

FINAL



Leading Practices for Consumer Disclosures

Network Branded Prepaid General Purpose Reloadable Cards

Network Branded Prepaid Card Association

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The Network Branded Prepaid Card Association (NBPCA) is a nonprofit, inter-industry trade association that supports the growth and success of network branded prepaid cards and represents the common interests of the many participants in this new and rapidly growing payments category. The NBPCA's working groups drive issues management and education objectives for the Association's more than 40 members.

For additional information, visit www.NBPCA.org

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INTRODUCTION

Statement of Purpose

The purpose of this document is to promote good communication by contributing leading practices that encourage uniform, clear, and complete consumer disclosure for network branded prepaid general purpose reloadable (GPR) cards.

The NBPCA believes that consumers are entitled to full disclosure of the terms and conditions that apply to the network branded prepaid cards they purchase. This includes the availability of key information such as material fees and card expiration dates/policies. Additional terms and conditions, including complete disclosure of how and when fees are charged, should be readily available to enable consumers to optimize the use of their cards.

The NBPCA is a strong proponent of the principle that good communication is good business.

Basis for the Leading Practices

The Leading Practices were created to support and encourage effective communication to consumers of all pertinent information regarding terms, usage and applicable fees for GPR cards. It is a fundamental principle for NBPCA members that consumers need to understand relevant terms before they acquire a new prepaid card.

A “network branded prepaid card” is an open loop prepaid card that is issued by a government regulated financial institution, displays the logo of a major card brand such as American Express, Discover, MasterCard, or Visa, and can be used to make purchases at multiple unaffiliated merchants. A GPR card is a particular kind of network branded prepaid card that is often used by the underbanked or underserved population as a safe and convenient substitute for a bank account or in special niche markets such as student/teen cards. Typically, GPR cards, in addition to being usable at a multitude of unaffiliated merchants to buy goods and services, can also be used to access cash at ATMs. They are also reloadable, either directly at the issuer’s website, or through reload networks and sometimes automatically by direct deposit of the cardholder’s wages or from other sources such as parents or the government. GPR cards are distinctly different from other types of prepaid cards for a number of reasons:

- GPR cards often create a long-term relationship between the financial institution that issues the card and the cardholder. Because of the long-term relationship, the cardholders are not anonymous; they must provide identification data that is verified by the card issuer
- GPR cards are frequently relied upon by consumers as their primary financial services vehicle, and are used instead of credit or debit cards for purchases and cash access.
- GPR cards are usually purchased by the same consumers who will be using the cards (in comparison to gift cards, which are usually purchased by one person and gifted to another person).
- GPR cards may provide a host of related services for the cardholders, such as bill payment services, shopping online, payment card convenience, prestige, and security.

Please note: Issuers of network branded prepaid cards, including GPR cards, are obligated to comply with requirements of the applicable card network (i.e., American Express, Discover, MasterCard, or Visa) shown on the face of the card. As these requirements vary from network to network, no attempt is made to incorporate them in these Leading Practices. Issuers should consult their network operating rules for specific disclosure requirements.

How to Use These Leading Practices

GPR card programs vary tremendously based on features, customer base, functionality, channels of distribution, and other product differentiators. It is, therefore, necessary for these Leading Practices to

recognize the need for flexibility in disclosure. The NBPCA encourages users of these Leading Practices to adapt them to their specific needs and situations, while adhering to the underlying values on which these Leading Practices are based:

- Fair treatment of consumers
- Transparency of fees and other terms and conditions
- Adherence to applicable federal and state laws and regulations
- Incorporation of card network requirements

LEADING PRACTICES FOR GENERAL PURPOSE RELOADABLE (GPR) CARD DISCLOSURES

The NBPCA recommends clear and conspicuous disclosures without dictating specific disclosure practices, as laws that attempt to manage specific size or location of disclosures add cost without adding value to the consumer.

The NBPCA believes in the industry practice of “layering” disclosure in multiple locations, which recognizes consumers’ needs for specific information at certain times and easy accessibility of that information in a timely manner.

DISCLOSURES on FRONT OF GPR CARD

- **“Valid thru” dates**

General Purpose Reloadable cards have “valid thru” dates, not “expiration dates”. These cards generally do not expire, but are renewed regularly similar to credit or debit cards. The “valid-thru” date indicates only when the card itself may no longer be used. It does not mean that the cardholder’s funds have expired, nor does the cardholder lose his or her rights to access or use such funds. This use of “valid thru” dates on GPR cards is consistent with other risk management practices associated with credit and debit cards. Such “valid thru” dates are relied upon by card issuers as a way of controlling fraud and enhancing card security. The valid thru date should be disclosed on the front of the card in a clear and conspicuous manner

DISCLOSURES on BACK OF GPR CARD

The NBPCA recognizes that it is often impractical (due to changes in functions and card types) and unfeasible (because there is simply not enough room) to disclose all applicable fees or terms on the back of a GPR card. The following, however, are important disclosures which should be shown on the back of all GPR cards:

- **Contact number and/or website for customer service**

A telephone number for customer service assistance should be provided. If a website for consumers is available, the website address should be printed on the card.

- **Name of issuing financial institution**

A clear indication of who the issuer of the card is.

- **Location for more information**

The location (such as telephone number, cardholder agreement or website) where the cardholder may obtain information regarding terms and/or fees should be provided.

DISCLOSURES on GPR CARD PACKAGING – for Cards sold in Retail Locations

The NBPCA recognizes that the decisions for language placed on card packages and/or on other materials at the point of sale are limited by the size of the card packaging itself, and are ultimately the sole province of the card issuers, their marketing staffs and legal counsel. Based on input from members, the following are recommendations for disclosures to be shown on the packaging, clearly visible to consumers prior to sale, in addition to any fraud protection statements that a particular issuer may choose - for cards sold in retail locations:

- The amount of any up-front purchase fee payable by the consumer at the point of sale. Some issuers may find that retailers prefer to set the purchase fee, and that they may discount the fee. In such cases, the package should indicate that the consumer should inquire about purchase fees prior to completing a purchase.

- The amount and frequency of material fees (i) that would be charged without any action by the cardholder, such as any periodic service or maintenance fees, or (ii) that are most frequently incurred by cardholder actions, such as reload fees, fees charged for balance inquiry calls, negative balance fees, ATM fees, and any fees that apply to purchase transactions at the point of sale.
- For any other fees or terms, a notice of the location where more information can be found.
 - Sample language for card packaging: *"Other terms or fees may apply. See Cardholder Agreement for details"*
- Any material and relevant Terms and Conditions specific to the use of the card that a reasonable purchaser would want to know prior to purchase.
- How the card may be reloaded (e.g., direct deposit, at the retailer where the card was purchased, etc.)
- Any requirement that the cardholder may have to provide identification for verification in order to activate the card or access funds.
- Because such cards can be handled by third parties, especially where cards are sold in retail stores with public access, a few issuers have recommended inserting disclaimers such as the following:
 - Suggested language: *Do not purchase if card package has been opened or tampered with.*
- Because these are still new products that some consumers may not be familiar with, an indication that this is "not a credit card," or alternatively that it is a "prepaid" or "pay as you go" product.

DISCLOSURES on WEBSITE

- Provide clear and conspicuous disclosure and easy access to all Terms and Conditions on any website offering GPR cards. Disclosure should be provided BEFORE the consumer clicks to complete the purchase of a card.
- Include FAQs that make it easy for consumers to learn about the features and functionality of the card such as how consumers can use and reload the card, any associated fees, what happens when the card expires, replacement policies for lost or stolen cards, "split tender" transactions, and helpful suggestions about the best and most economical usage of GPR cards.

DISCLOSURES in ADVERTISING

A GPR card program advertisement should contain the disclosure that fees apply, and direct the consumer to the location(s) where more information may be found.

- Suggested language: *Fees apply – see www._____.com for details, or Fees apply - call (xxx-xxx- xxxx) for details.*

DISCLOSURES in GPR BANK CARDHOLDER AGREEMENT

Network branded GPR cards are delivered with a "Cardholder Agreement" or "Terms and Conditions" that establish and document the relationship between the card issuer and cardholder, including all applicable fees. These agreements are legal documents that should describe fully the obligations of both card issuer, cardholder, and (if applicable) other service providers. These Leading Practices do not attempt to address the range of issues addressed in the Cardholder Agreements, other than to suggest that fees be set forth clearly and conspicuously in the Cardholder Agreement, preferably in one location. Issuers should discuss other relevant terms with their attorneys.