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## **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 exchange 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)