

The Shoe Finally Drops: CFPB Makes Final Changes to the Prepaid Account Rule and Delays the Effective Date until 2019

Thursday, February 1, 2018

On January 25, 2018, the U.S. CFPB announced that it has finalized changes to its sweeping Final Rule governing most general use prepaid accounts, digital wallets and P2P payment programs. These changes have been long anticipated, and include a delay of the Final Rule's effective date (until April 1, 2019), as well as the following notable features:

Error Resolution and Limited Liability

A major bone of contention for the industry was the fact that provisional re-crediting of claims of unauthorized transactions would be required even if the cardholder had not registered or been verified. Such a requirement would certainly have increased fraud. Under the new amendments, Regulation E's error resolution and limited liability requirements will not apply until after the consumer identification and verification process has been completed. This new limitation does not apply to payroll cards and government benefit accounts, since these cardholders are usually already known to the issuers.

Credit Card Accounts Linked to Prepaid Accounts

Another concern raised by the industry was the onerous consequences should a prepaid account linked to a credit feature be considered a "hybrid prepaid-credit" card, or should a negative balance be deemed to trigger the credit provisions.

- Regulation Z's definition of "business partner" was narrowed to exempt business arrangements between prepaid account issuers and traditional credit card issuers since traditional credit card issuers already comply with Regulation Z.
- Issuers will also be able to provide incidental credit features structured as negative balances without triggering Regulation Z so long as certain conditions are satisfied.

Disclosures

Financial institutions will have greater flexibility in complying with pre-acquisition disclosure requirements. For example, if the issuer furnishes a pre-acquisition disclosure in writing and the consumer later completes the acquisition process online, such issuer will not be required to provide the disclosure again electronically.

Other Changes

The new amendments also make changes to the requirements regarding disclosures of variable fees, foreign language disclosures and requirements for submission of agreements.

The CFPB rule that sets forth the amendments to the Final Rule is available [here](#).

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