



Senate

General Assembly

File No. 262

January Session, 2013

Substitute Senate Bill No. 912

Senate, April 2, 2013

The Committee on Banks reported through SEN. LEONE of the 27th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING PREPAID CARDS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 42-460a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2013*):

3 (a) As used in this section, "general-use prepaid card" has the same
4 meaning given to that term in 12 CFR 205.20(a)(3), as from time to time
5 amended.

6 (b) A general-use prepaid card shall not include an expiration date
7 relative to the underlying funds that are redeemable through the use of
8 the applicable card, code or device. Notwithstanding the provisions of
9 this subsection, a general-use prepaid card may include an expiration
10 date with regard to such card, code or device, provided: (1) The
11 purchaser of or individual who increases or reloads funds onto the
12 card, code or device may, by way of a financial account that is linked
13 to such card, code or device, receive back both the remaining
14 unexpended balance and the accrued interest earned on the

15 unexpended balance on such card, code or device as of the date of
16 expiration of such card, code or device; (2) the purchaser of or
17 individual who increases or reloads funds onto the card, code or
18 device may set the expiration date on such card, code or device at not
19 less than ninety days from the date of purchase of or increasing or
20 reloading of funds onto such card, code or device, for the purpose of
21 receiving back the unexpended balance and accrued interest earned
22 on the unexpended balance on such card, code or device in an
23 expedited manner; (3) the purchaser of or individual who increases or
24 reloads funds onto such card, code or device may transfer the
25 unexpended balance on such card, code or device to a bank offering a
26 higher yield on and full insurance from the Federal Deposit Insurance
27 Corporation for the transferred balance until the consumer or recipient
28 of such card, code or device utilizes the unexpended balance or until
29 the date of expiration on such card, code or device has passed,
30 provided such purchaser or individual has a financial account that is
31 linked to such card, code or device; (4) the following disclosures are
32 made, in writing, on such card, code or device: (A) (i) That such card,
33 code or device expires, but that the underlying funds do not expire,
34 provided the purchaser of or individual who increases or reloads
35 funds onto such card, code or device has not set an expiration date in
36 accordance with subdivision (2) of this subsection, and (ii) that the
37 consumer may contact the issuer for a replacement card, code or
38 device; and (B) a toll-free telephone number and an Internet web site
39 address, if one is maintained, that a holder of a general-use prepaid
40 card may use to obtain a replacement card, code or device after such
41 card, code or device expires, [; (2)] provided the purchaser of or
42 individual who increases or reloads funds onto such card, code or
43 device has not set an expiration date in accordance with subdivision
44 (2) of this subsection; (5) no fee or charge is imposed on [such] the
45 holder of such card, code or device for replacing the card, code or
46 device or for providing such holder with the remaining balance in
47 some other manner, provided the card, code or device has not been
48 lost or stolen [; (3)] and has not expired in accordance with subdivision
49 (2) of this subsection; (6) no fee or charge is imposed on the purchaser

50 of or individual who increases or reloads funds onto the card, code or
 51 device for replacing the card, code or device or providing such
 52 purchaser or individual with the unexpended balance in some other
 53 manner, provided the card, code or device has not been lost or stolen;
 54 and (7) the seller of the card, code or device has established policies
 55 and procedures to provide consumers a reasonable opportunity to
 56 purchase a card, code or device that has not less than five years
 57 remaining until the card, code or device expires, unless the purchaser
 58 of or individual who increases or reloads funds onto such card, code or
 59 device has a financial account that is linked to such card, code or
 60 device and sets an expiration date on such card, code or device at not
 61 less than ninety days from the date of purchase or increasing or
 62 reloading at which time the unexpended balance and any accrued
 63 interest on the unexpended balance on such card, code or device shall
 64 be transferred to such financial account.

65 (c) For purposes of complying with the disclosure requirements of
 66 subdivision [(1)] (4) of subsection (b) of this section, (1) the issuer of the
 67 general-use prepaid card may provide disclosures that are consistent
 68 with the applicable provisions of 12 CFR 205.20(e), as from time to
 69 time amended, and (2) such issuer shall make the disclosure required
 70 under subparagraph (A) of said subdivision [(1)] (4) with equal
 71 prominence and in close proximity to the expiration date on the
 72 applicable card, code or device.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2013	42-460a

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BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:** None**Municipal Impact:** None**Explanation**

The bill concerns transactions between private entities and individuals and results in no fiscal impact to the Department of Banking.

The Out Years**State Impact:** None**Municipal Impact:** None

OLR Bill Analysis**sSB 912*****AN ACT CONCERNING PREPAID CARDS.*****SUMMARY:**

This bill (1) imposes new restrictions on expiration dates for general-use prepaid cards (i.e., a card, code, or device) and (2) modifies the existing restrictions. In order to have an expiration date, the card must meet the new and modified restrictions.

EFFECTIVE DATE: October 1, 2013

NEW RESTRICTIONS

The bill prohibits a general-use prepaid card from having an expiration date unless the purchaser or person who increases or reloads funds onto the card (the customer) can:

1. receive back the unused balance and the interest earned on the unused balance by way of a financial account linked to the card;
2. set an expiration date at least 90 days from the date of purchase or increasing or reloading funds; and
3. transfer the unused balance to a bank offering a higher yield as well as full insurance from the Federal Deposit Insurance Corporation until the funds are exhausted or until the card expires, so long as the customer has a financial account linked to the card.

MODIFIED RESTRICTIONS***Disclosures***

Under current law, a card cannot have an expiration date unless it has a written disclosure that (1) the card expires, but not the

underlying funds, and the consumer may contact the issuer for a replacement card, and (2) includes a toll-free telephone number and an Internet website address, if one is maintained, that a holder of a general-use prepaid card may use to obtain a replacement card after it expires. Under the bill, these provisions do not apply if the customer has set the expiration date.

Fees and Charges

Under current law, if a card with an expiration date is lost or stolen, a fee or charge can be imposed on the card holder for (1) replacing the card or (2) refunding the remaining balance. The bill additionally allows a fee or charge for a replacement or refund if the card expired.

The bill also prohibits imposing fees or charges for replacements or refunds on a person who has purchased or reloaded a general-use prepaid card that has an expiration date, unless the card has been lost or stolen.

Policies and Procedures

Current law requires the seller of a general-use prepaid card that has an expiration date to establish policies and procedures to provide consumers a reasonable opportunity to purchase a card that is valid for at least five years. The bill waives this requirement if the customer has a financial account that (1) is linked to the general-use prepaid card and (2) sets an expiration date on the card at least 90 days from the date of purchase or increasing or reloading, at which time the unused balance and any accrued interest on the unused balance must be transferred to the linked financial account.

BACKGROUND

General-use Prepaid Card

A general-use prepaid card is a card, code, or other device that is:

1. issued on a prepaid basis primarily for personal, family, or household purposes to a consumer in a specified amount, whether or not that amount may be increased or reloaded, in ex-

change for payment, and

2. redeemable upon presentation at multiple, unaffiliated merchants for goods or services, or usable at automated teller machines (12 C.F.R. 205.20(a)(3)).

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 11 Nay 6 (03/14/2013)