

# Demystifying Prepaid Cards

Illinois Asset Building Group

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# What is a Prepaid card...



- Visa® or MasterCard® loaded with direct deposit—, pay paycheck, check, government benefits, or cash
- Funds available immediately
- Accepted wherever debit cards are accepted
- In stores, online, over the phone
- Indistinguishable from credit card or bank debit card.
- **Guaranteed approval\***. No credit check.
- Get cash at an **ATM** or get **cash back** when you make purchases at many retailers



\*Enrollees may be declined if I.D. information cannot be verified for USA Patriot Act compliance

# Why Do Prepaid Cards Matter?



- Consumers are spending too much to access their own money.
- Bank accounts may not be a good option
- costs and fees are rising;
- minimum deposit requirements
- 36% customers rejected (ABA research)
- Paper checks are going away!
- Public assistance – no more checks as of March 1st, 2013
- Employers require direct deposit

# One Customer's Experience



- Homeless man moved to Michigan to find work
- SSI check – direct deposited to currency exchange in Chicago
- Monthly trip to Chicago to collect his money costs:
  - \$48 bus trip
  - \$15 to cash check at currency exchange

**\$63 out of his \$600 gone!**

## Nonprofit Prepaid Card Distribution Program: GBAHC



- Greater Baltimore AHC, Inc. – low income housing program: promoting resident financial stability
- Nonprofit interest?
  - reduce cost of late rent & evictions
- Strategies:
  - direct deposit of government benefits & paychecks (credit union & prepaid card options)
  - Auto-bill pay for rent

# Implementation Strategies & Tools



- Financial coach training for resident services staff
- Partnerships: Baltimore CASH (Free tax prep and financial workshops); credit union, Xpress funds, prepaid card provider
- Tools to explain prepaid card (following slides)

# Why should I use this card?



- Save Money
  - Less costly than check cashing & bill paying services
  - No Overdrafts or NSF fees
  - No minimum balance required, no bank account required.
- Convenience
  - No hassle cashing your payroll or benefits check
  - No check-cashing lines
  - Pay bills online or over the phone. No more waiting in line for money orders



# Saves you money: for real!



Works full-time for a hospitality company

Makes \$450 per week

Doesn't have a bank account because of minimum balance requirements and other fees

She can't sign up for direct deposit!

**She saves \$420 to \$864 a year!**

## Paper Pay Check

### Access her money

Check Cashing \$29 - \$78  
*using check cashing service*

ATM Withdrawal N/A  
*no access*

### Pay her bills

Rent, Car Insurance & Car Payments \$3 - \$12  
*using Money Orders*

Phone, Cable, Electricity Bills \$3 - \$6  
*using Bill Pay service*

**Total Estimated Monthly Cost \$35 - \$96**

## Prepaid Card

### Access her money

Check Cashing \$0

ATM Withdrawal \$0 - \$18

### Pay her bills

Rent, Car Insurance & Car Payments \$0 - \$3  
*using EchoPay Online Bill Pay*

Phone, Cable, Electricity Bills \$0 - \$3  
*using EchoPay Online Bill Pay*

**Total Estimated Monthly Cost \$0 - \$24**



# Safer than Cash



- No longer have to carry large sums of cash, reduces risk of personal theft or injury.
- If your card is lost or stolen:
  - You can get a replacement card and you have not lost your money.
  - You are protected from unauthorized purchases by MasterCard's Zero Liability policy
- The money on your card is fully FDIC-insured

\*subject to certain conditions and restrictions

# How can it manage my household finances?



- Electronic check register...never forgets to record a transaction, always shows accurate balance.
- Additional cards available to family & friends
- Free Card-to-card transfers
- Free Credit Scores
- Online Personal Financial Manager
  - Personal Budget tool
  - Track all of your spending

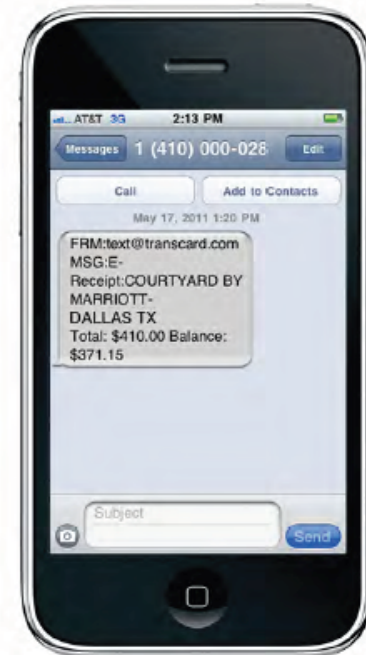
# How can it manage my household finances?



## Easy Online Account Management

The screenshots show the TransCard online account management interface. The top screenshot displays the account summary, including a 30-day summary bar chart, current balance, and available balance. The middle screenshot shows a monthly expense breakdown pie chart for April 2009, with categories like Wages, Rent, and Groceries. The bottom screenshot shows the EchoPay interface for managing recurring payments.

## Text Alerts



- Load notifications
- Transaction activity
- Balance alerts
- Low balance warnings

## Personal Financial Manager

## Online Bill Payment

The screenshot shows the EchoPay online bill payment interface. It features a "Pay almost anyone in just 3 easy steps" section, a "Bill Pay" section, and a table of transactions.

Transaction Type	Pay To	Amount	Deliver By
Move money to home - 5323708877	CARDHOLDER	5	Make Payment!

# Center for Economic Progress: Prepaid Card at Tax Time



- CEP trains more than 1,000 volunteers to do tax returns at 13 community locations
- 18,000 tax returns 2012 season
- Goal: 100% direct deposit of tax returns (\$60 savings on a \$2000 refund)
- Program objective: Ensure that all clients choose their best option for accessing refund
- Strategies:
  - Promote direct deposit – flyers, intake process
  - Bank/credit union partners open accounts
  - Volunteers open netSpend prepaid debit card

# NCTC, CEP & netSpend Partnership



- Negotiate product features and pricing
- Develop product materials
  - CEP “Choice” Brochure
  - netSpend card carrier and guide (inadequate)
  - CEP “Helpful Hints” (supplement to NS guide)
- Training program for volunteers product distribution
- netSpend Customer support - Excellent
  - Clients (card activation and use)
  - Volunteers (process for card enrollment)

# CEP Next Steps



- Offer both bank accounts and netSpend cards at tax site
- New Financial Capability Program: Coaching, information, access to products to achieve financial goals
  - Trained 27 volunteer financial coaches
  - Embed services in CEP tax & legal programs; and direct service programs (workforce, housing, food pantries & soup kitchens)
- Introduce a “suite of products”
  - Bank accounts & prepaid cards
  - Savings products (accounts, savings bond, encourage investment in employer matched savings, retirement programs)
  - Secured credit card – Banamex
  - Small dollar loans (Emerge, BillFloat, bank/credit union products)

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