

# **Reloadable Prepaid Cards**



*Questions and  
Answers about  
**Choosing and  
using  
prepaid cards***

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## Contact Consumer Action

Consumer Action empowers low- to moderate-income and limited-English-speaking consumers nationwide to financially prosper through education and advocacy.

**Internet:** [www.consumer-action.org](http://www.consumer-action.org)

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**Los Angeles:** 523 W. Sixth St., Suite 1105 Los Angeles, CA 90014, 213-624-4631

**Washington, DC:** PO Box 70037, Washington, DC 20024, 202-544-3088

Consumer Action will provide non-legal advice and referrals on consumer problems if you leave a message at 415-777-9635 or 213-624-8327. Chinese, English and Spanish are spoken. For advice and referrals via email, write to: [hotline@consumer-action.org](mailto:hotline@consumer-action.org).



Payroll cards also are covered by FDIC insurance for up to \$250,000 per employee; not all prepaid cards are FDIC-insured.

Most states don't permit a charge to obtain or activate a payroll card or to reload the card with earnings. And in nearly all states, payroll cardholders must be allowed to obtain their wages without charge at least once per pay period (one free ATM transaction, for example). These rules generally do not apply to general-purpose prepaid cards (though some card issuers exclude or waive certain fees), although there are a number of state laws that address these issues.

### **Q How does using a prepaid card compare to having a checking account?**

There are many differences between a prepaid card and a checking account. First, a prepaid card doesn't give you the option of writing checks. And not all prepaid cards offer telephone or online bill-pay. Also, you generally can't "overdraw" your prepaid card account—spend more than is available. (Checking accounts may give you the option to overdraw your account, for a fee.)

In addition, fees on checking accounts typically are fewer and lower than fees on prepaid cards. Bank fees may even be avoidable by signing up for direct deposit or maintaining a minimum balance. (Some prepaid cards also waive some fees with direct deposit or a minimum balance.)

### **Q Who are prepaid cards right for?**

Prepaid cards can be used by any consumer for a variety of different reasons. They tend to be more attractive to consumers who can't get a credit card, either because they have a negative credit history or no credit history at all, or who either can't or don't want to get a checking account. The cards can make paying and managing finances easier for the "unbanked" or "underbanked" because they allow ATM withdrawals, direct deposit, in-person and online purchases and, in many cases, online bill-pay and automatic payments.

Prepaid cards provide a tool for people who want to provide a parent, teen or other person, like a nanny or a contractor, with an allowance, a way to pay with "plastic" without the risk of accumulating debt and a way to manage and track their spending. These cards are also attractive to individuals who want to manage/budget their funds and finances.

### **Q Can a prepaid card help me build credit?**

Generally speaking, no, a prepaid card cannot help you build credit because you are not borrowing and repaying money—you are simply accessing your own money that you loaded onto the prepaid card. To build credit, you must borrow money and then pay it back, and the creditor must report your payment record to at least one of the three major credit reporting agencies (Equifax, Experian and TransUnion). There are a number of companies working on prepaid cards that may in the future allow you to build credit by using them.

A secured card is another option for consumers who can't qualify for a traditional, unsecured credit card. A secured card is a credit card backed by your deposit, which is used by the card issuer to cover your debt if you default on the account. Most of these cards report to one or more of the three major credit reporting agencies.

### **Q How do I get a reloadable prepaid card?**

You can get a reloadable prepaid card from many retailers, banks or online. Ideally, you should research your options online before deciding on a card. There are a number of card comparison websites that make the process quicker and easier. Try to learn something about the source or sponsor of the card ratings to be sure you're not being steered to cards that are not consumer friendly.

You can also shop for cards at the American Express, Discover, MasterCard and Visa websites.

For any card you're considering, visit the card's website and read the disclosures carefully.

After identifying which card has the features you want at the lowest cost, submit your application. You can expect to receive your card in about one to two weeks. Follow the activation and registration instructions, and some cards may require you to sign the back of the card.

### **Q What information do I have to provide when I request a prepaid card?**

Typically, a card issuer will ask for identifying and contact information such as your name, address, birthdate and Social Security number. If you plan to load your new card from a bank account, credit card or other source, you'll need to provide that information, too.

## **Loading and Using a Card**

### **Q How can I load money on my prepaid card?**

Depending on the card, you may be able to load and reload online, using cash at a participating retail store (such as Target or Walmart), or automatically, using a credit card, a wire transfer or direct deposit. Not all cards allow all these reload methods. For example, a particular card may only allow you to reload through payroll direct deposit or using cash at agent locations. Reload fees vary—in some cases, reloading may be free. (Many cards do not charge a fee for regularly scheduled direct deposits, for example.)

### **Q How much money can I load on a prepaid card?**

Card issuers have their own minimum and maximum reload limits per day or per month. Make sure that the card you choose doesn't have a minimum so high it will be difficult for you to achieve, or a maximum too low to meet your needs. In some cases, the minimum and maximum limits don't apply to direct deposits.

### **Q How long does it take for the funds to load to my prepaid card?**

This varies among card issuers and will likely depend on the way you reload. For example, a cash reload might be available immediately while a wire transfer might take a few days.

### **Q I'm a government benefits recipient—can I get my payments loaded directly onto my prepaid card?**

Generally speaking, yes, you can get your benefits payments loaded onto a prepaid card that you select and open yourself, or onto a card that the government agency provides.

If you're having your benefits payments loaded directly to a card you already own, be prepared to provide the card's routing number and its account number or deposit ID number. (You can get this information from the card issuer's website or from a customer service representative.)

Before agreeing to receive your government payments on a government-administered prepaid card, get some information about the fees, features and protections associated with that card. Then compare those with the fees, features and protections on cards you can select yourself. Choose the card that gives you everything you need and want at the lowest cost.

### **Q Can I get my tax refund on my prepaid card?**

Yes, you can request that the IRS deposit your refund on an existing prepaid card account. You must open and activate the card prior to your filing a tax return. Or, you can request that your refund be applied to a new prepaid "tax refund card" as part of the tax return filing process.

### **Q Where can I use my prepaid card?**

Network-branded prepaid cards carry a logo from one of the four major electronic payment networks: American Express, Discover, MasterCard or Visa. You can generally use your card anywhere that accepts cards with the same logo that appears on your card, including online

merchants. For example, if your card has an American Express logo on it, you can generally use it anywhere that accepts American Express cards. Many businesses belong to more than one payment network, and many businesses accept payments from all four networks.

### **Q Where or how can't I use my prepaid card?**

You can't use your card anywhere that isn't a member of the same payment network that the logo on your card indicates.

You also may not be able to use your card to make reservations with airlines, hotels and car rental companies, though you should be able to pay the final bill with your card.

If you are allowed to use the card to make the reservation, the merchant may place an authorization hold on the card for the estimated amount of the final bill, which means that that amount of money will not be available for you to use until the final bill is settled and the hold expires. This is sometimes called a "block" on your card. This is similar to how debit and credit cards work, too.

### **Q What is an authorization hold?**

An authorization hold (or block) is used for certain types of purchases where the amount of the sale is not yet known and will be determined and paid in the future. The anticipated amount of the final bill is held to ensure that sufficient funds will be available to the merchant to complete the transaction. Typically, the hold is removed from the account between one and ten days after the transaction is completed.

Businesses that routinely place authorization holds include gas stations (when you pay at the pump), auto rental companies, airlines and hotels. For example, if you swipe your prepaid card at a gas pump, the station might put a hold on \$75 to make sure that there will be at least that amount available to pay for your purchase. If the pump stops at \$20, you would eventually get the unspent portion of the held money back (\$55), but it would take a few days.

It's important to plan for holds so that your money isn't tied up when you need it. To avoid a hold or running out of funds, you could pay cash for certain purchases or try to maintain a higher card balance. For purchases of gas, one way to ensure there is no hold on the funds is to go inside the station and pre-pay for your fill-up. For example, tell the station agent the amount of gas you want to purchase with your card—say, \$25. The agent will then set a limit of \$25 on the pump. When you are finished putting gas in your car, you will go inside and complete the transaction (using your PIN or signing a receipt).

Authorization holds are common on credit and debit cards as well.

### **Q Can I get cash back when making a purchase?**

You may be able to get cash back at places like grocery stores by hitting the debit button after swiping your card and then selecting the amount of cash you want.

### **Q Can I withdraw cash from an ATM using my prepaid card?**

Yes, you can generally use your prepaid card to get cash from an ATM. Insert your card into the machine and enter your PIN (personal identification number). Select "withdrawal" when asked what type of transaction you want to make, and select "checking" when asked which account you want to withdraw the money from. Enter the amount of cash you want. Take your receipt.

When withdrawing cash, you may be informed that there is a fee for cash withdrawals at that machine. Your prepaid card issuer may give you one or more monthly "free" withdrawals but the owner of the ATM usually charges an additional fee.

There may also be limits on the ATM cash withdrawals you can make per day, week or month, depending on the card issuer's policies.

## **Q What's the difference between a PIN transaction and a signature transaction?**

There are two types of transaction possible with a card: a PIN-based transaction, which requires you to use a keypad to enter your personal identification number, and a signature-based transaction, which requires you to sign a receipt. At the time of purchase, you may be given the choice between "debit" (PIN) and "credit" (signature—but not actually a credit since the amount will still be deducted from your card balance).

Before making the "credit or debit" decision for the first time, check with the card issuer how it treats debit and credit transactions differently. For example, some card issuers charge a fee (or a higher fee) for one type of transaction or the other. Choosing the free or less expensive option when asked "debit or credit" would save you money. For example, if each debit transaction costs 50¢ and you made just one transaction per day, you would pay \$15 in fees in one month.

Verify whether any zero liability protection on your card applies to all transactions or if it only covers credit (signature) transactions.

If you're given the option between debit and credit, choosing credit may be the safer option, but ask about the card issuer's policies before you use the card.

## **Q What can I do if I need to pay for something but there is not enough on my prepaid card to cover the payment?**

In most cases, your transaction will be declined if you try to spend more than the balance remaining on the card. However, some merchants will allow you to use the available balance on your prepaid card and then pay the remainder with another form of payment such as cash, a check, or a debit or credit card. For this to work, you must tell the sales clerk how much you want to pay using your prepaid card and how much with another form of payment

before the transaction begins. (This is called a "split tender" transaction.)

A few prepaid cards will allow you to spend more than the balance on the card; but note that there is a fee for doing so.

## **Q How do I return something to a store if I purchased it using my prepaid card?**

The return process is similar to that for credit and debit cards: Present the item you're returning along with the receipt. If the return is eligible for a refund under the merchant's return policy, the purchase amount should be credited back to your card, though it could take up to a week for the money to be loaded back onto your card.

The possibility of needing to make a future return is a good reason to keep your receipts and the card even if you don't plan to reload.

## **Q I'm going on an overseas trip—will my prepaid card work outside the U.S.?**

Yes, you can use most reloadable prepaid cards in other countries, but it's always best to check with the card issuer to ensure your card can be used internationally. If you plan to frequently use your card abroad, choose one that has low foreign transaction (or currency conversion) fees.

It's always wise to notify your card issuer before you leave the U.S. so that your card isn't frozen. As a fraud protection measure, issuers sometimes freeze the balance on cards when foreign transactions begin to appear.

## **Q Can I rent a car or reserve a hotel room using a prepaid card?**

Depending on the policy of the rental car company or hotel, you may be able to use your prepaid card to make a reservation. If you are not able to make an advance reservation, the merchant will typically allow you to pay the final bill with your card.

If you are allowed to use the card to make the reservation, the merchant may put a hold on

the estimated amount of the final bill, which means that the set-aside amount will not be available for you to use until the final bill is settled.

For example, if on January 1 you reserve one night at a hotel for February 15, the hotel will most likely put a hold in the amount of one night (or even the amount of the estimated final bill) to ensure the money will be available when you check out on February 16. That means you won't be able to use that money for anything else between January 1 (the date you made the reservation) and around February 20 (a few days after the payment is processed and the hold "falls off").

### **Q Can I use a prepaid card to pay bills online?**

Depending on the card you choose and the policies of the card issuer, you may have the ability to pay bills online or by phone.

First contact companies you owe—utilities, wireless service providers, cable companies, insurance providers, etc.—to find out if they will accept prepaid card payments made through your card issuer.

If they do, then follow the instructions provided by the card issuer for setting up online bill-pay. There could be a fee for each bill you pay but it is likely to be less expensive and more convenient than purchasing and mailing money orders.

Since not all prepaid cards can be used to pay bills, you should make a point of shopping for one that does if you know that that is an option you'll want. Look for a card with free bill pay or a low fee.

### **Q I'd like to buy a gift online. Can I pay for it with my prepaid card?**

Yes, prepaid cards can be a safe way to make online purchases. There may be some limitations to using a prepaid card online given that there is a fixed amount of funds available on a prepaid card, unlike a debit or credit card.

### **Q Can I buy a prepaid card for someone else and then load money on it?**

Yes, as long as you are 18 you can purchase and load a prepaid card for someone else, such as an employee, a teen or young adult, or an elderly parent. Individual card issuers may have additional restrictions on who can purchase cards and for what purpose.

### **Q Would getting my son a prepaid card help him learn to use payment cards wisely?**

It could. Some prepaid cards are designed with this in mind. A parent who buys and loads the card can set up parental controls (including spending limits) and he or she can monitor transactions. The card can be reloaded automatically with the child's allowance, or as needed.

A prepaid card can provide the opportunity for a young person to learn about budgeting and using "plastic" without the risk of overspending or making a mistake that could damage his or her credit.

### **Q Can I transfer money to a family member or friend using a prepaid card?**

Yes, you may be able to transfer money to another person using a prepaid card, depending on the card issuer. Fees will vary, as will the options for how the recipient can access their money (for example, on another prepaid card or through their checking account). You can also use your prepaid card to wire money to someone who will pick up the money from a money wiring business near them.

### **Q Will my transactions be debited from my card balance immediately?**

Typically, yes, your transactions will "post" on the same day. However, some transactions, such as a purchase at the gas pump, can take a day or two to post. In such a case, you would likely see a hold on some of your funds until the purchase is complete and the hold is removed.



## Prepaid Card Costs

### Q Could I ever be charged interest on my prepaid card?

Since you are not borrowing money, you cannot be charged interest. However, if a card allows you to spend more than you have loaded on it, you would likely be charged a fee for exceeding your card balance.

### Q How do companies make money on prepaid cards if they don't charge interest?

Prepaid card issuers generally make money two ways: on the fees you, as the cardholder, pay and on the transaction fees that businesses pay each time you use your card to make a purchase (sometimes called interchange or merchant fees).

### Q How much will a prepaid card cost me?

How much a prepaid card ultimately costs depends on many factors, including the number and amount of fees charged on your particular card as well as how you use the card.

Look not only at the fees that could be charged but also at any fees that are mandatory and cannot be avoided. For example, a few cards offer fee-free transactions while others waive certain fees when you maintain a minimum balance or use direct deposit.

Fee disclosures may appear on the card packaging, but the card issuer's website will probably be your best source of complete information. Unfortunately, there's no law that requires a standard fee chart for prepaid cards but some issuers are more upfront about their fees than others. Before you buy a card, look for a prepaid card where the issuer discloses all the fees clearly.

When you've narrowed down your options, calculate your monthly cost for each card based on how you expect to use it.

### Q Do all prepaid cards have the same fees and terms?

No, prepaid card fees and terms vary widely. It's very important to shop around because the difference between one card and another could be hundreds of dollars each year depending on your usage.

### Q Could a prepaid card save me money?

If you don't have a checking account, it's possible that a prepaid card's fees could be lower than the fees you'd pay to cash your checks and purchase cashier's checks to pay your bills. In some instances, prepaid cards can be more expensive than checking accounts, so it is important to compare the costs of your payment account options to determine what is the best value for your money.

### Q Is there an upfront cost for a prepaid card?

It's very likely. Most cards charge a purchase fee or an activation fee and sometimes both. An activation fee is different from a purchase fee. A purchase fee is the upfront price you pay to buy a card. (Some cards cost money to buy in a store, but can be ordered for free online.)

### Q What is an activation fee?

An activation fee is a one-time charge also known as an account opening fee, initial load fee or set-up fee. If there is a fee, it can range up to \$30 or more, so it's very important to compare this cost among cards you're considering. If a "purchase fee" is also required, the combination of the two fees could be significant.

### Q What is a monthly maintenance fee?

This is a fee charged to your card each month after you activate it. Many prepaid cards charge a monthly maintenance fee—but you can find cards that don't. On cards that have them, they vary widely, up to \$10 per month. With some cards, you may be able to avoid a maintenance fee if you meet a monthly reload minimum,

maintain a high enough balance on the card or sign up for direct deposit for your paycheck, benefits or other income.

### **Q What is a reload fee?**

A reload fee is charged when you add funds to your card. The fee varies among cards and may also vary according to the method used to reload. For example, a cash reload might incur a fee while another type of reload, such as direct deposit, would not. There may also be a third-party fee if you visit an “agent” (such as a participating chain of stores) to load cash onto your card.

### **Q What is an inactivity (or dormancy) fee?**

Some cards charge an inactivity, or dormancy, fee if you don’t make at least one transaction during a certain period. This timeframe varies by card (and not all cards have the fee) so make sure you learn how long you can go without using your card before you’ll be charged a dormancy fee.

Legally (as of August 2010), inactivity fees can’t be charged on gift cards unless the card has gone unused for at least 12 months. General-purpose reloadable prepaid cards—the subject of this guide—are not covered by this rule. However, several states place limitations on when inactivity fees can be charged by card issuers subject to state law.

### **Q Is customer service free?**

Not always. Some issuers provide free customer service across the board—by phone (with a live representative), online or via email. Others charge for live customer service but not for automated assistance. And still others charge for virtually every type of assistance. Before choosing a card, find out what types of customer service are offered free and which ones you have to pay for.

### **Q What can I do to avoid prepaid card fees?**

Check with your card issuer. Not all prepaid cards offer ways to avoid fees. Depending on

the issuer, some of the ways you might be able to avoid prepaid card monthly maintenance and transaction fees include:

- setting up direct deposit for your paycheck or other monthly income
- loading a certain amount onto your card each month
- maintaining a minimum balance on the card
- getting cash back when making a purchase at a grocery store or other retailer (instead of paying an ATM fee)
- checking your balance by whichever method is free (It’s very common to encounter a charge to check your balance at an ATM. Avoid card issuers that charge a fee to check your balance online or using an automated phone help line.)
- loading by whichever method is free (if there is one)
- using network ATMs (Even if there is a fee, it will be less expensive than using an out-of-network ATM.)
- making transactions using whichever method is free (if either PIN or signature transactions are free)
- avoiding transactions that go over your balance
- using automated “help” rather than a live customer service representative, if your issuer charges you for this, and viewing your statement online rather than getting a paper copy

### **Q Do prepaid cards offer rewards, like credit cards do?**

Typically, no. If you do come across a prepaid card that offers rewards, make sure you are aware if there are fees associated with these rewards—such fees are likely to be high in comparison to non-rewards cards to cover the card issuer’s cost of the rewards program. You’re better off finding a low-cost card that meets your needs but offers no rewards. (However, some prepaid cards, especially those designed for travelers, may offer legitimate perks like purchase protection. See the next section.)

### Q How safe are prepaid cards?

Since you need to use a PIN or provide your signature to use it, a prepaid card is safer than carrying around cash. If you report your card lost or stolen as soon as you notice it missing, you may be able to avoid any financial loss, unlike lost or stolen cash. (Some card companies will voluntarily replace money stolen from your card, but such policies are subject to change at any time.)

### Q Do prepaid cards offer the same consumer protections that debit and credit cards do?

No, prepaid cards are not subject to the same laws that govern credit and debit cards. (Prepaid payroll cards, issued by employers for the express purpose of distributing salaries, are subject to certain provisions of Regulation E just like debit cards). However, some card issuers voluntarily provide similar protections, such as zero liability for unauthorized transactions and replacement of lost funds.

To understand exactly what your card's policies are, review the information that came with the card or that appears on the issuer's website. Be aware that to benefit from protections offered by your card issuer you might have to follow certain procedures (such as notifying the issuer of unauthorized activity within a specified number of days) or meet certain criteria (such as having the loss occur as the result of a signature transaction rather than a PIN transaction). Voluntary policies are subject to change at any time.

### Q What is "zero liability" protection?

Zero liability protection is a voluntary policy of certain issuers that guarantees that you will not be held responsible for any unauthorized transactions should your card be lost or stolen. Typically, this policy requires that the card be registered and that the cardholder promptly notify the issuer of the missing card and/or unauthorized transactions.

Be aware that there are exclusions and limitations on zero liability protection for prepaid cards. For example, the policy may not cover ATM transactions or certain other types of transactions. And such voluntary policies are subject to change at any time.

### Q What does it mean to "register" my card?

Registering your card means providing your personal information, including, in some cases, government-issued identification and Social Security number. Generally speaking, you must be registered to qualify for certain cardholder protections and to make purchases online (some merchants require a valid "billing" address). Also, general-purpose reloadable cards are generally not anonymous cards like single-load gift cards, so some information about the cardholder is required before the card can be issued and reloaded.

### Q Are all prepaid card balances insured by the FDIC?

Many, but not all, prepaid card accounts are insured for up to \$250,000 per account by the Federal Deposit Insurance Corporation (FDIC) if the bank fails.

If the issuing bank's account records name the cardholder, then the balance on the card will be insured for the cardholder. However, if the funds are pooled and records do not identify cardholders individually, the insured could be the card distributor or another third party rather than the cardholder.

In 2008, the FDIC clarified that even when money is pooled, account owners are protected by FDIC insurance as long as the custodial arrangement is disclosed and there are sufficient records to identify individual cardholders. Still, there are some card issuers that do not deposit money in FDIC-protected accounts, so cardholders have to ask specifically if they and their individual accounts are insured.

## **Q My prepaid card balance is protected by state money transmitter laws. What does this mean?**

Many states regulate prepaid card issuers (and other financial service providers) through “money transmitter” laws, which apply to non-bank businesses that facilitate consumer payments. Generally speaking, money transmitter laws ensure the safety and soundness of non-bank money transmitter businesses and their customers’ money.

State money transmitter laws require that issuers must at all times hold assets that have a market value equal to or greater than the aggregate amount of outstanding prepaid balances in order to protect consumer funds. Many states also have requirements that treat consumer monies (such as prepaid card balances) as being held in trust for the benefit of consumers in the case that issuers fail.

## **Q My prepaid card offers “purchase protection”—when does it apply?**

Purchase protection is a benefit that some card issuers provide voluntarily. Typically, it does things like extend the standard manufacturer’s warranty, lengthen the period during which an item can be returned, and reimburse cardholders for accidental damage, loss or theft that occurs soon after purchase (usually within 90 days). Coverage terms and exclusions vary, so check your card agreement. Not all prepaid cards offer purchase protection.

## **Q Can I dispute a transaction, the way I can with a credit card?**

You can dispute a charge that you believe is in error or fraudulent. Contact your card issuer’s customer service department as soon as you notice an error on your statement. In most cases, you must report an error within a limited period (60 days from the date of the statement on which the unauthorized transaction first appears is common).

Most prepaid card issuers do not send a transaction statement by mail or email—however most allow you to check transactions online. If

the card you choose does not issue statements, it’s important that you frequently check your transactions online so that you can catch any unauthorized activity as quickly as possible. (To avoid racking up fees, choose a card that offers free unlimited online account access.)

## **Q Can prepaid cards help me avoid fraud?**

Some cards (credit and prepaid) allow you to create a “virtual” card with its own card number, security code (the “secret code” (CVC number) that appears on the back of a “real” card) and expiration date. Transactions are posted to the real account, but you are able to keep that information private during the transaction.

A virtual card can be useful when shopping online. The virtual card number might expire automatically after you complete your purchase, or you can set your own expiration. You can also cancel it manually, with the click of a button, without canceling your prepaid card account. This means that even if thieves got your virtual card number, they couldn’t use it to access the money remaining on your prepaid card account.

## **Q What is my liability if my prepaid card is lost or stolen?**

Your liability will depend on your card issuer’s policies and how quickly you report the missing card. The best bet is to contact customer service as soon as you know (or notice) that your card is missing.

## **Q What if my card is lost or stolen—what happens to the money on the card?**

Contact the card issuer immediately if you notice your card missing. (Copy down and keep the account number and the toll-free number from the back of the card in a safe place.) The number of the old card will be invalidated to protect the remaining funds. Check your online statement for any transactions that you did not authorize. If you find any, report them immediately.

Some prepaid card companies will voluntarily replace money stolen from your card, but not all of them do. And such policies are subject to change at any time.

You can get a replacement card, but if you want it immediately be aware that the card issuer might charge you an expedited delivery fee to ship the card. If you don't need rush delivery, let the issuer know.

### **Q How long will it take for me to get a credit for missing money from a transaction error or unauthorized use of my card?**

That depends on the card issuer and its policies, but in some cases it could happen very quickly—say, within 24 to 48 hours of your report. Or, it could take longer, pending the card issuer's investigation of your claim.

### **Q Will I be able to seek reimbursement if someone who has my PIN steals money from my card?**

No. It is very important to keep your personal identification number private. If you reveal your PIN to someone and that person uses your debit card, the card issuer will see it as a case of you giving permission to use your card and it will not view the transactions as fraudulent.

### **Q What is the "valid date" or "good through" date on my card for?**

Like a credit card, your prepaid card displays an expiration date. This enables you to use the card online at sites that require the information to complete the transaction.

The card issuer should automatically send you a new card before the expiration date. Automatic renewal may not happen, however, if you don't meet certain criteria—for example, if you have a zero balance on the card or haven't reloaded or used the card in the previous six months.

If the card is not renewed automatically, you may or may not receive a check for the remaining balance—find out what the card issuer's policy is before you choose your card or lose funds.

### **Q When I get a prepaid card, must I give up my rights to go to court or join a class action lawsuit if I sign an arbitration agreement?**

If you sign the agreement, then you agree to forfeit your rights to go to court or join a class action lawsuit. If you don't want to sign an arbitration agreement, you have a couple of options:

- Look for a card that doesn't include an arbitration clause in its contract. (You may have better luck with cards issued by smaller banks.)
- Sign an arbitration opt-out if one is available or cross out the clause in the card agreement and initial the change.

## **Managing Your Card**

### **Q Can a prepaid card help me stick to a budget?**

It might. Since in most cases you can't spend more than you have on the card, a prepaid card can keep you from overspending and can help you track your purchases. Some cards even have tools to help you monitor your spending, like text or email alerts.

### **Q Will I receive a monthly transaction statement?**

That depends on your card issuer's policies. You probably will not receive a printed transaction statement in the mail, and you might not receive one by email either. However, most prepaid card issuers make your transaction history available on demand at the cardholder website. Some cards provide statements via mail, email or text but only for a fee.

### **Q How do I keep track of transactions and my card balance?**

First, keep all your transaction receipts. Second,

log in to your account regularly at the cardholder website to view transactions and the card balance. (You can also check your card balance at an ATM or by calling customer service but there may be a fee for doing so. Certain merchants will have the ability to read your card's balance for you at no charge.) Third, look for free card issuer services that can help you keep track of your money, such as text alerts and account management apps. (Some card issuers charge a fee for these services.)

### **Q Can I get extra cards for my family?**

Many card issuers will provide one or more additional cards upon your request. There may be minimum age or other requirements for additional cardholders. There also may be activation or other fees for each extra card; be sure to check this before ordering an additional card.

### **Q Could the funds on my prepaid card expire?**

Depending on the issuer's policies, the funds you have on your card could expire and you could lose your money. (Don't confuse this with the expiration or "valid thru" date on your card. See the next question for more on that.) However, many issuers have policies to ensure that the funds on the card do not expire. Make sure you check with your card issuer to determine whether the funds on your prepaid account can expire—and when (if ever) this might occur.

### **Q What happens to my card when it reaches the date on the front of the card?**

Your card will become invalid on the date shown on the card. Virtually all issuers print a "valid thru" date on the card so that customers can use them for online and phone "credit card" purchases, which require that information. However, the card issuer should automatically send you a new card before the expiration date. Automatic renewal may not happen, however, if you have a zero balance on the card or haven't reloaded or used the card in a long while.

### **Q Under what circumstances would an issuer cancel my prepaid card?**

The cardholder agreement will explain under what circumstances your card could be cancelled. Possible reasons might include consistently breaking an important part of the agreement, failing to pay fees or charges you owe, or deliberately using the card for fraudulent or illegal purposes.

If you cancel the card, you may incur a cancellation fee. If it is your card issuer's policy to not refund money remaining on the card at the time of cancellation, make sure you spend it before you cancel.

### **Q Can I use a prepaid card as a savings account?**

The typical prepaid card is not a great place to put your savings. First, you won't earn interest on your balance. And second, you could lose all your savings if your card were lost or stolen. Even if your prepaid card has a policy of reimbursing lost funds, it is voluntary and could change at any time.

There are some prepaid cards that offer a linked, interest-bearing savings account. However, there is usually a cap on the balance you can keep (which defeats the purpose of a savings account). And you can only make deposits and withdrawals via your prepaid card, which means you will incur fees for every transaction.

### **Q How can I avoid a paper statement fee?**

You can avoid a paper statement fee either by opting out of receiving paper statements (if they are sent automatically) or by not requesting one (if they are optional). Many, if not most, prepaid cards allow you to check your account information online at any time at no charge.

### **Q How can I protect my personal data and card information when using a shared or public computer?**

To avoid revealing your personal information

to the next user, answer “No” when the web browser asks if it should save your username, password or account information. This is especially important when using a public or shared computer (at the library, for example). Before leaving the computer, log out of your account and clear information you’ve entered by selecting “Clear Recent History” (or a similar phrase) from the browser’s Tools menu.

### **Q Can I be charged if I don’t have enough money on the card and attempt to make a purchase?**

This could happen, depending on your issuer’s policies. In addition to the transaction being declined, you might be charged a “denied transaction fee” if you try to make a purchase or an ATM withdrawal that exceeds your card balance. If you have one of the relatively few cards that will allow you to spend more than you have loaded on the card, you’ll be charged an overdraft or shortage fee, which ranges from \$10 to \$25 or more. Use a check register or similar tool to keep track of your card balance, or frequently check it online if there’s no charge to do so.

### **Q Will my prepaid card charge me for speaking with a live customer service agent?**

It may. Some cards charge a fee for live customer service but allow cardholders to get free help by using the automated phone system or online help tools. When selecting a card, look for one that makes getting assistance easy and free.

### **Q Will I be notified when the terms of my prepaid card agreement change?**

Maybe not. To be safe, check the website regularly for change notices. There’s no requirement for prepaid issuers to notify you when prepaid card terms change. In general, prepaid card issuers can change terms and conditions at any time with or without notice. Review all materials (print, email, text, etc.) you receive about your card.

### **Consumer Financial Protection Bureau [www.consumerfinance.gov](http://www.consumerfinance.gov)**

The CFPB takes complaints about consumer financial services, guides consumers to the appropriate regulatory agencies and offers money management tools and information. You can call the CFPB at 855-411-CFPB (2372).

### **Federal Trade Commission (FTC) [www.ftc.gov](http://www.ftc.gov)**


Works for consumers to prevent fraudulent, deceptive and unfair business practices and to provide information to help spot, stop and avoid them. You can call the FTC at 877-382-4357.

### **Consumer Action [www.consumer-action.org](http://www.consumer-action.org)**

Consumer Action offers free information and advice on choosing and using prepaid cards. Counselors speak English, Spanish and Chinese. 415-777-9635 and 213-624-8327, TTY: 415-777-9456; e-mail: [hotline@consumer-action.org](mailto:hotline@consumer-action.org). Connect with us on [facebook.com/consumeraction](https://www.facebook.com/consumeraction) and [twitter.com/consumeraction](https://twitter.com/consumeraction).

### **American Express [www.americanexpress.com](http://www.americanexpress.com)**

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**The Prepaid Cards Project** is a joint educational module created by Consumer Action and American Express.

All materials in this series are free and available in bulk or in electronic format that may be freely reproduced for non-profit or community educational work.

The module (at [www.consumer-action.org/prepaid](http://www.consumer-action.org/prepaid)) includes:

- a brochure available in Chinese, English, Korean, Spanish and Vietnamese,
- two short educational videos, and
- this Q&A guide, which can provide background for individuals and staff members of community-based agencies engaged in financial literacy education.

**Consumer Action created this publication in partnership with American Express.**