



Innovative Payments Association

777 6th Street, 11th Floor
Washington, DC 20001
202.548.7200

March 4, 2021

Submitted via E-Mail at: matthew.j.eichner@frb.gov

Matthew J. Eichner
Director – Division of Reserve Bank Operations and Payment Systems
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

Re: Regulation II

Dear Mr. Eichner:

This letter is submitted to the Board of Governors of the Federal Reserve (the "Board") on behalf of the Innovative Payments Association ("IPA").¹ The IPA understands that, given the pace of technological innovation and growth within the financial services industry, the Board may consider revisiting one or more regulations under its rulemaking authority. The IPA appreciates the opportunity to submit comments to the Board for its consideration with respect to the exercise of its rulemaking authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), as contained in Section 920 to the Electronic Fund Transfer Act ("EFTA"), and implemented through the Federal Reserve Board Regulation II ("Regulation II").² In particular, for the reasons discussed below, the IPA believes that any change to Regulation II and the common understanding of how its provisions apply would have a significant impact on the financial services industry and should therefore only be made through an open and transparent process that allows for public comment and debate.

Payments services have seen remarkable growth since the Board issued Regulation II in 2011. The prepaid and fintech debit account industry – of which many IPA members are involved as issuers, program managers, processors, and other service providers – has seen especially rapid growth in this time period.³ The growth of prepaid and fintech debit account products is

¹ The IPA is a trade organization that serves as the leading voice of the electronic payments sector, including prepaid products, mobile wallets, and person-to-person (P2P) technology for consumers, businesses and governments at all levels. The IPA's goal is to encourage efficient use of electronic payments, cultivate financial inclusion through educating and empowering consumers, represent the industry before legislative and regulatory bodies, and provide thought leadership. The comments made in this letter do not necessarily represent the position of all members of the IPA.

² 12 CFR Part 235. The IPA is aware that some industry groups such as The Clearing House Association have gone as far as to actively urge the Board to modify Regulation II by issuing new FAQs and revising the official commentary – <https://www.federalreserve.gov/regreform/rr-commpublic/tch-meeting-20201210.pdf>.

³ According to a study by Mercator Advisory Group, the prepaid market is expected to continue to grow to \$427.7 Billion by 2021.



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attributable to the significant benefits these products provide to the financial services marketplace and to consumers in particular. Prepaid and fintech debit accounts have proven to be valuable and innovative products used by a number of types of individual consumers and organizations (e.g., state and federal governments, universities and corporations) to make a wide variety of payments including government benefits, payroll, healthcare reimbursements, transit payments, disaster relief, rebates and incentives, insurance claim payments, student loan disbursements, and corporate expense reimbursement. Prepaid and fintech debit accounts, including general purpose reloadable cards and payroll cards, are also a critical tool for financial inclusion used by consumers as bank account substitutes to handle all of their financial service needs and, in doing so, have helped to give many unbanked and underbanked Americans access to digital banking services.

Given the growth and prevalence of prepaid and fintech debit account products in recent years, it is no surprise that prepaid and fintech debit accounts now serve a crucial function in the payments system, which has been evidenced in their use and utility in disbursing financial payments and benefits to persons during the Covid-19 Pandemic. Recognition of this important role is seen in the myriad letters written to the Department of Treasury and Internal Revenue Service by Congressional representatives, urging these agencies to utilize prepaid and fintech debit accounts for the disbursement of economic relief payments. Copies of these congressional letters are attached hereto for your reference as **Exhibit A**. In addition, the benefits afforded by prepaid and fintech debit accounts in general have been cited by a number of regulators, legislators, and financial services stakeholders in a variety of publications, a sample of which has been attached hereto as **Exhibit B** for your convenience.

The development and growth of prepaid and fintech debit account products in the financial services industry has evolved in compliance with the Dodd-Frank Act and Regulation II and, notably, the common understanding of how the requirements and provisions of Regulation II apply. For this reason, any changes to Regulation II have the potential to significantly impact the prepaid and fintech debit account industry and financial services as a whole, which, in turn, could result in negative consequences for both providers of financial services and consumers. The IPA therefore urges the Board to ensure that any revisions to Regulation II or its interpretation are made pursuant to a transparent process that includes open debate and opportunity for public comment.

Conclusion

The IPA appreciates the opportunity to submit comments to the Board on this important topic. The IPA and its members would be happy to meet with the Board to discuss this issue further. If you have any questions, please do not hesitate to contact me at the number listed below or at: btate@ipa.org.



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Sincerely,

Brian Tate
President and CEO
IPA
(202) 507-6181



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EXHIBIT A
CONGRESSIONAL LETTERS TO FEDERAL AGENCIES IN SUPPORT OF PREPAID AND
FINTECH DEBIT ACCOUNTS

[See Attached]

Congress of the United States
Washington, DC 20515

April 17, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Dear Secretary Mnuchin and Commissioner Rettig,

Thank you for your leadership in distributing CARES Act recovery rebates to Americans as quickly and efficiently as possible.

As part of that effort, we write to bring your attention to payment mechanisms that can be useful for distributing recovery rebates to Americans who do not have direct deposit information on file with the IRS. According to the FDIC 2017 national survey of unbanked and underbanked households, more than one in four American households— approximately 27 percent— are either unbanked or underbanked. While the rate of unbanked Americans is near an all-time low due to technological innovations in the financial services marketplace like mobile banking, approximately 6.5 percent of U.S. households— or 8.4 million— still do not have anyone in the household with a checking or savings account. Additionally, the IRS has estimated that approximately 80 million of the 150 million Americans eligible for a recovery rebate do not have direct deposit information on file. This will inevitably lead to challenges with distributing these payments efficiently.

Fortunately, there are well-established payment methods available from private sector payments providers, including diverse, innovative financial services companies, that can assist with distributing these funds. General purpose reloadable (GPR) cards are one such method for which the process for an individual to receive the payment would be relatively simple. An eligible individual could order a GPR card online without having to go into a physical store, input the card information and their personal information into the IRS portal, and receive the funds onto the card— and the cardholder could even use the funds to make purchases online or via mobile pay using the card number before the physical card arrives in the mail. We believe this would be a much more effective method of distributing funds than sending out millions of paper checks to Americans, many of whom do not have a checking account.

On April 15, the Consumer Financial Protection Bureau updated its guide to COVID-19 economic stimulus relief to indicate that consumers can receive their stimulus payment using a prepaid card. This was an important development and will help inform consumers that prepaid is an option. However, we also believe it is critically important for the IRS to update its non-filers portal and get my payment portal to make it clear that GPR cards are an option as those are the


primary places where consumers will go for information about their recovery rebate. This would help reduce public confusion and allow a large segment of Americans to receive their support payments more quickly. We have learned that some individuals are unaware that they can use their GPR card's routing and direct deposit number to register their card with the IRS and expedite their payment. Accordingly, we respectfully request that GPR cards be clearly listed as an option in the IRS's portals so that millions of Americans with GPR cards will know that they can use their card and know how to register it with Treasury and receive a direct deposit in a timely manner.

In sum, we hope that alternative payments methods like GPR cards can be an option for unbanked and underbanked Americans to receive recovery rebates. Thank you for your consideration of this request.

Sincerely,



Barry Loudermilk
Member of Congress



Bill Foster
Member of Congress

United States Senate

WASHINGTON, DC 20510-0106

April 7, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Mnuchin,

The Coronavirus Aid, Relief, and Economic Security (CARES) Act included economic relief to Americans in the form of direct cash payments to provide support during this unprecedented public health and economic crisis. In order to provide this much needed assistance directly and quickly, we request the Treasury Department utilize its Direct Express debit card as one method, at the option of the individual, for disbursing these payments as an alternative to paper checks.

We were alarmed by the *Washington Post* report on April 2, 2020, that “\$30 million in paper checks for millions of other Americans won’t start being sent out until April 24, as the government lacks their banking information. And some of those checks won’t reach people until September.”¹ Americans should not have to wait five months to receive their checks.

While a slight lag between Congressional action and the support arriving to workers is understandable, the Treasury Department must act expeditiously to get these funds to their intended recipients. These direct assistance payments are aimed at assisting American workers in covering the cost of essentials household items, including rent and mortgage payments, outstanding bills, and food to feed their families.

It is our understanding that payments made electronically can be distributed quickly, but the Internal Revenue System (IRS) must print paper checks and mail them separately. As a result, we encourage the Treasury Department to offer a targeted group of Americans the option of receiving their direct assistance payment on the Direct Express debit cards, which are used for other federal benefits like Social Security and Veterans Affairs benefits.² Using debit cards could be limited to Americans eligible for this program not already signed up for direct deposit, have a bank account, or require a paper check.

¹ Lisa Rein, “IRS to begin issuing \$1,200 coronavirus payments April 9, but some Americans won’t receive checks until September, agency plan says,” *The Washington Post*, April 2, 2020. Available at: https://www.washingtonpost.com/politics/irs-to-begin-issuing-1200-coronavirus-payments-april-9-but-some-americans-wont-receive-checks-until-september-agency-plan-says/2020/04/02/8e0cfc84-751e-11ea-85cb-8670579b863d_story.html

² <https://fiscal.treasury.gov/GoDirect/about-faq/index.html#electronicpayments>

As Americans across the country practice social distancing to contain the spread of COVID-19, we support delivering benefits automatically to as many people as possible and request that debit cards be offered as an option to distribute the assistance payment. Debit cards are a safer method of delivery than paper checks. Paper checks will force Americans to leave their homes to deposit the funds and can be a source of fraud. We appreciate your consideration of this request to keep Americans safe during these challenging times.

Sincerely,

A handwritten signature in blue ink, appearing to read "Doug Jones". The signature is fluid and cursive, with the first name "Doug" being more prominent than the last name "Jones".

Doug Jones
United States Senator

A handwritten signature in blue ink, appearing to read "Tom Cotton". The signature is written in a cursive style, with "Tom" and "Cotton" clearly legible.

Tom Cotton
United States Senator

Congress of the United States
Washington, DC 20515

April 11, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Secretary Mnuchin,

We are writing to you on a timely matter regarding the distribution of direct payments authorized by the CARES Act. Given the unprecedented and rapid impact that COVID-19 is having on our economy, it is vital that the payments Congress authorized reach the intended recipients in the most efficient manner, especially for those who lack access to the mainstream financial system.

If implemented appropriately, tens of millions of Americans will receive support in the coming weeks to help address their critical needs while the U.S. economy is partially shut down. We remain deeply concerned, however, that the nearly 15 million Americans without bank accounts will face difficulty accessing these essential funds. These recipients may have no choice but to receive physical checks with the following consequences:

1. It may take 20 weeks or more (including postage and processing) for these Americans to receive their checks, versus between 2 and 5 weeks for those with bank accounts. The unbanked segment also has the lowest savings balances and are most susceptible to employment loss in a downturn. They simply cannot survive this long without income. It risks causing irreparable damage to these families, to the stability of their communities, and to the infrastructure required to rebuild our economy.
2. When unbanked Americans do finally receive their checks, they are likely to have no providers with whom to cash their check for free, no remote or online services to support their access to funds, and nowhere to deposit the money. They will have to leave their homes and possibly break shelter-in-place rules to go to predatory check cashing stores where they will be exposed to health risks and pay very high fees to receive cash, which they will have to physically store in their homes. The Treasury Department must ensure that the maximum amount of these funds end up in the hands of the people for whom they were intended, not diverted to cashing, processing and other avoidable fees.

Sending paper checks to Americans disadvantages those who need the funds the most. To the greatest extent possible, the Treasury Department must seek to leverage existing banks and innovations in electronic payments to instantly and affordably reach this segment of America.

We propose that the Treasury Department give unbanked Americans the option and ability to receive their CARES Act funds directly into a newly-opened, no-cost or minimal-cost bank account that has a linked digital and/or physical card. The Treasury Department could negotiate the inclusion of such a product with banks and companies that provide such cards and are willing to provide the service. By making this option available on Treasury's web portal, people will be able to select how to receive their funds. This solution will have the following benefits:

1. It will provide immediate access to funds. Virtual cards linked to the bank accounts give access to the funds on the same timeframe as if the recipient had direct deposit. The funds can be accessed and used anywhere electronically until the physical debit card arrives.
2. The use of such cards would ensure that funds distributed are FDIC insured, and thus protect recipients from theft and fraud.
3. Such a solution avoids the significant costs and risks of check cashing and processing, as well as the health risks associated with accessing physical locations. This solution would have zero cost for recipients.
4. This solution also avoids the significant costs of printing checks, postage and reconciling unbanked checks, and other costs borne by Treasury when issuing physical checks.

This solution has the added benefit of bringing a significant share of unbanked Americans on the path to inclusion into the mainstream financial system. Offering the solution outlined above, as an option through the online portal that the Treasury Department is developing, will help ensure that all Americans, regardless of their means, will have access to the critical CARES Act funds as expeditiously as possible.

Thank you for your prompt attention to this urgent matter.

Sincerely,



Gregory W. Meeks
Member of Congress



Scott Tipton
Member of Congress

LUCY MCBATH
6TH DISTRICT, GEORGIA
1513 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4501

5775 GLENRIDGE DRIVE
BUILDING B, SUITE 380
ATLANTA, GA 30328
(470) 773-6330

Congress of the United States
House of Representatives
Washington, DC 20515-1006

COMMITTEE ON JUDICIARY

SUBCOMMITTEES:
CRIME, TERRORISM, AND
HOMELAND SECURITY
ANTITRUST, COMMERCIAL AND
ADMINISTRATIVE LAW

COMMITTEE ON
EDUCATION AND LABOR

SUBCOMMITTEES:
HEALTH, EMPLOYMENT, LABOR,
AND PENSIONS
WORKFORCE PROTECTIONS

April 10, 2020

Ms. Lauren Nunnally
Deputy Assistant Secretary for Appropriations Management, Office of Legislative Affairs
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Deputy Assistant Secretary Nunnally,

I write to you to respectfully request that Treasury, where available, allow the forthcoming economic impact payments to be disbursed via General Purpose Reloadable (GPR) cards. GPR cards can often be more affordable than check cashing and can be delivered to citizens faster. The option to receive GPR cards may help unbanked and underbanked Americans receive their economic impact payments allocated to them under the CARES Act.

According to the Federal Reserve, more than 25% of U.S. households are unbanked or underbanked. In Georgia that number is 35%. These households tend to be among those most affected by an economic crises, and are often the households most in need of rapid liquidity. To ensure vulnerable Americans have swift access to their economic impact payments, I urge the IRS to include GPR cards as an alternative to paper checks.

Currently, millions of taxpayers receive their tax refunds on prepaid debit cards—it is important that all of these individuals have the option to receive their economic impact payments similarly. Instead of having to wait for a paper check that could take up to 20 weeks to arrive, they would receive their economic impact payments with the rest of their regular direct deposit. Additionally, there are millions of eligible recipients who do not have bank account information on file with the IRS or are not required to file taxes.

Prepaid debt cards are a proven, secure, and efficient alternative distribution method, and would generate immediate economic activity. I request the IRS consider including a prepaid card disbursement option alongside the direct deposit and check. This is a timely solution to ensure payments are received as quickly as possible.

During this unprecedented time, it is necessary that all options are utilized to ensure the economic and social well-being of our citizens. I urge the department to consider the GPR card as an option for citizens to receive their economic impact payment.

Sincerely,



Lucy McBath
Member of Congress

EXHIBIT B

STAKEHOLDER STATEMENTS ON PREPAID AND FITNECH DEBIT ACCOUNTS

- CFPB [Press Release](#) announcing Interpretive Rule on Compulsory Use for Pandemic Payments:
 - "...the disbursement of funds via alternative means, such as a newly-issued prepaid account, may be faster, more secure, more convenient, and less expensive—for both the government agency and the consumer—than making disbursements through other methods such as paper check."
- Lauren Saunders of the National Consumer Law Center in a [NPR article](#) on EIP and debt collectors:
 - Lauren Saunders, with the nonprofit National Consumer Law Center, is hoping the system will soon have multiple options to receive the money, "Hopefully they can set up direct deposit to a traditional bank account or to a prepaid account," she says, "So the government could load the money onto a type of debit card that doesn't require you to have a bank account."
- Christina Tetreault of Consumers Union [from [IPA op-ed](#) in Bloomberg]
 - Christina Tetreault, senior staff attorney for Consumers Union, said "The rule [is] strong and will protect consumers from hidden fees and losing their money to fraud and mistakes." The most recent CFBP Consumer Response Annual Report found that only 0.8% of all complaints were about prepaid accounts."
- Financial Health Network:
 - [Prepaid Card Page](#): "Called prepaid debit or general purpose reloadable (GPR) cards, prepaid cards represent an important opportunity for underserved consumers by filling a longstanding need for those operating between traditional checking or savings accounts and the cash economy."
 - [2016 Prepaid Scorecard](#):
 - "Prepaid cards – specifically, general-purpose reloadable (GPR) cards – are versatile financial tools that provide consumers with valuable access to the financial system. When designed well, prepaid cards can help people build financial health by allowing them to spend wisely, save, and plan for the future."
 - "Prepaid cards are generally high-quality products that allow consumers to build financial health by helping them spend wisely, save, and plan for the future."
- Federal Reserve [Report to the Congress on Government-Administered, General-Use Prepaid Cards](#) - September 2019:
 - "Federal, state, and local government offices use prepaid cards to disburse funds at a lower cost than checks (or other paper-based payment instruments such as vouchers or coupons) and to provide an alternative to direct deposit for payment recipients, especially those recipients who do not have bank."
- Former U.S. Treasurer Rosie Rios from 2011 [announcement](#) that new Social Security and other federal benefits would be made electronically :
 - "It costs 92 cents more to issue a payment by paper check than by direct deposit. We are retiring the Social Security paper check option in favor of electronic payments because it is the right thing to do for benefit recipients and American taxpayers alike."
- [Letter](#) from Rep. Gregory Meeks (D-NY), Chairman of Subcommittee on Consumer Protection and Financial Institutions of the House Financial Services Committee, and Rep. Scott Tipton (R-CO),



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Vice Ranking Member of the Subcommittee on Consumer Protection and Financial Institutions, to Treasury proposing to give unbanked Americans the option and ability to receive their CARES Act funds directly into a newly-opened, no-cost or minimal-cost bank account that has a linked digital and/or physical card:

- "This solution will have the following benefits:
 1. It will provide immediate access to funds. Virtual cards linked to the bank accounts give access to the funds on the same timeframe as if the recipient had direct deposit. The funds can be accessed and used anywhere electronically until the physical debit card arrives.
 2. The use of such cards would ensure that funds distributed are FDIC insured, and thus protect recipients from theft and fraud.
 3. Such a solution avoids the significant costs and risks of check cashing and processing, as well as the health risks associated with accessing physical locations. This solution would have zero cost for recipients.
 4. This solution also avoids the significant costs of printing checks, postage and reconciling unbanked checks, and other costs borne by Treasury when issuing physical checks."
- "This solution has the added benefit of bringing a significant share of unbanked Americans on the path to inclusion into the mainstream financial system."
- [Letter](#) from Rep. Sanford Bishop (D-GA) to Treasury on the benefits of prepaid and recommending Treasury include an option for "GPR cards" in their online portals:
 - "General Purpose Reloadable (GPR) cards can often be more affordable than check cashing for many of the citizens receiving these funds and can be delivered much more quickly."
 - "GPR cards, directly distributed to these individuals, could be a valuable and efficient alternative for this group as they provide an access to funds that is less expensive than cashing checks, easy-to-use, and generate immediate economic activity. My understanding is that they are also safe and secure, due to the protections provided by their issuers. I recommend that the IRS consider including a GPR card option for receiving the relief funds, alongside direct deposit and checks. In addition, I urge the IRS to allow already existing GPR card routing and account numbers to be approved for use on the new website."
- [Letter](#) from Rep. Lucy McBath (D-GA) to Treasury on the benefits of prepaid:
 - "I write to you to respectfully request that Treasury, where available, allow the forthcoming economic impact payments to be disbursed via General Purpose Reloadable (GPR) cards. GPR cards can often be more affordable than check cashing and can be delivered to citizens faster. The option to receive GPR cards may help unbanked and underbanked Americans receive their economic impact payments allocated to them under the CARES Act."
 - "Currently, millions of taxpayers receive their tax refunds on prepaid debit cards-it is important that all of these individuals have the option to receive their economic impact payments similarly. Instead of having to wait for a paper check that could take up to 20 weeks to arrive, they would receive their economic impact payments with the rest of their regular direct deposit."
 - "Prepaid debt cards are a proven, secure, and efficient alternative distribution method, and would generate immediate economic activity. I request the IRS consider including a prepaid card disbursement option alongside the direct deposit and check. This is a timely solution to ensure payments are received as quickly as possible."



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- "During this unprecedented time, it is necessary that all options are utilized to ensure the economic and social well-being of our citizens. I urge the department to consider the GPR card as an option for citizens to receive their economic impact payment."
- [Letter](#) from Sens. Doug Jones (D-AL) and Tom Cotton (R-AR), both members of the Senate Banking Committee, to Treasury requesting they utilize its Direct Express debit card as one method for disbursing Economic Impact Payments:
 - "In order to provide this much needed assistance directly and quickly, we request the Treasury Department utilize its Direct Express debit card as one method, at the option of the individual, for disbursing these payments as an alternative to paper checks."
 - "It is our understanding that payments made electronically can be distributed quickly, but the Internal Revenue System (IRS) must print paper checks and mail them separately. As a result, we encourage the Treasury Department to offer a targeted group of Americans the option of receiving their direct assistance payment on the Direct Express debit cards, which are used for other federal benefits like Social Security and Veterans Affairs benefits. Using debit cards could be limited to Americans eligible for this program not already signed up for direct deposit, have a bank account, or require a paper check."
 - "...we support delivering benefits automatically to as many people as possible and request that debit cards be offered as an option to distribute the assistance payment. Debit cards are a safer method of delivery than paper checks. Paper checks will force Americans to leave their homes to deposit the funds and can be a source of fraud."
- [Letter](#) from Reps. Barry Loudermilk (R-GA) & Bill Foster (D-IL) on the IRS' web portals
 - "Fortunately, there are well-established payment methods available from private sector payments providers, including diverse, innovative financial services companies, that can assist with distributing these funds. General purpose reloadable (GPR) cards are one such method for which the process for an individual to receive the payment would be relatively simple. An eligible individual could order a GPR card online without having to go into a physical store, input the card information and their personal information into the IRS portal, and receive the funds onto the card— and the cardholder could even use the funds to make purchases online or via mobile pay using the card number before the physical card arrives in the mail. We believe this would be a much more effective method of distributing funds than sending out millions of paper checks to Americans, many of whom do not have a checking account."
 - "However, we also believe it is critically important for the IRS to update its non-filers portal and get my payment portal to make it clear that GPR cards are an option as those are the primary places where consumers will go for information about their recovery rebate. This would help reduce public confusion and allow a large segment of Americans to receive their support payments more quickly. We have learned that some individuals are unaware that they can use their GPR card's routing and direct deposit number to register their card with the IRS and expedite their payment. Accordingly, we respectfully request that GPR cards be clearly listed as an option in the IRS's portals so that millions of Americans with GPR cards will know that they can use their card and know how to register it with Treasury and receive a direct deposit in a timely manner."