



# CONNECTICUT BANKERS ASSOCIATION

February 28, 2012

**To: Members of the Labor and Public Employees Committee**

**Fr: Connecticut Bankers Association**

**Contacts: Tom Mongellow, Fritz Conway**

**Re: Senate Bill 155, AN ACT ALLOWING EMPLOYERS TO PAY WAGES USING  
PAYROLL CARDS**

**Position: Support**

The Connecticut Bankers Association strongly supports Senate Bill 155, which will allow payroll cards to be used as an acceptable method by which an employer in Connecticut can pay its employees.

A payroll card is simply a reloadable prepaid debit card issued to an employee through the employer's bank or credit union. Typically, the payroll card is issued with a national network brand (such as Visa or MasterCard). And importantly, the deposited funds on the payroll card are insured from loss by the FDIC for banks and the NCUA for credit unions.

The card can be treated just like a paper paycheck and cashed out to the penny at just about any bank or credit union in the State without any fee. Alternatively, an employee can access part of their wages in cash and then use the card to make point of sale purchases, online bill payments, and online or telephone purchases.

This is especially important for employees who don't have a banking relationship. Based on a FDIC study, almost 20% of households in the State are unbanked or under banked. For these employees, a payroll card provides access to financial services they would not otherwise have, and in many instances is viewed as a first step in establishing a banking relationship. Employees also benefit from the increased safety of not having to cash a check and carry a large sum of money, as well as avoiding the high fees that check cashers may charge.

The offering of these cards is carefully regulated by the Federal Regulation E, which contains numerous consumer (employee) protections that must be satisfied by payroll card programs. These Reg. E protections and requirements are included in Senate Bill 155. Below are just a few examples of those provisions:

- o Entitles an employee to make at least one free withdrawal or transfer per pay period.

- Prohibits from passing on to the employee any of the employer's costs associated with paying wages through a payroll card.
- Requires that employees be provided with a free means of checking account balances both by telephone and electronically, and to access their account history for at least the previous 60 days.
- Requires employers to provide the employee clear and conspicuous notice in writing the terms and conditions governing the use of the payroll card.
- The methods available for accessing the employee's full wages without any fees.
- Allows payroll cards to contain an expiration date provided the funds on the card itself do not expire and are not subject to inactivity or dormancy fees.

Employers would benefit from pay card programs because of the cost savings of not having to issue paper checks. The payroll check process costs time and money due to processing, printing, distributing and reconciling checks. Those costs increase sizably when checks are lost or stolen and the average cost of issuing a single payroll check is estimated to be \$3.

Additionally, unexpected events that may prevent the distribution of paper checks (weather, natural disasters, mail, etc...) would have little impact on the timely payment of an employee's wages through a pay card.

We encourage the Committee to support Senate Bill 155 and would welcome the opportunity to provide any further information you may need.