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## **OLR Bill Analysis**

### **sSB 912 (File 262, as amended by Senate "A")\***

#### ***AN ACT CONCERNING PREPAID CARDS.***

#### **SUMMARY:**

This bill establishes in law a "linked prepaid card" as a type of general-use prepaid card (i.e., card, code, or device) and specifies the conditions under which such card may include an expiration date. Under the bill, the card purchaser or person who increases or reloads funds onto the card (the customer) may:

1. get back the unused balance and the interest earned on the unused balance through 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 and full insurance from the Federal Deposit Insurance Corporation until the funds are exhausted or until the card expires, if the customer has a financial account linked to the card.

The bill also makes technical changes (1) in various references to federal regulations to reflect the transfer of authority to the U.S. Consumer Financial Protection Bureau and (2) to specify that expired general-use prepaid cards are not replaced if the unused balance has been returned to the card holder.

\*Senate Amendment "A" replaces the underlying bill with similar provisions. It defines a linked prepaid card as a type of general-use prepaid card, establishes requirements that are specific to such cards, and makes technical changes.

EFFECTIVE DATE: October 1, 2013

## **EXPIRATION DATE REQUIREMENTS**

By law, unchanged by the bill, a general-use prepaid card cannot have an expiration date relative to the funds. But the card itself can include an expiration date if certain disclosure, fees, and selling requirements are met. The bill establishes similar disclosure, fees, and selling requirements for linked prepaid cards, making changes to reflect the card's unique features, which include the linked financial account and the customer's ability to set the expiration date.

### ***Disclosure***

Under the bill, a linked prepaid card cannot have an expiration date unless it discloses in writing, (1) that the card, but not the underlying funds, expires; (2) that the consumer may contact the issuer for a replacement card; and (3) a toll-free telephone number and an Internet website address, if one is maintained, that a card holder may use to obtain a replacement card after it expires. The disclosures must be made with equal prominence and in close proximity to the expiration date on the card. These provisions do not apply if the customer has set the expiration date.

### ***Fees and Charges***

Under the bill, if a linked prepaid card with an expiration date is lost, stolen, or expired, a fee or charge can be imposed on the card holder for replacing the card or refunding the remaining balance.

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

### ***Selling Policies and Procedures***

The bill requires the seller of a linked 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 such 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 (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 CFR 1005.20(a)(3)).

General-use prepaid cards do not include any card that is:

1. useable only for telephone services;
2. reloadable and not marketed or labeled as a gift card or gift certificate;
3. a loyalty, award, or promotional gift card;
4. not marketed to the general public;
5. issued in paper form only; or
6. redeemable solely for admission to events or venues at a particular location or group of affiliated locations, or to obtain goods or services in conjunction with admission to such events or venues (12 CFR 1005.20(b)).

## **COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute  
Yea 11 Nay 6 (03/14/2013)