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Prepaid Cards for Unemployed Workers: Who Holds the Winning Hand?
*National Consumer Law Center Reviews 40 States' Unemployment Compensation
Prepaid Cards*

WASHINGTON, D.C. – Many of the 13 million Americans who are unemployed are getting stung with unnecessary and poorly disclosed fees in the 40 states that use prepaid cards for unemployment compensation (UC), according to a report released today by the National Consumer Law Center. At the same time, the best cards may benefit unbanked consumers and save states money, the survey finds.

“Prepaid cards can help states eliminate the costs of paper checks and help unbanked workers avoid check cashing fees and the risks of carrying cash,” said Lauren Saunders, managing attorney of the National Consumer Law Center in Washington, D.C. and the primary author of the report. “Yet prepaid card junk fees stack the deck against jobless Americans who need every dollar during a financially stressful time.”

[Unemployment Compensation Prepaid Cards: States Can Deal Workers a Winning Hand by Discarding Junk Fees](#), analyses the payment options, fees, and access to account information available to workers in every state that uses UC prepaid cards. It also surveys the laws that do (or do not) protect workers and offers recommendations for how states can design a card that works well for both the state and its unemployed workers.

The report singles out as especially problematic the \$10 to \$20 overdraft fees that U.S. Bank has on prepaid cards in five states: Arkansas, Idaho, Nebraska, Ohio, and Oregon. No other bank's UC prepaid card charges overdraft fees, which the U.S. Department of Labor (DOL) has found are “inconsistent with federal law.” And the Tennessee card (issued by JP Morgan Chase) draws the two of clubs for the card with the most junk fees, including ATM, PIN debit, denied transaction, and balance inquiry fees.

So who holds the winning hand? California and New Jersey currently have the best UC cards (both issued by Bank of America), although both could benefit from fees more clearly and prominently displayed on websites. The State of California loses one trick for not offering direct deposit.

The report urges the new U.S. Consumer Financial Protection Bureau, which starts work in July, and DOL to work together to ban overdraft fees and other unfair fees and to improve transparency and competition by posting all fee schedules in one place so that states and consumers can compare who has the best hand.

National Consumer Law Center cautions states not to see prepaid cards as a payment panacea. Workers with bank accounts should first be offered the choice of direct deposit, but they do not have that option in six states: California, Indiana, Kansas, Maryland, Nevada and Wyoming.

This report adds to the body of research that National Consumer Law Center has done on [banking and payment systems, including prepaid debit cards](#).

“It took months of research to obtain this information, so now that we’ve laid the cards on the table, it should help states to cut a better prepaid card deal,” said Saunders. “This issue also reinforces the need for the new Consumer Financial Protection Bureau, which will help safeguard consumers from unfair fees on prepaid cards, credit cards and other financial products.”

For a downloadable PDF of the [full report](#), its [executive summary](#) and an at-a-glance [highlights chart for each state’s unemployment compensation prepaid card](#) (including notable fees and the bank issuer), visit <http://www.nclc.org/issues/unemployment-compensation-prepaid-cards.html>.

National Consumer Law Center® (NCLC®) is a non-profit organization specializing in consumer issues on behalf of low-income and other vulnerable people. Since 1969, NCLC has worked with legal services and nonprofit organizations as well as government and private attorneys across the United States, to create sound public policy for low-income and elderly individuals on consumer issues.

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