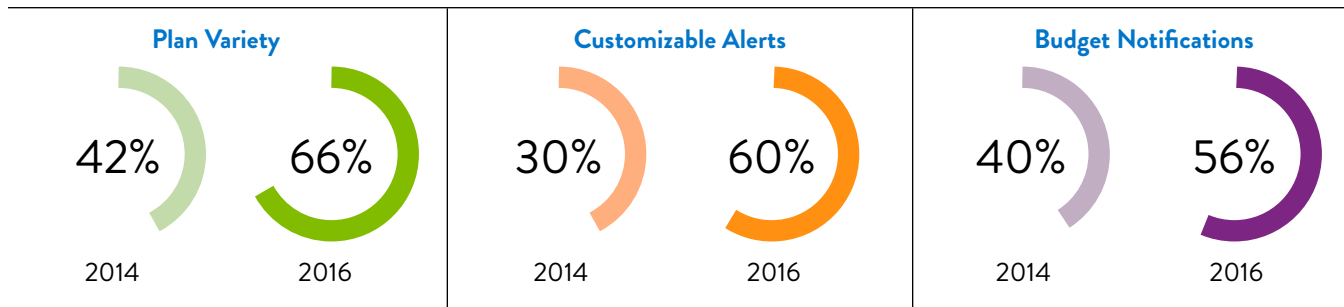
### Innovation Spotlight

Fifth Third's Access 360° Card waives the monthly fee if cardholders link their prepaid account to a Fifth Third checking account.

<sup>6</sup> For more information, see a description the CFPB's proposed prepaid regulations: <http://www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/>

### 3. Increased Personalization

Many prepaid cards allow customers to customize their user experience to fit their needs and preferences. Some programs offer a variety of account plans, allowing customers to select the fees and functionality that best fit their usage patterns. Other programs offer customizable alerts and budget notifications that cardholders can use to manage their spending on a daily basis.



Today, 66% the prepaid market sampled (9 of 22 cards) offer a variety of account plans, with different fees and functionality. In 2014, 42% of the market sampled (5 of 18 cards) offered multiple account plans.

Offering more than one account plan allows customers to choose a plan that best suits their needs. A cardholder who plans to use his card infrequently might prefer a pay-as-you-go plan with no monthly fee, whereas a cardholder who plans to use her card frequently might prefer an all-inclusive monthly plan.

Five cards offer both standard and “premium” plans, with access to additional features. Another two cards offer pay-as-you-go plans, with no monthly fees, in addition to monthly subscription plans. Two other cards offer both “premium” and “pay-as-you-go” plans, in addition to a standard monthly plan.

Today, 60% of the prepaid market sampled (11 of 22 cards) allow users to customize alerts. In 2014, 30% of the market sampled (7 of 18 cards) allowed users to customize alerts.

The option to customize text or email alerts allows cardholders to track their card usage in a way that is most helpful to them. Users may choose to be notified of only certain types of transactions, such as deposits or withdrawals. They can also specify the dollar amount of each transaction that will trigger an alert.

Eleven cards allow cardholders to set a “low balance” threshold and receive an email or text alert when their balance falls below that threshold. Five cards also allow users to select notifications of transactions or withdrawals over a certain dollar amount.

Today, 56% of the prepaid market sampled that offer budgeting tools (5 of 9 cards) provide notifications linked to users’ budgets. In 2014, 40% of the market sampled that offered budgeting tools (2 of the 5 cards) offered this option.

Notifications linked to cardholders’ budgets allow users to track their usage against planned expenditures, helping them to adjust their spending as necessary.

The five cards that offer budgeting notifications allow users to select text or email notifications when they are nearing their spending limits, either for their overall budget or for specific spending categories, such as entertainment or clothing.

#### Innovation Spotlight

The American Express Serve Card offers three plans. Users can select plans with monthly fees of \$1, \$4.95, or \$5.95. The latter two plans offer, respectively, free cash reloads and 1% cash back on purchases.

#### Innovation Spotlight

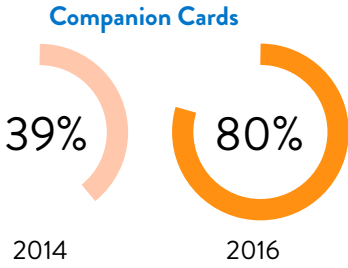
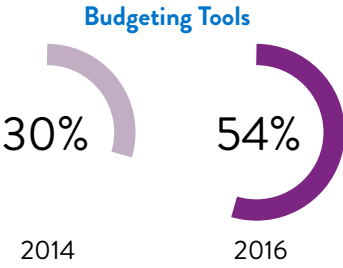
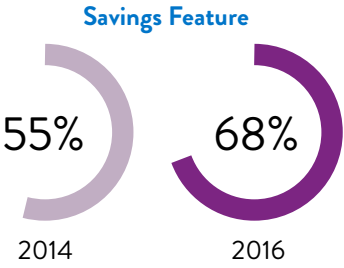
The Chase Liquid Card allows cardholders to receive email or text alerts when their account balances fall below a certain threshold that they can select. Cardholders can also receive alerts for transactions, ATM withdrawals, and deposits above a designated amount.

#### Innovation Spotlight

NetSpend offers cardholders a budgeting tool with multiple customizable spending categories. Cardholders can set recurring text or email alerts that notify them when they are approaching or have exceeded the budget limits they have set for themselves.

## 4. Enhanced Functionality

Additional features, such as companion cards, budgeting tools, and savings platforms are transforming prepaid cards into sophisticated and versatile financial tools that can help people spend wisely, plan, and save for the future.

<p style="text-align: center;"><b>Companion Cards</b></p>  <p style="text-align: center;">2014      2016</p>	<p style="text-align: center;"><b>Budgeting Tools</b></p>  <p style="text-align: center;">2014      2016</p>	<p style="text-align: center;"><b>Savings Feature</b></p>  <p style="text-align: center;">2014      2016</p>
<p>Today, 80% of the prepaid market sampled (13 of 22 cards) offer companion cards that are tied to the cardholder’s primary account. In 2014, 39% of the market (9 of 18 cards) offered companion cards.</p> <p>Companion cards allow users to seamlessly share funds without requiring them to withdraw and deposit cash through other costly methods. Companion cards are useful in any situation where multiple people would like to access a single account, such as among family members or friends.</p> <p>Ten cards allow cardholders to add an additional card to their account. Three providers allow cardholders to add between three and seven cards to their account. Most of these cards require users to pay a one-time fee for adding a companion card, ranging from \$3 to \$10.</p>	<p>Today, 54% of the prepaid market sampled (9 of 22 cards) offer budgeting tools linked to the cardholder’s account. In 2014, 30% of the market sampled (5 of 18 cards) offered budgeting tools.</p> <p>Budgeting tools – also known as personal financial management (PFM) tools – can help consumers understand their spending and purchasing habits. Many of these tools allow users to set spending limits and plan for future expenses. Cardholders can generally access these tools via mobile apps or online.</p> <p>Seven cards offer budgeting tools that automatically sort purchases into distinct categories, so users can see where their money is going. Cardholders can generally set limits by spending category. Two cards have a user-defined budget feature that is not directly linked to customers’ purchase history, so cardholders must categorize their purchases themselves.</p>	<p>Today, 68% of the prepaid market sampled (10 of 22 cards) offer users a savings feature linked to their card. In 2014, 55% of the market sampled (8 of 18 cards) offered a savings feature.</p> <p>Savings platforms allow users to set aside money for future expenses, helping them to be resilient in the face of unexpected events and take advantage of opportunities. Accumulating small amounts of savings on a prepaid card can also help cardholders avoid other costly forms of credit if they needed money to cover an unexpected expense.</p> <p>Seven cards offer “set aside” buckets directly on the card, with various restrictions to dissuade users from withdrawing funds, such as limits on the number of transfers out of the account per month. Two cards offer interest-bearing savings accounts linked to the card, with above-market rates as high as 6%. One issuer offers a savings account designed exclusively for prepaid customers; the account is separate from the card and cardholders are automatically approved for it.</p>
<p><b>Innovation Spotlight</b> Regions Bank allows Now Card users to add multiple additional users to their account. Each user has access to the funds loaded on to the account, and to the Regions Online Banking tools. A one-time fee of \$3 is charged to issue each additional card.</p>	<p><b>Innovation Spotlight</b> Moven’s mobile app automatically tracks cardholders’ spending throughout the month. The app displays users’ current spending against their monthly average in a graph presented on the home screen of the app.</p>	<p><b>Innovation Spotlight</b> H&amp;R Block has partnered with the CFPB to conduct a pilot focused on the effects of incentives and gamification on cardholders’ savings behavior. The CFPB plans to use data and insights gathered from the pilot to encourage customers to save regularly.</p>

## Opportunities

The quality of the prepaid card industry has improved in recent years. Expanded options to load and spend funds have turned prepaid cards into increasingly versatile financial tools. More transparent and supportive fee disclosures are empowering customers to make better financial decisions. Companies are increasingly allowing cardholders to customize and personalize their prepaid accounts. And many prepaid programs are offering features that can help customers improve their financial health by enabling them to spend wisely, plan, and save for the future.

However, additional opportunities for innovation remain:

**Loading Funds:** The expansion of RDC, P2P payments, and one-step cash reloads have made prepaid cards more convenient; however, loading funds can still be clunky and time-consuming. Approximately a third of prepaid cards do not allow cardholders to load checks through RDC and the vast majority of cards do not allow cardholders to load cash at ATMs. Banks that issue prepaid cards should consider expanding their services to allow prepaid customers to load cash at ATMs. Nonbank prepaid card issuers should consider partnering with third-party ATM networks to make this service available to their customers.

**Fee Disclosures:** Prepaid card fee disclosures have become more transparent and user-friendly in recent years; however, some providers still do not clearly state common fees, such as inactivity or account closing fees. The variation in fee disclosures and the lack of direct comparisons between prepaid cards makes the process of choosing between providers time-consuming and complex. The CFPB's proposed rules may remedy this by requiring prepaid cards to disclose fees in a uniform "short-form" and disclosure, which would allow customers to easily compare fee schedules before purchasing a card.

**Promoting Positive Consumer Use:** Prepaid program managers currently use a variety of communication channels to educate customers about new features, updated policies, and special offers. Program managers can also use these channels to remind cardholders of the importance of monitoring fees and to offer tips on how to reduce fees, such as by avoiding out-of-network ATMs. Since high fees are a common source of customer complaints, helping users reduce the number of fees they incur could increase customer satisfaction and result in higher retention rates.

**Account Access:** While the majority of prepaid providers do not consider a consumer's credit history when opening an account, individuals often face other barriers to accessing prepaid accounts, especially those that are undocumented immigrants. Only a third of providers allow users to open a prepaid account using an identification card issued by a foreign government and an Individual Taxpayer Identification Number (ITIN) in place of a Social Security Number. Since Federal Law allows financial institutions to accept ITINs in conjunction with an acceptable form of identification – such as a foreign-issued government identification card or a municipal identification card – providers should explore ways to accept alternative documentation in order to serve a large and growing segment of consumers in need of high-quality financial services. Providers should also develop additional methods for consumers to easily complete the identity verification processes, such as allowing applicants to upload images of their identification documents via a mobile device. Such innovations could dramatically increase the number of prospective customers that are able to open an account.

**Enhanced Functionality:** More providers are offering budgeting tools, savings features, and companion cards on prepaid cards than ever before. However, customer adoption of these features remains lower than some providers might like. Research into customers' preferences and usage habits could shed light on how these features could be improved to better meet the needs of cardholders. Such an investment will benefit providers by making their cards more "sticky" and increasing the overall value and lifespan of the cards.

**Other Financial Services:** Program managers can leverage cardholders' account information to provide customers with access to other beneficial financial services, such as checking accounts, secured credit cards, and basic insurance products. Providers can also use prepaid transactional data to measure cardholders' financial health and offer them guidance and assistance to help them improve their financial situation.

**Credit Access:** Offering prepaid cardholders access to credit has generated interest from some providers and industry groups. This is not an easy undertaking, and providers should be commended for proceeding with caution and refraining from offering expensive and low-quality credit. At the same time, prepaid providers should actively explore new small-dollar credit models that align provider profitability with consumer success, especially once the CFPB has finalized its prepaid regulations.

## Conclusion

As the prepaid market continues to mature, providers should experiment with new tools, features, and services that will appeal to users beyond their traditional customer base. The upcoming release of the CFPB's prepaid regulations should create further opportunities for providers to innovate by providing a degree of regulatory clarity that has been missing from the industry in recent years.

We encourage prepaid providers to use this Scorecard as a tool to ensure the quality of their programs, as they strive to deliver value to current and prospective customers. Providers who do so will be uniquely positioned to capture a share of the large and growing market of customers in need of high-quality financial tools that can help them build and sustain financial health.

# Appendix

The table below lists the recommendations outlined in the *Compass Guide to Prepaid*. It also lists the 2014 and 2016 grades that the industry received for each practice. In the right-hand column, the highlighted examples are those that were featured in the trends section of this report. The colors indicate whether each practice is a Core (green), Stretch (orange), or Next Generation (purple) recommendation.

PRODUCT FUNCTIONALITY			
Practice	Grades		Examples
	2014	2016	
Deposit Insurance	A	A	Funds are FDIC or NCUA insured
			Website or package displays FDIC or NCUA logo
Load	B	B+	Load using direct deposit
			Load with cash at retail locations
			Load with cash at a bank branch
			Load a check using remote deposit capture
			Load with cash at an ATM
			Card may be loaded at retail using only cash and the prepaid card
Pay	A-	A-	Make purchases at retail locations
			Pay bills through card's website
			Pay bills from card's mobile app or mobile website
			Make person-to-person payments
			Send money orders from prepaid account
			Send checks from prepaid account
Withdraw	A	A	Funds available at an ATM
			Funds available via cash back at retail locations
			Funds available at bank branches
			Deposits, including cash, are available for withdrawal immediately
			Card website includes tools to search for in-network ATMs
Additional Benefits	B	B+	Card offers a network of surcharge-free ATMs
			Card offers a rewards or loyalty program
			Card offers cash-back rewards
			Consumers can add a companion card to their account
			Consumers can enable limited-access subaccounts

## MARKETING & COMMUNICATIONS

Practice	Grades		Examples
	2014	2016	
Fee Disclosure	A	A	All fees are listed in the card's Terms and Conditions
			All fees are listed on the card's website
			Fees are displayed using the CFSI Fee Box
			If multiple pricing options available, the schedules are clear and easy to compare
			All common fees listed on retail packaging
Account Terms and Privacy Policy	B+	A-	Features, benefits, and costs are described without misleading language
			Website provides accessible and detailed FAQ section
			Disclosure of terms complies with Regulation E
			Real-time alerts are used when account terms and conditions are altered
			Consumers may opt-out for information sharing
Promoting Positive Customer Use	C	C	Tips provided on payment methods and associated costs
			Customers are encouraged to monitor fees and transactions on website
			Customers are encouraged to monitor fees and transactions through ongoing correspondence
			Consumer is proactively informed when a different plan or option would better suit their account usage
			Tools that compare plans and associated fees are provided.



## CUSTOMER SERVICE/ACCOUNT INFORMATION

Practice	Grades		Examples
	2014	2016	
Access to Balance and Transaction History	B	B	Account balance and history available via ATM
			Account balance and history available online
			Account balance and history available via phone call
			Account balance and history available via text message
			Account balance and history available via mobile app
			At least two years of transaction history is readily accessible to the consumer
Customer Service	A	A	Customer service available via phone in multiple languages
			IVR system is easy to navigate and makes clear how to access a live agent
Fraud and Error Resolution	A	A	Maximum consumer liability for a lost/stolen card is \$50 if reported within 2 days
			Maximum consumer liability for an error is \$500 if reported within 60 days
			Unauthorized transaction claims are resolved within 10 days
			The provider's dispute resolution terms do not mandate arbitration
Paper Statements	B	B	Customers can request paper statements
			Customers can request ongoing paper statements
Alerts	B	B+	Alerts are delivered via text
			Alerts are delivered via email
			Consumer may customize which transactions to be notified about

## PRICING DESIGN

Practice	Grades		Examples
	2014	2016	
Pricing Schedule and Options	A-	A-	The pricing schedule is clear and easy to understand
			User-friendly fees with easy-to-use catch phrases and tips
			No disingenuous labeling of “free” items, such as “free FDIC insurance.”
			A variety of account plans are offered, at different fee levels
Individual Fees	B	B+	Individual fees promote positive and consistent consumer usage and behavior
			Fees can be lowered through the use of low-cost alternatives
			At least one way to check account balance is free
			At least one way to review transactions is free
Building a Supportive Customer-Provider Relationship	C	B	No monthly inactivity fees
			Lenient ATM balance inquiry/denial fee
			No card replacement fees
			Free customer service support
			All funds are retrievable when account is closed, without a fee

## DISTRIBUTION AND ACQUISITION

Practice	Grades		Examples
	2014	2016	
Account Access	B	B	Credit history is not a factor in registration
			Foreign IDs are accepted for registration
			Enrollment procedure supports consumers whose information is not initially accepted
Reaching the Consumer	A	A	Purchase card at retail merchant, bank branch, and/or financial services center
			Purchase card via phone, online, and/or via mobile channels

## ADDITIONAL SERVICES

Practice	Grades		Examples
	2014	2016	
Budgeting	C	B	Online or mobile budgeting and personal financial management tools
			Customizable notifications tied to budget goals
Savings	B	B+	Savings feature available
			Savings goals may be created, and incentives are offered to save
			Recurring transfers to the savings account can be enabled
Credit Reporting <sup>7</sup>	N/A	N/A	Consumers can choose to have their data reported to credit bureaus
Credit Access and Overdraft Services	D	D	Consumers may apply for a high-quality, safe, affordable loan
			If overdraft services available, they are strictly and clearly opt-in
Other Financial Needs	D	C	Providers use cardholder's data and transaction history to offer beneficial, value-add products and services

<sup>7</sup> Credit bureaus do not currently collect prepaid card transaction data, so a grade for this category could not be provided.