RATING STATE GOVERNMENT PAYROLL CARDS

THUMBS UP FOR CASH ACCESS; THUMBS DOWN ON OVERDRAFT FEES

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EXECUTIVE SUMMARY

Employers are increasingly eliminating paper paychecks and using payroll cards to pay workers who do not have direct deposit. In 2015, more employees are expected to receive payroll cards than paychecks. Payroll cards can be a safer, faster, more convenient, and cheaper way to receive wages than a paper paycheck. However, payroll cards that are loaded with fees can chip away at thin wages.

This report surveys the payroll cards used by state governments to pay their own employees. Nineteen states currently have active payroll card programs. Each of these states uses payroll cards appropriately: as a second choice pay method, with the vast majority of employees paid by direct deposit. Direct deposit into an account of the employee's own choosing should always be the first choice for how to receive pay.

The fees that state employees can incur on their payroll cards vary considerably state to state. We were unable to determine the average amount of fees that state employees actually pay because not a single state asks the card issuer to provide that data. This "don't ask, don't tell" policy is unacceptable. The data is easily available, and states should know if a payroll card is causing low wage workers to lose their pay to fees. Judging by the fee schedules, however, we made an attempt at assessing how easy it is for workers to avoid fees.

Every state payroll card is capable of being used for free if the worker is careful. Every card allows workers to withdraw their entire wages at least once per pay period at a bank teller window, gives the worker at least one free ATM withdrawal per deposit, charges no fees for purchases, and permits some free customer service calls. But some state payroll cards make it hard to avoid fees with normal usage.

Rating the States

Three state payroll cards receive our top "two thumbs" up rating: the Nebraska and Oregon cards issued by U.S. Bank and the Oklahoma card issued by Chase. Those three cards charge virtually no fees for cash access, purchases, account information or penalties, and also waive some fees at out-of-network ATMs.

Two cards receive one "thumb up": the Kentucky card issued by Bank of America and the Washington State card issued by U.S. Bank. These cards do well overall but do not provide any free withdrawals at out-of-network ATMs.

Three cards receive "a thumb down": the Kansas, Missouri, and Virginia payroll cards. The Kansas and Missouri cards, both provided by NetSpend under the Skylight Financial brand, receive a negative rating because of their overdraft fees. Workers who opt in to overdraft "protection" will pay $25 for each overdraft, up to $125 a month and $450 a year. Overdraft fees are completely unacceptable on payroll cards, and Kansas and Missouri should both be ashamed of paying employee wages on a card that promotes this predatory feature. The Kansas card also had other inappropriate fees, such as fees for every ATM balance inquiry. The negative rating for the Virginia card issued by Comerica Bank is because

TABLE 1

2015 Ratings of State Government Payroll Cards

Top Cards	**Two Thumbs Up**	Nebraska (U.S. Bank) Oklahoma (Chase) Oregon (U.S. Bank)
Good Job	**Thumb Up**	Kentucky (Bank of America) Washington (U.S. Bank)
Could Be Better	**Neutral**	Alabama (Wells Fargo) Arizona (Bank of America) Georgia (Comerica) Indiana (PNC) New Hampshire (Bank of America) New Jersey (Bank of America) South Dakota (First Premier) Texas (Bank of America) West Virginia (Citibank) Wisconsin (U.S. Bank)
Unacceptable Cards	**Thumb Down**	Kansas (Skylight Financial/ NetSpend) Missouri (Skylight Financial/ NetSpend) Virginia (Comerica Bank)

the card overall has a large number of fees that most other cards do not have.

The remaining cards fall into our "neutral" category—not so bad as to receive a "thumb down," but with too many fees to qualify for a "thumb up." A few cards came close to a positive rating but fell down in one area. The Arizona, New Hampshire, and Texas cards issued by Bank of America in particular are quite strong, but both charge a $100 legal process fee. Similarly, the West Virginia card issued by Citibank also did well but has declined transaction fees.

Our ratings of the 19 state government payroll cards are found in Table 1. A national overview of the fees is in Table 2.

Key Recommendations

States can be leaders in setting the standard for strong payroll card programs. The payroll card programs in many states are a positive role model, and others can join that group with only modest improvements. Payroll cards should be designed and regularly monitored so that they can be easily used for free for routine uses to get cash, spend money, get account information, and avoid penalty fees. States can also protect payroll cards used by private employers by passing strong payroll card laws and regulations that promote choice and minimize fees.

The Consumer Financial Protection Bureau can help by issuing rules on prepaid and payroll cards that ban inappropriate fees and strengthen workers' ability to choose how to be paid. The CFPB can also finalize its proposal to improve transparency and competition in the payroll card industry by requiring all fee schedules to be posted publically on the CFPB's website.

Payroll cards that have the bare minimum of fees will help workers keep every hard-earned cent and will reduce the costs of paper paychecks by giving workers the confidence to use payroll cards. We hope that this report will assist both public and private employers in raising the bar and result in payroll cards that are a win-win for employers and employees.

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TABLE 2

2015 National Overview of State Government Payroll Cards Fees

Payment Methods	▪ 19 states use payroll cards. ▪ All states with payroll cards offer a direct deposit option and many also offer paper checks.
Point-of-Sale (POS) Transactions	▪ 0 state payroll cards charge POS fees or fees for purchases using a PIN.
Automated Teller Machine (ATM) Withdrawals	▪ 14 states charge no fees for in-network ATM withdrawals. ▪ 5 states charge in-network ATM fees of $1.05 to $1.50 after free withdrawals (1-5/deposit) are exhausted. ▪ All states charge out-of-network ATM fees, but 7 states provide 1 to 2 free withdrawals per deposit.
Over-the-Counter Teller Withdrawals	▪ 14 card programs charge no teller withdrawal fees. ▪ 5 states charge $2.10 to $4.00 with 1 to 2 free withdrawals per deposit.
Account Information	▪ 13 states charge no balance inquiry fees. ▪ 6 states charge $0.40 to $1.00 for some or all ATM balance inquiries. ▪ 18 states charge no fees for ad hoc statements on request. ▪ 1 state charges $3.00 for ad hoc statements. ▪ At least 11 states will mail monthly statements to consumers for free (9) or a $1.00 to $3.00 fee (2). ▪ 1 state charges $0.10 for balances by text message after one free text per deposit. ▪ 2 states charge research fees of up to $25 per hour.
Customer Service	▪ 15 states charge no customer service fees for live or automated calls. ▪ 2 states charge automated call fees of $0.35 to $0.40 after free calls (4-5/month) are exhausted. ▪ 4 states charge fees of $0.35 to $3.00 for live customer service after free calls (1-5/month) are exhausted.
Penalty Fees	▪ 17 states charge no declined transaction fees for POS transactions and 13 do not at ATMs. ▪ 6 states charge $0.20 to $1.00 for some or all declined transactions. ▪ 5 states charge legal process fees of $50 to $100.
Lost/Stolen Cards	▪ 5 states charge no fees for replacement cards. ▪ 11 states give one free replacement per year (or, for one state, every three years) then charge $2.50 to $15.00. ▪ 3 states charge $5.00 to $5.95 for every replacement card.
Inactivity Charges	▪ 8 states charge no inactivity fees. ▪ 11 states charge $0.50 to $5.00 per month after 2 to 14 months of inactivity.

I. BACKGROUND

A. What Is a Payroll Card and How Does it Work?

A payroll card is a network-branded (i.e., Visa or MasterCard) prepaid debit card that an employer uses to pay wages and other employee compensation. Funds are directly deposited to the card each pay period. Funds are held in a financial institution (bank or credit union), but the worker does not have an individual bank account and typically cannot add other funds to the card.

Payroll cards work in the same way as any other Visa- or MasterCard-branded debit card. The cards enable workers to access ATMs to withdraw cash and to make purchases at stores, online, or over the telephone. Some cards offer additional services such as online bill pay and convenience checks.

B. Advantages of Payroll Cards

Payroll cards provide employers with a safer, faster, and cheaper way of paying employees than issuing paper checks. Payroll cards effectively enable employers to make direct deposits to workers who do not have bank accounts or who have not set up direct deposit. Paying wages electronically through direct deposit is considerably easier and cheaper than printing and distributing paper checks and dealing with lost checks.[1] Wages are typically available to workers by midnight of the day before payday. Payroll cards can also make it easier for employers to abide by employment laws requiring payment at certain times.

Workers, particularly unbanked workers, can also benefit from payroll cards. The increasing fees associated with maintaining a checking account make it expensive for many workers, particularly low-wage workers, to maintain bank accounts. Some workers also have had trouble with overdraft fees on bank accounts or may be unable to open an account. Employees who are under 18 may also have trouble opening up their own bank accounts.

Payroll cards can give employees immediate access to their wages without taking the time or paying fees to cash a paper paycheck. Accessing wages through a payroll card can be considerably cheaper than paying to cash a paper check. According to the American Payroll Association, the average cost incurred by employees who use payroll cards is about $7/month, compared to $21/month to cash paychecks.[2] Of course, ideally workers should not pay anything at all to access their wages.

Because payroll cards allow workers to pay bills online, make point-of-sale purchases without using cash, and use ATMs, they allow workers to enter the "financial mainstream."[3] Keeping unspent funds on a payroll card can also be safer than walking around with a lot of cash.

For employees who do have bank accounts, a payroll card generally does not provide a benefit over direct deposit to the employee's own account.[4] But some banked

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employees fail to provide their employer with the account number needed to enroll in direct deposit. Whether that is due to inertia, a fear of turning over account information to their employer, or an affirmative choice to use a payroll card is unclear. But direct deposit to the employee's bank account should always be the first choice offered to all workers.

C. Who is Using Payroll Cards?

Payroll cards are one of the fastest growing financial products. In the payroll card market as a whole, public and private employers are increasingly using these cards to replace paper checks. In 2015, the number of employees who use payroll cards is expected to surpass the number of employees paid by paper check for the first time.[5] Six million payroll cards were issued in 2014.[6] By 2019, an estimated 12.2 million workers will receive their wages via payroll cards, compared to only 2.2 million who will get paper paychecks.[7]

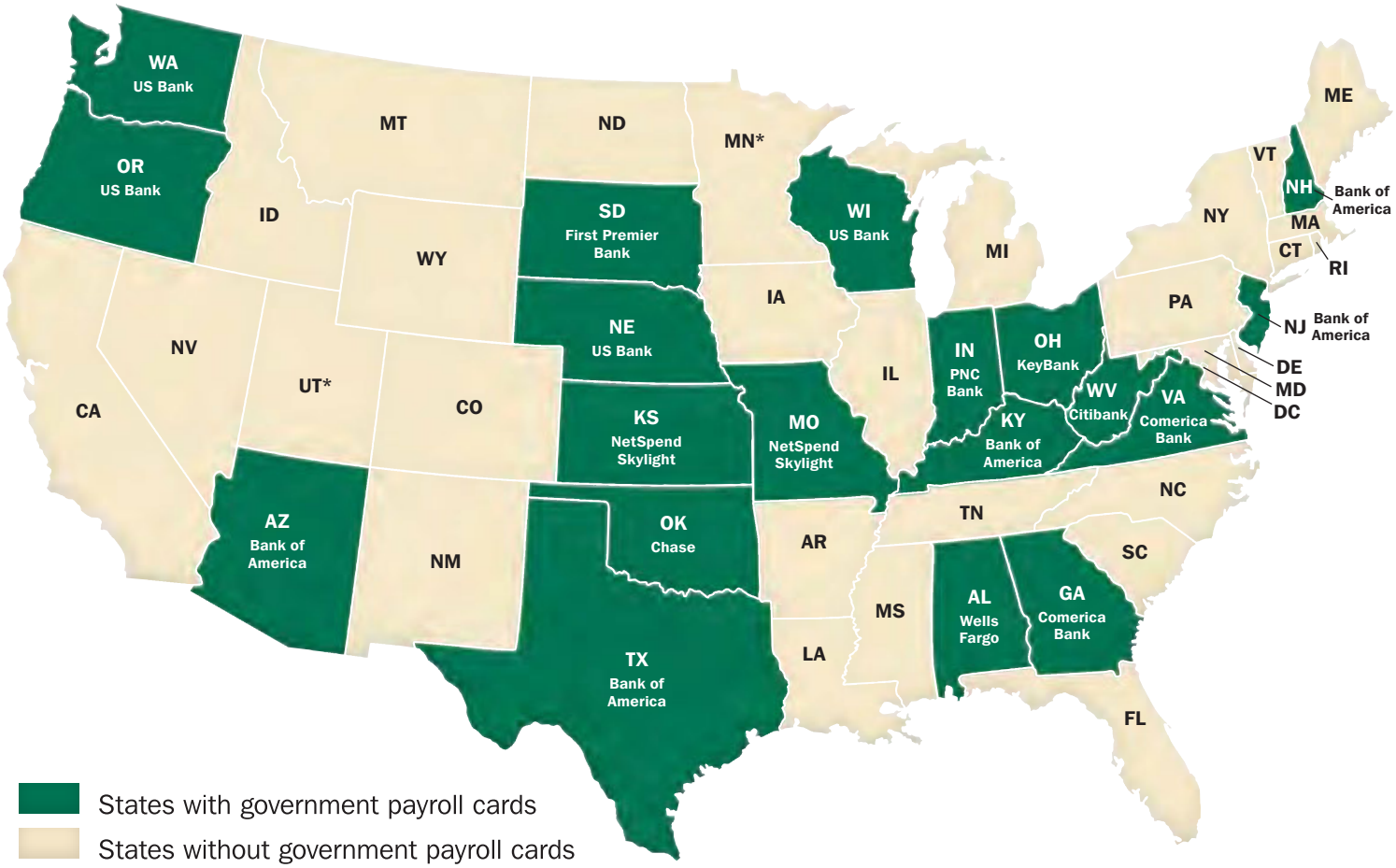
> By 2019, an estimated 12.2 million workers will receive their wages via payroll cards, compared to only 2.2 million who will get paper paychecks.
> *Source:* Aite

In the private workforce, payroll cards appear to be especially prevalent in industries, such as retail stores and fast food establishments, that have many low-wage, hourly workers. WalMart, Home Depot, and Macy's are among the major retailers that have used payroll cards. Many fast food franchises, including some McDonalds, Pizza Huts, and KFCs, have also paid wages by payroll card.[8] Payroll cards may be used heavily in low-wage industries because those workers are less likely to have bank accounts for direct deposit. It is also possible that companies with far-flung retail stores or other locations find it easier to automatically pay all employees by payroll card than to enroll employees in direct deposit. (However, as discussed below, federal law prohibits employers from making payroll cards the exclusive method of pay.)

This report focuses on the use of payroll cards by states to pay their employees. We chose state government payroll cards because information about them is publicly available (though not so easy to obtain). Payroll cards used by private employers are more secretive and the fee schedules and other information are not available to the general public. The Consumer Financial Protection Bureau has proposed to require payroll card fee schedules to be posted on a public website, which will help improve transparency and competition. In the meantime, we hope that government agencies and private employers alike can use this survey to create better payroll cards for their employees.

We surveyed all 50 states and the District of Columbia to ask about their payment methods. Currently, 21 states use payroll cards to pay some state government employees. However, two of these states (Minnesota and Utah) are phasing out their payroll cards. Our report focuses on the 19 states that are continuing to use the cards.

State Governments that Use Payroll Cards*



*Minnesota and Utah are phasing out their payroll cards.

II. IMPORTANT FEATURES OF PAYROLL CARDS

In assessing state government payroll cards, we have focused on six broad elements that are important for workers:

- Choice of whether to use a payroll card;
- Full and free access to full wages;
- Ability to make routine purchases;
- Free and convenient access to balances and account information;
- Lack of overdraft fees or credit features; and
- Absence of other junk or penalty fees.

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Many of these payroll card features have been identified as important payroll card characteristics by government agencies as well as industry groups.[9]

A. Choice of How to Receive Pay

All payroll cards must comply with federal and state laws that require employers to give employees a choice about how to receive their pay. Under the federal Electronic Funds Transfer Act, as implemented by Regulation E, employers may not "require a consumer to establish an account for receipt of electronic fund transfers with a particular institution as a condition of employment."[10] The Consumer Financial Protection Bureau (CFPB) has made clear that this ban on compulsory use of a particular account applies to payroll card accounts.[11] An employer may not require its employees to receive their pay on a payroll card. That is, employers must offer at least one other choice—either direct deposit or a paycheck.

In addition, many state laws regulate when and how a payroll card may be used to pay wages.[12] In some states, employees must affirmatively agree to receive their pay on a payroll card. Some states require the choice of a paper paycheck. In others, employees can be required to choose a method of being paid electronically, either through direct deposit to an account the employee specifies or to a payroll card.

Giving consumers the choice of payment method enables them to receive funds in the most convenient, least costly manner. Direct deposit to an account of the employee's choosing should always be the first, primary way to pay wages. Employers are not required to pay electronically, but if they do, employees should always have the first choice of direct deposit. Electing and setting up direct deposit should be made easy, and payroll cards should only be used for employees who do not elect direct deposit. For some employees, especially those in remote areas or with disabilities, a paper paycheck may be the best option.

In our survey, we found that every state that offers payroll cards does so as a far distant second to its primary pay method: direct deposit. Not a single state has more than 1% of its employees receiving pay on a payroll card. While some private employers push employees into payroll cards and discourage direct deposit[13] (or do not offer it at all[14]), that does not appear to be a problem with state government employers. This stands in contrast to state agencies that pay unemployment compensation, where our prior survey found that six states do not even offer the choice of direct deposit, and several other states make it difficult to avoid the prepaid card.[15]

Every state meets the "choice" element of an appropriate payroll card program. Consequently, we can evaluate state payroll cards comfortable in knowing that they are an option for employees who choose them, but that state employees are not being forced into accepting the cards.

B. Full and Free Access to Complete Wages

Payroll cards are a substitute for paychecks, and their most essential attribute is whether they enable employees to receive their pay in full, to the penny. State labor laws require employers to pay employees through a method that does not require paying fees to access pay.[16]

Full and free access to wages is especially critical because payroll card users tend to be low-wage workers. Every dollar matters when trying to feed a family on thin wages. Indeed, federal minimum wage laws would be violated if employees were not able to access their full minimum wages.[17]

> To truly have full and free access to wages, workers need both a method to withdraw their wages to the penny and convenient access to cash when they need it.

In order to meet minimum legal requirements to provide access to wages to the penny, two aspects of a payroll card program are critical:

- The employee must not be required to pay any activation, monthly, or other fee for having a payroll card.
- The card must provide at least one method that can be used every pay period to "cash" a paycheck in full for free.

But full access to every penny of wages must be a reality, not just words on a page. The New York Attorney General's 2014 survey of payroll cards found that only "25%–30% of workers successfully used their payroll cards without any fees."[18] To truly have full and free access to wages, workers need *both* a method to withdraw their wages to the penny *and* convenient access to cash when they need it.

Teller Withdrawals and Convenience Checks

Withdrawals at the bank teller window are the primary method that most payroll cards use to enable employees to access their wages in full. Every, or nearly every, Visa- or MasterCard-branded payroll card can be used to make at least one free teller withdrawal per pay period at any financial institution that is a member of the card network—virtually every bank or credit union. Some payroll cards also facilitate full cashing of the card by providing convenience checks or money orders.

Teller withdrawals and convenience checks are important options to allow cashing to the penny. But they are rarely used and are inconvenient.

Convenience checks are "cumbersome," "complex" to use, and "inconvenient."[19] An unbanked worker who uses a convenience check still has to pay to get it cashed. At the four companies that provided complete information to the New York Attorney General, only 4% to 9% of the workers used teller withdrawals and less than 1% used convenience checks.[20]

Teller withdrawals also pose challenges. Using a bank teller requires visiting a bank during business hours and often waiting in line. Low-wage workers often lack banks

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conveniently located in their neighborhood. They may not have cars or the free time to visit a bank during teller hours. Moreover, despite Visa and MasterCard rules requiring all member institutions to permit free teller withdrawals,[21] some consumers have had difficulty making withdrawals from prepaid or payroll cards at the teller window. Visa and MasterCard have developed flyers for payroll customers to help them and bank tellers understand the network rules.[22] But consumers may not have gotten the flyers and cannot be expected to carry one around with them every time they need cash.

Teller withdrawals are also inconvenient and costly for banks. It costs a bank much more to have a teller personally assist a worker in accessing cash than it does for the worker to use an ATM. Therefore, both banks and employees benefit when payroll cards offer other options for obtaining cash.

Nonetheless, free teller withdrawals and/or convenience checks are an essential element of a payroll card program so that workers can access their wages to the penny. *Any card that did not provide at least one free teller withdrawal or convenience check per pay period would get a thumb down. To get the top, two "thumbs up" rating, a card must not charge teller withdrawal fees.*

Cash Access at Network ATMs

ATMs are the most convenient way for workers to withdraw cash from a payroll card. ATMs are available at many locations beyond banks and credit unions and are often accessible 24 hours a day. ATMs cannot be used as the exclusive method of accessing wages, as they typically permit withdrawals only in $20 increments and many ATMs have withdrawal limits. But the reality is that "ATMs are the most common way that cardholder employees access their wages."[23]

Payroll cards must be designed to reflect that reality. A well-designed payroll program will enable employees to withdraw cash for free at ATMs no matter how many times they go to an ATM. Workers may need to withdraw funds over multiple days to accrue cash for rent if an ATM limits the amount that can be taken out each day. Or workers may prefer to minimize the amount of cash they carry around at any given time or keep most of the funds for use on the card, withdrawing cash only as needed.

Some in the payroll card industry argue that providing free network ATM withdrawals will make the cards economically unfeasible and put them out of business. But the most expensive employees for a payroll card company are not the ones making multiple ATM withdrawals but rather employees who feel compelled to use their one free withdrawal to empty the card after each paycheck. Payroll card providers incur costs to manage those cards and yet receive zero revenue. If workers can get free cash whenever they need it, they will take out only the amount of cash that they need. Leaving money on the card enables the worker to use the card to make purchases, generating interchange fees paid by merchants that accept the cards, a major source of revenue for card programs.

Eliminating ATM fees is probably the single most important step to give workers full access to their wages and to promote confidence in payroll cards. Indeed, the payroll industry has found that skeptical "public perception" of payroll cards is the "industry's

biggest challenge."[24] Being able to say to workers that they will never be charged a fee for withdrawing cash at network ATMs or making purchases will go a long way to dispel concerns. Free ATM withdrawals can be a win-win for workers, employers, and card providers alike.

Eliminating ATM fees is probably the single most important step to give workers full access to their wages and to promote confidence in payroll cards.

A broad network of surcharge-free ATMs that are convenient to the worker is also essential to a payroll card program. Typically, payroll cards have a "network" of ATMs that do not charge surcharges on top of any ATM fee that is part of the card's fee schedule. Workers who withdraw cash at an ATM that is not in the card network potentially face two different fees: an ATM fee charged by the payroll card, and a surcharge from the ATM owner.

Unfortunately, the size and accessibility of the ATM network is difficult to measure by the outside observer so we did not attempt to assess this information for state payroll cards.[25] But these are certainly important criteria for employers to consider when setting up a payroll card program.[26]

In addition to the size of the ATM network, information helping workers to identify those ATMs and understand how to avoid surcharges is also critical. The New York Attorney General found that, at the four employers that provided information, more employees accessed their wages at out-of-network ATMs than in-network ones.[27] Cards may access more than one network, and surcharge-free ATMs often include locations beyond the bank that issues the payroll card and whose name is on the back.[28] For example, cards that are part of the MoneyPass network can access ATMs at a number of large and small banks and credit unions, as well as Walgreens. The Allpoint network includes ATMs at CVS and 7-11 stores, among other locations.

Payroll card programs can help workers identify network ATMs by providing clear materials to workers, such as lists of the major locations that have network ATMs. Mobile apps and websites can also be designed to enable a worker to find all nearby surcharge-free ATMs with a single search, rather than requiring the worker to know the name of each network and search network by network.[29]

To get a one or two "thumbs up" rating, a payroll card must provide unlimited free withdrawals at network ATMs. We did not have sufficient information to rate payroll card programs on whether they have mobile apps or other methods to help workers identify network ATMs.

Fees at Out-of-Network ATMs

For various reasons, workers may not succeed in avoiding out-of-network ATMs. Even with a broad network, not every worker will find a convenient ATM nearby.

For NCLC's 2013 report on unemployment prepaid cards, Ohio Policy Matters analyzed the locations of network ATMs in Ohio.[30] The State of Ohio's unemployment prepaid card had 750 ATMs in either the U.S. Bank or Visa/Plus networks. But 33 of Ohio's counties had no U.S. Bank location, 16 counties had no Visa/PLUS ATM location, and some

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counties—including some with high unemployment rates—had neither. Even some counties that did have a network ATM had only one free location every 20 miles.

Even in more densely populated areas that do have several network ATMs, workers who do not have cars or the time to hunt for an ATM may need to use out-of-network ATMs occasionally. *To get the top, two "thumbs up" rating, a payroll card must provide at least some free out-of-network ATM withdrawals.*

> To get the top, two "thumbs up" rating, a payroll card must provide at least some free out-of-network ATM withdrawals.

Cash Back at Retail Stores

Another important means of accessing cash for free is through cash-back at a retail store. In addition to supermarkets, a growing number of retailers such as WalMart and Target can provide cash back from a purchase. But cash back requires spending money, and therefore it is not a substitute for ATM withdrawals, although it is a very helpful option.

If the consumer wants cash back, retailers normally require a "PIN debit" purchase rather than a signature purchase. That is, the consumer must press "debit" and enter a personal identification number (PIN) rather than pressing "credit" and simply signing. Consequently, any PIN debit fees will inhibit getting cash back for free.

Any payroll card that has a PIN debit fee would get a "thumb down" in our ratings.

C. Ability to Make Routine Purchases

While payroll cards can be used to access cash, they are clearly designed to be much more. Basic, routine use of a payroll card involves making card purchases at stores, online, and by telephone. Indeed, it is those features that make the cards useful for workers. Card usage is also what makes a payroll card profitable for providers (who earn interchange fees paid by merchants). Payroll card providers therefore encourage workers to use the card as it is designed—a fully functional debit card—and not simply as a device to access cash.

Any payroll card should be designed so that routine use of the card is free to the worker. Payroll cards are designed and promoted to be used as debit cards, not just as a vehicle for receiving cash. It would be unfair to push workers into receiving wages on a device that triggers fees for routine use. Fortunately, point-of-service (POS) fees are becoming rare in the payroll card industry. *Any payroll card that had a POS fee would get a "thumb down" in our ratings.*

Beyond POS fees, a small number of payroll cards charge fees for electronic bill payments. We assume that these fees are charged not when the card number is used on a merchant website, but instead when a worker uses the card issuer's website to pay bills. It is not clear if these fees are charged only for billers who must be paid by paper check (sent through the bill payment feature) or also for companies that can receive electronic payments.

It was not easy to determine whether payroll cards even offer bill payment services, an issue that we did not cover in our survey. The lack of bill payment fees may have been because the service was unavailable. It was also not clear if a $0 fee to "pay bills" meant that the card offered a bill payment feature, or merely that the card did not charge if the consumer used the card at the biller's website, such as entering the card number on the electric company's website.

Consequently, we did not take electronic bill pay fees into account in our ratings. However, we note that bill payment services, especially if free and available for landlords and others who may not accept cards or electronic payments, are a very useful service for workers who do not have bank accounts and could make a payroll card especially valuable.

D. Free and Convenient Access to Balances and Other Account Information

Payroll cards are more complicated than a paper paycheck that a worker cashes and is done with. They are ongoing accounts that workers need to manage. Workers need to find out when their pay has been deposited and how much is left after purchases and withdrawals. Workers need to monitor their transactions to manage their budgets, verify a charge, see what fees they are paying, and check for identity theft. Workers who have never used a card before may have questions about how the card works. Customer service is also important for disputes about a charge, questions about fees and transactions, and other issues.

Bank account customers take for granted the ability to get statements, balances, transaction information, and customer service for free. That is not always true for payroll cards. The cards do not come automatically with monthly paper statements, and access to account information and customer service can result in a fee.

Under Regulation E, which implements the federal Electronic Fund Transfer Act, payroll card providers must make certain information available to workers. The card must provide balance information through a phone line, an electronic history online, and a paper copy of the last 60 days' of transactions upon the worker's request.[31]

While Regulation E does not specify whether a fee can be charged for that information, the Consumer Financial Protection Bureau "reminds financial institutions that, when providing written account histories upon request …, generally, neither they nor their service providers would be permitted [to] charge consumers for providing this information …."[32] Both the Federal Reserve Board (when it promulgated the Regulation E payroll card rule) and the CFPB agree that "charging fees to consumers who make occasional requests for written histories would have a chilling effect on consumers' ability to obtain information about transactions and, thus, to exercise their error resolution rights."[33]

The most frequent service that workers need is the ability to check their balances. Both free ATM balance inquiries and free automated customer service calls are necessary to give workers the ability to conveniently check their balances whenever they need to. Telephone inquiries enable the consumer to check a balance wherever a phone is available. But the ability to check the card balance at ATMs provides important and

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convenient access. ATMs are easier to use than entering a long account number into a telephone system, and not all workers have mobile phones. ATMs may also be easier to use for non-English speakers, older workers, or individuals with disabilities. While balances can also be checked online, low-wage workers may have limited Internet access, and ATM balance inquiries are likely to be one of the most popular mechanisms for monitoring an account balance.[34]

The ability to get balances in response to a text message or on a mobile app is also helpful. But not everyone has cell phones. However, we were unable to get sufficient information on the availability of information by text to rate cards based on those services.

Consumers should be encouraged to check their balances whenever they need to. This is especially important for people trying to budget on thin wages. Some consumers check their balances several times a day, especially if they are not sure when a deposit will come in or a payment will go out. Just one free balance inquiry a week is not enough.

Consumers should also have reasonable free access to live customer service if they have a problem or question about the card. They should never be charged for automated telephone inquiries. Providing a telephone response system is simply part of the cost of managing a card program that should be covered as part of overhead.

Every card comes with the capacity to see recent transactions online, but not all workers have computers or are comfortable using them to access accounts. While this information can be provided through mobile apps, not everyone has a smartphone and not every card comes with a mobile app. Paper can also be a more convenient way of carefully going over account history. Paper statements can also be important for keeping records, especially when payroll card issuers need keep information for only 60 days.[35] Consequently, the ability to request paper statements—whether on occasion or on an automatic, monthly basis—will be important for some workers.

To get a one or two "thumbs up" rating, a payroll card cannot charge any ATM balance inquiry fees, ad hoc statement fees, or customer service fees for either live or automated customer service. A payroll card that does not provide at least one free ATM balance inquiry per week and at least several free customer service calls per month receives a "thumb down." We also heavily weighted any balance inquiry, statement, or customer service fees in considering whether, overall, the card deserved a thumb down.

Access to paystubs can also be an issue for payroll card users. Employers who adopt payroll cards in a push towards purely electronic pay often consider eliminating paper paystubs as well. While this may not be a problem for full time workers who have regular access to computers, it can be a serious hardship for workers without computers, especially those whose hours are erratic and who need to make sure that they have been paid for all of their hours. In the private sector, wage theft can be a real problem. Even if the employer provides a terminal where the worker can access the paystub, this is unlikely to be a convenient option and may well inhibit workers from seeing their earnings and leave statements. Employees who do not have computers should have a right to paper paystubs. But this is more likely to be an issue with private employers than public ones. We did not survey paystub policies or consider them in our ratings.

E. Lack of Overdraft Fees and Credit Features

Overdraft fees and credit features have no place on payroll cards. Payroll cards should be a safe way to pay wages, not an opportunity to push credit products, especially expensive ones.

Several states prohibit overdraft fees and credit features on payroll cards.[36] Cards issued by banks with over $10 billion in assets also may not carry overdraft fees if the banks wish to be exempt from regulations limiting interchange fees.[37] But the ban on overdraft fees does not apply to smaller banks, including some banks that are major prepaid and payroll card providers.

Some payroll cards charge overdraft fees if the worker opts in to overdraft "protection." Yet, since payroll cards do not have checks that can bounce, they do not need overdraft protection.[38] Overdraft features on payroll cards are not "protection" but are loans, a very high-cost and dangerous form of credit: They are easy to trigger inadvertently, fees pile up quickly, and the cost is exorbitantly expensive with no relationship to the amount of credit or the time it is borrowed. Consumers also often do not understand that overdraft "protection" makes it easy to incur overdraft fees for transactions they would prefer to have denied.

Overdraft "protection" on payroll cards merely pushes workers into incurring added fees and leaves workers with less, not more, ability to meet expenses at the end of the month.[39] Two studies by the Federal Reserve Board of Kansas City found that consumers who opted in to overdraft services on general purpose reloadable (GPR) prepaid cards paid more each month for their cards, with many paying an average of one overdraft fee every month.[40]

Any payroll card that has overdraft or credit features gets a "thumb down" in our ratings.

Overdraft and credit features are especially inappropriate in payroll card programs in light of the types of workers who use the cards. Payroll cards are aimed at employees who do not use direct deposit, often because they do not have a bank account. Problems with overdrafts are the leading reason why consumers do not have bank accounts.[41] Payroll cards also tend to be used in low-wage industries. For workers with thin incomes, it is especially important that payroll cards not have features that make it harder to live within their means. *Any payroll card that has overdraft or credit features gets a "thumb down" in our ratings.*

F. Minimal Other Fees

1. Penalty and Junk Fees

Other than overdraft fees, some payroll cards also charge other penalty and junk fees. The best payroll cards will eliminate penalty and junk fees.

The most common penalty fee is a ***declined transaction (DT) fee***. DT fees are incurred when a worker attempts to use a payroll card, such as at an ATM or a store, and the transaction is declined. Declined transaction fees can be charged not only when the card

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is empty, but also when a hold has been placed on funds such as when the card has been used at a gasoline station or restaurant. Consumers may not know when the hold will be lifted and could incur multiple DT fees while trying to access their funds. Some consumers have also had online purchases declined when trying to use prepaid or payroll cards. While DT fees tend to be low—typically $1 but sometimes less—they can add up. Worse, on ATM transactions, some cards charge both balance inquiry fees and DT fees—putting the worker in a Catch-22 as to whether to check the balance first (and pay a fee) or take a chance that there is enough money (and pay a fee if there is not).

Legal process fees are charged if a garnishment order is served on the card issuer by a party attempting to collect funds from the worker. These fees can be quite high, up to $100.

Legal process fees are inappropriate on payroll cards. The cards are aimed at workers who are likely to be low wage and often have had trouble with overdraft fees and credit. It is quite likely that these workers owe debts and it would not be unusual for collectors to be seeking to seize their wages.

Workers might incur legal process fees even if their wages are so low that they are exempt from garnishment under state or federal law. Wage garnishment laws do not always protect wages once they leave the employer and are deposited into a bank account or payroll card account.[42] And even if the wages are exempt from garnishment, it is possible that the worker will still pay the legal process fee as a result of the attempted garnishment.[43]

If a payroll card can subject a worker to legal process fees, then a payroll card is an inappropriate way of paying that worker. Legal process fees are especially a concern in states that do not give employees a choice of a paper check.[44] Paper paychecks do not come with legal process fees, and paychecks cannot be garnished outside of direct garnishment through the employer, where the legal protections for income needed for necessities apply.

Some payroll cards charge ***"research" fees***, as much as $25/hour. It is not entirely clear what type of research triggers these fees. Some disclosures indicate that the fees may be charged for the equivalent of balancing a checkbook, though it is hard to imagine a worker asking for that service. The fees could also be charged for searching for older transactions. We assume that the fees are not charged for researching errors or disputes that are covered under the dispute resolution requirements of Regulation E; if they were, the fees could potentially violate Regulation E.[45] But regardless, research should simply be part of good customer service, especially for accounts that do not come with statements.

Many payroll cards charge ***fees for replacing lost or stolen cards***, especially if a replacement card was requested more than once a year. Many also charge express delivery fees if the worker needs the card quickly. A few cards offer emergency wire transfers of cash, for a fee, if a card has been lost.

In the past, we have seen payroll cards that had ***fees for changing a PIN***. A worker who fears that his or her PIN number has been compromised should never be charged for changing a PIN. Even frequent changes should not be penalized in these days of constant data breaches. Fortunately, none of the cards we surveyed for this report now have PIN change fees.

To receive a one or two "thumbs up" rating, a payroll card cannot charge declined transaction fees, legal process fees, research fees, fees for PIN changes, or other inappropriate penalty or junk fees, and must provide at least one free replacement card per year. The presence of any of those fees was considered in determining whether the card rated a "thumb down" for having too many fees overall.

2. Inactivity and Account Closing Fees

Many payroll cards charge inactivity fees if a card has not been used for several months, from three months to a year or longer. Most workers will spend all of their wages, and inactivity fees are not necessarily a problem if they are merely a way of enabling the card issuer to close out an account that has $0.57 left that the worker has abandoned. Every payroll card must have a method of withdrawing odd amounts, and teller withdrawals or split transactions can be used to cash out or spend the remainder of a card.

However, inactivity fees are not an appropriate way of taking money from a worker who has larger amounts unspent—perhaps because the card was lost, the worker does not realize how much money is left on the card, or the worker is unable to use the card due to a physical or mental disability. Workers should also have plenty of time to use their cards before inactivity fees kick in.

Some payroll cards charge fees for ***"account closing"*** or refunding the balance after closing by check. It is not clear if the "account closing" fees are charged only if the worker requests a check, or also if the worker has spent down the funds and merely wants the account to be closed. We assume the former, as it would be highly problematic to charge a fee to a worker for closing an empty account. It was also not clear to us if the lack of an account closing/final check fee meant that the service was free, or that the option of getting the balance by check was unavailable.

We have taken inactivity and account closing fees into account as part of an overall assessment of the card. A payroll card that charges account closing fees, high inactivity fees, or a short inactivity period will receive a lower rating, especially when combined with other fees.

3. International Use

Many payroll cards charge various fees for ***international transactions***, including ATM withdrawals, balance inquiries, purchases, customer service, and card replacements. Appendix B sets out the fees that state payroll cards charge for international use.

We did not take international fees into account in our ratings. However, low fees for international transactions might be an important consideration for employers with significant

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workforces in border cities. For example, in Arizona and Texas, workers pay a $3.50 fee for international ATM withdrawals and a 2% fee on international purchases. In Washington State, the ATM fee is $3.00 and the purchase fee is 3% if the card is used in Canada. These fees are on the high end compared to other cards.

4. Other Fees and Services

Some cards offer and charge fees for emergency ***wire transfers***, either domestically or internationally. Cards without these fees may not have offered this service. *We did not consider wire transfer fees in our ratings.*

A small number of payroll cards charge ***stop payment fees***. These fees would be irrelevant on most cards, as the cards do not permit the type of payments that can be "stopped," such as checks or preauthorized electronic payments through the ACH system. Preauthorized ACH payments can cause overdrafts, and therefore are rare on payroll and prepaid cards, other than on prepaid cards sold at payday lenders—cards designed to facilitate payday loans.[46]

Stop payment fees are usually found on cards that also have overdraft fees, cards that already receive a "thumbs down." But stop payment fees could be incurred on a card that offers convenience checks if a worker wanted to stop payment of that check. *We considered those stop payment fees in the context of an overall evaluation of whether a card charges multiple fees.*

A few cards offer the option of adding a ***secondary accountholder*** and charge a fee for the extra card. The option of permitting a spouse or family member to have a card can be very useful. The lack of a fee might mean that the card did not offer that option. *Therefore, we did not consider secondary accountholder fees in our ratings.*

III. ASSESSING THE STATE GOVERNMENT PAYROLL CARDS

A. Don't Ask, Don't Tell: States Refuse to Ask for Data on Fees

This report assesses state payroll cards based on their fee schedules. But the proof is really in the pudding: Are workers in fact able to access their wages and use the payroll cards without incurring fees? We don't know, because the states refuse to ask.

Not one single state asked its payroll card provider to report data on the fees its employees are incurring. This is data that the card issuer could easily provide.

Not one single state asked its payroll card provider to report data on the fees its employees are incurring.

Every payroll card can be used in theory without paying a single fee. But knowing how cards are used in practice and what fees employees are incurring is critical to understanding whether the payroll card does a successful job in delivering wages to employees.

Fee data can help states to improve their payroll card programs. Are employees incurring a lot of out-of-network ATM fees? States and card issuers can do more to help employees understand the importance of network ATMs, find free ATMs, and make sure there are surcharge-free ATMs conveniently located for all employees. Are employees incurring a lot of balance inquiry fees? Maybe employees who are monitoring their budgets closely need more than one free inquiry per week.

States can negotiate better deals with payroll card issuers, educate employees about how to use the cards, and design features that work better for employees. But none of this can happen if the state does not know the basic cost of the product.

It does not have to be this way. Pennsylvania, for example, took a hard look at the fees that unemployed workers were incurring to access their unemployment benefits through the state unemployment prepaid card. The state pushed for changes in a new contract anticipated to save unemployed workers $5.2 million in fees.[47] The state put $3 million per year in the pockets of unemployed workers simply by eliminating all fees for network ATMs and by adding 25% more ATMs on six networks. Colorado spared $720,000 in unemployment benefits by eliminating point-of-service fees.[48]

It is shameful that states put on blindfolds to the costs that their payroll cards impose on employees. These costs may well be quite low—but we do not know unless the states are willing to ask. Even if the cards work well for many employees, there may be outliers that can be addressed. The accountability of public data is crucial.

With this crucial caveat, we will assess how the cards do, in theory, on five key metrics:

- Full and free access to wages
- No fees for routine purchases and payments
- Free access to basic account information
- No overdraft fees or credit features
- No other unusual or unusually high fees or high number of fees

Table 2 on page 3 provides a national overview of the fees on state government payroll cards.

B. Full and Free Access to Wages

The most basic requirement for a payroll card program is that it enables workers to access their wages to the penny. In order for this to be a reality, the bare minimum that a payroll card must provide to avoid a "thumb down" in our ratings is:

- No activation, monthly, or any other unavoidable fees.
- At least one free teller withdrawal per deposit.
- At least one free ATM withdrawal per deposit.

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To receive a "thumb up," a payroll card must go farther and provide unlimited free network ATM withdrawals. To receive the top "two thumbs up" rating, a card must, in addition, provide at least some free out-of-network withdrawals and must charge no teller withdrawal fees.

Overall, the state payroll cards do well in providing workers the ability to cash their wages without a fee. None of the cards failed our bare minimum test. None[49] of the cards has any unavoidable fees like activation, monthly, or load fees. Every card enables the worker to cash each deposit to the penny by withdrawing cash at a bank teller window and also permits at least one free ATM withdrawal per deposit.

Moreover, not a single card has a PIN debit fee. That means workers in every state can obtain cash back from a purchase without paying a fee at supermarkets and retail stores that offer that service.

Of the 19 cards we surveyed,

- 11 charge no fees at all for cash withdrawals at either the teller window or at network ATMs.
- Three others (New Jersey, Texas, and Wisconsin) do not charge fees at network ATMs but do have a $3 to $5 teller fee after free withdrawals are used up.
- Three others (Alabama, Georgia, and Kansas) do the opposite: they have no teller fees but charge $1.25 to $1.50 ATM fees after the first or second ATM withdrawal per deposit.

Four states win the Triple Crown for cash access: they have no network ATM fees and no teller fees, and also waive some fees at out-of-network ATMs. Two U.S. Bank cards (Nebraska and Oregon), one Bank of America card (New Hampshire) and one Chase card (Oklahoma) waive the first and sometimes second out-of-network ATM fee per deposit (and then charge $1 to $2). It is possible that the South Dakota card is even better on cash access, with no teller or ATM fees at all, even at out-of-network ATMs. But the information the state provided us was ambiguous.[50]

Only two states have both network ATM fees and teller fees. Indiana has a $1.05 ATM fee and a $2.00 teller fee, both with one free withdrawal per deposit. Virginia has a $1.45 ATM fee and a $2.50 teller fee, with five free ATM withdrawals and two free teller withdrawals per month.

C. Ability to Make Routine Purchases and Payments

A payroll card should be free for routine use. A card would get a "thumb down" in our ratings if it has any point-of-service fees, whether for PIN or signature transactions. Fortunately, none of the state payroll cards charges those fees. Workers can use their cards freely anywhere they are accepted without fees charged by the card issuer. (As with any debit card, it is possible that the merchant, such as the electric company, may charge a fee for paying with a debit or credit card.)

TABLE 3

State Government Payroll Cards with No Network ATM or Teller Fees*

Arizona	(Bank of America)	**Oklahoma**	**(Chase)**
Kentucky	(Bank of America)	**Oregon**	**(US Bank)**
Missouri	(NetSpend Skylight)	South Dakota	(First Premier Bank)
Nebraska	**(US Bank)**	Washington	(US Bank)
New Hampshire	**(Bank of America)**	West Virginia	(Citibank)
Ohio	(KeyBank)		

*Note: States in bold also waive some out-of-network ATM fees.

D. Free and Convenient Access to Account Information

Free and convenient access to account information is critical for payroll cards and low-income workers in particular. We looked at six potential ways in which a worker using a payroll card could access information about the account: ATM balance inquiry (in-network); ATM balance inquiry (out-of-network); automated customer service calls; live customer service; monthly mailed statements; and *ad hoc* statement requests.

To get our top one or two "thumbs up" rating, a payroll card must provide:

- Free ATM balance inquiries, at both network and out-of-network ATMs,
- Free customer service, whether live or automated, and
- Free paper transaction histories if requested.

While it is also important for workers to have the option of signing up for monthly paper statements (for free or no more than $1/month), it was difficult to distinguish cards that charge for that service from cards that do not provide that option at any price. Therefore, we did not consider that factor in our ratings.

Two-thirds (13) of the states surveyed do not charge any ATM balance inquiry fees. Six states charge $0.40 to $1.00 for some or all balance inquiries. Indiana, Kansas, and Wisconsin do not provide any free ATM balance inquiries at all, and Virginia is nearly as stingy, permitting only one free inquiry per month. Wisconsin has the most expensive balance inquiries: $0.50 at network ATMs and $1.00 at out-of-network ATMs. Ohio and Washington also charge balance inquiry fees at network ATMs.

Fifteen states charge no customer service fees at all and 17 do not charge for calls to automated telephone systems. Alabama, Georgia, Indiana, and Wisconsin permit at least five free automated calls and one free live call each month, but charge $0.35 to $3.00 for live

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calls after that, plus Georgia and Indiana charge $0.35 to $0.40 for automated calls after free calls are exhausted.

Only one state payroll card—the South Dakota card issued by First Premier Bank—appears to charge a fee ($3.00) for requesting an occasional copy of a transaction history.[51] As previously noted, that fee may violate Regulation E.

Several states offer the option of signing up for automatic monthly mailed statements: At least 9 state programs will mail statements for free, and others charge $1.00 to $3.00 per month. Even more states may offer that option for free as well, but the fee schedules were not clear.

E. Overdraft Fees and Other Credit Features

Payroll cards should be a safe way to receive wages, not a vehicle for expensive and dangerous credit products. Any payroll card that has overdraft fees, even if the employee must opt in to overdraft services, receives a "thumb down."

Only two state payroll cards have overdraft fees: Kansas and Missouri, which both use cards from NetSpend's Skylight Financial division. NetSpend is the only major prepaid or payroll card provider that offers cards with overdraft "services."[52] NetSpend's general use reloadable prepaid cards are primarily sold at payday lenders and are designed to enable payday loans (which, in turn, can trigger overdraft fees).[53]

Only two state payroll cards have overdraft fees: Kansas and Missouri, which both use cards from NetSpend's Skylight Financial division.

It is possible that the Kansas and Missouri NetSpend Skylight payroll cards, like the NetSpend payday lender cards, also permit payday lenders to take advance authorization to debit the card on payday—which not only allows payday lenders to secure the loans with wages, but also means that a payday loan payment could trigger an overdraft fee. Most prepaid cards do not allow preauthorized debits. The Missouri card has a $25 stop payment fee but the Kansas one does not, which might indicate that the Missouri card permits preauthorized debits but the Kansas card does not.

With the Kansas and Missouri payroll cards, employees who opt in pay a $25 overdraft fee on each transaction after the negative balance exceeds $5, with the maximum negative balance at any one time capped at $125.[54] Employees can incur up to $125 in overdraft fees each month. A minimum wage worker in Kansas or Missouri who incurs five overdrafts must work 17 hours to cover the fees. Even a single fee is three hours of work at the minimum wage. Skylight imposes a "cooling off" period after 18 overdraft fees ($450) in 12 months.

A study by the Federal Reserve Board of Kansas City of NetSpend general use reloadable (GPR) prepaid cards found that a quarter of consumers who opted in to overdraft services incurred, on average, one overdraft fee every single month.[55] But that average is likely to be much higher for the NetSpend Skylight payroll cards. The NetSpend payroll cards permit five overdraft fees per month whereas the GPR cards permit only three fees

per month.[56] In addition, overdraft fees are triggered on the payroll card once the negative balance reaches $5.01, whereas the trigger level is $10.01 for the GPR cards.[57]

One public employer that uses a NetSpend Skylight payroll card (not covered in this report), the Denver Public Schools, has a "Paycards—Frequently Asked Questions" sheet that has this stern warning:

> *PLEASE DON'T OPT INTO THE OPTIONAL BALANCE PROTECTION PROGRAM, WHICH WILL INCUR A $25 CHARGE FOR EACH TRANSACTION THAT PAYS INTO OVERDRAFT.*[58]

The vehemence of this warning indicates that the overdraft program has caused problems not only for employees but apparently for the employer as well.

Kansas and Missouri should be ashamed of using payroll cards that can cause workers to lose their pay to overdraft fees.

F. Penalty and Junk Fees

In addition to overdraft fees, there are a variety of other penalty and junk fees sometimes found on payroll cards. To get our one- or two-thumbs up rating, a payroll card must not charge:

- *declined transaction fees*
- *legal process fees*
- *research fees.*

These fees are inappropriate on any payroll card. We also considered the number or price of other fees in assessing whether a payroll card, overall, has too many fees and merits a "thumb down" rating.

Of the 19 state payroll cards, 17 charge no declined transaction fees at point-of-service locations and 13 do not at ATMs. Six states charge fees of $0.20 to $1.00 for some declined transactions, although some cards waive one or two fees per month.

None of the payroll cards except those issued by Bank of America and one Comerica card has legal process fees. Four Bank of America cards (Arizona, New Hampshire, New Jersey, and Texas) have $100 legal process fees. The Kentucky Bank of America card does not. The Virginia Comerica card charges a $50 legal process fee.

Only two states charge "research" fees. South Dakota charges $25/hour and Virginia's fee schedule says only: "We may charge such costs to your available funds."

Sixteen states provide at least one free replacement card a year (or, for Virginia, every three years) if a card is lost or stolen, with five of those charging no replacement fees at all other than for express delivery. Three states (Georgia, Ohio, and South Dakota) charge $5.00 to $5.95 without any free replacement cards.

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Eight states (Alabama, Arizona, Kentucky, New Hampshire, New Jersey, Texas, West Virginia, and Wisconsin) charge no inactivity fees. Eleven others charge $0.50 to $5.00 per month after periods of inactivity ranging from as low as two months (Missouri, which also charges a fee on the high end, $5.00) to 14 months.

IV. OVERALL RATINGS

The overall rating of a payroll card is an evaluation of all of the factors previously described. (See Table 1 on page 2 for the rating for each state.)

The very top payroll cards, those that receive "two thumbs up," are virtually fee-free and can be easily used by workers without incurring a fee. To receive our highest rating, a payroll card must offer:

- Free network ATM withdrawals,
- At least some free out-of-network ATM withdrawals,
- No teller withdrawal fees,
- Free ATM balance inquiries, both in and out of network,
- Free customer service, both live and automated,
- No fees for ad hoc statements upon request,
- No POS, PIN-debit, or other purchase fees,
- No overdraft fees or credit features,
- No denied transaction fees,
- No legal process, research or other unusual fees, and
- One free replacement card per year

Out of the 19 cards surveyed, 3 cards meet our top standard and get "two thumbs up"—the Nebraska and Oregon cards issued by U.S. Bank and the Oklahoma card issued by Chase—as they make it easy for workers to access their wages and use their cards without incurring fees. These cards have no fees for accessing cash, making purchases, getting balances, calling customer service, or declined transactions, other than ATM fees at out-of-network ATMs. All three cards give workers one (Nebraska) or two (Oklahoma and Oregon) free out-of-network withdrawals per deposit.

Three cards receive one "thumb up": Kentucky (Bank of America), Ohio (Key Bank), and Washington State (U.S. Bank). These cards mostly meet the criteria above but do not provide any free withdrawals at out-of-network ATMs.

A few other cards came close but fell down in one area that deprived them of a positive rating. The Arizona, New Hampshire, and Texas cards issued by Bank of America meet our criteria for one or two thumbs up *except* that both charge a $100 legal process fee. Similarly, the West Virginia card issued by Citibank generally did well but has declined transaction fees.

We gave a "thumb down" to three cards. The Kansas and Missouri cards, both provided by NetSpend under the Skylight Financial brand, receive a negative rating because of their overdraft fees. The Kansas card also has a number of other fees, including balance inquiry fees and declined transaction fees.

3 cards meet our top standard and get "two thumbs up"—the Nebraska and Oregon cards issued by U.S. Bank and the Oklahoma card issued by Chase—as they make it easy for workers to access their wages and use their cards without incurring fees.

The Virginia card (Comerica Bank) failed not because of any one fee but because the card overall has a large number of fees that most other cards do not have, including:

- $1.45 ATM fees even at network ATMs (5 free withdrawals per month)
- $2.50 teller withdrawal fees (2 free per month)
- $0.50 ATM balance inquiry fees (one free per month at network ATMs)
- $0.50 ATM declined transaction fees (two free per month)
- $50.00 legal process fees
- Research fees ("We may charge such costs to your available funds.")
- Only one free replacement card every three years (otherwise $3.00)

The Virginia card also charges an unusual $0.50 fee for electronic bill payment. It is unclear whether that fee is for bill payment services that other cards offer for free, or for bill payment features not available on some other cards.

The remaining cards fall into our "neutral" category—not so bad as to receive a "thumb down," but with too many fees to qualify for a "thumb up." In addition to the Arizona, New Hampshire, Texas, and West Virginia cards already discussed, Georgia, Indiana, New Jersey, South Dakota, and West Virginia have cards that did not provide enough free cash access or had too many other fees that disqualified them from a positive rating.

V. RECOMMENDATIONS AND CONCLUSION

States can be leaders in setting the standard for strong payroll card programs. The payroll card programs in several states are a positive role model for private employers as well. Other states could join that group with only modest improvements in their payroll card programs. States may have been disadvantaged from negotiating the strongest payroll card programs by the lack of public information about payroll card fees and the deals given other states. We hope that this report will assist both public and private employers in raising the bar.

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Our recommendations are as follows:

1. **Both public and private employers should always give employees the first choice of direct deposit to an account of their choosing, before enrolling the employee in a payroll card**. Payroll cards, along with paper paychecks if the payroll card poses a hardship, should be a secondary method of pay**.**
2. **Employers should choose payroll cards that employees can easily use for routine purposes for free.** Cards should be designed with minimal or no fees for getting cash, spending money, accessing account information, and overdrafts or penalties.
3. **Employers that use payroll cards should demand regular reports on the fees that employees are incurring.** Action should be taken to renegotiate fee schedules or educate employees on how to use the cards to avoid fees.
4. **State legislators and regulators should adopt or strengthen payroll card laws.** States should require free access to wages at network ATMs and should ban overdraft and other fees. NCLC and Consumers Union have drafted a model payroll card law.[59] Illinois currently has the strongest payroll card law.[60]
5. **The Consumer Financial Protection Bureau should adopt rules to bolster employee choice and to ban the more problematic fees on payroll cards.** The CFPB is in the middle of a rulemaking on prepaid and payroll cards, expected to be finalized in early 2016. The CFPB should ban overdraft fees, legal process fees, research fees, balance inquiry fees, and customer service fees, among others.[61]
6. **The CFPB should also finalize its proposal to improve transparency and competition in the payroll card market by requiring all fee schedules to be available to the public on the CFPB's website.**
7. **Employers should provide an option for paper paystubs**.

Payroll cards that have the bare minimum of fees will help workers keep every hard-earned cent and will reduce the costs of paper paychecks by giving workers the confidence to use payroll cards. Payroll cards can be a win-win for both employers and employees.

ENDNOTES

1. One report states that making a payroll card deposit costs an employer $0.35 in administrative fees, whereas payment through paper check can cost as much as $2.00. New York State Attorney General, The Labor Bureau, Pinched by Plastic: The Impact of Payroll Cards on Low-Wage Workers (June, 12, 2014), http://www.ag.ny.gov/pdfs/Pinched%20by%20Plastic.pdf (NY AG Payroll Report) (citing Visa Payroll Card: Reinvent Payday With An Easier, More Cost-Effective Way to Pay and Get Paid (2010), http://www.docsrush.net/1366955/visa-payroll-card-credit-cards-and-credit-card-offers.html).
2. Bretton Woods, Inc., Analysis of Reloadable Prepaid Cards in an Environment of Rising Consumer Banking Fees: Comparative Analysis of Reloadable Prepaid Cards to Basic Checking Accounts and Check-Cashing (March 2011).
3. Id. at 3.
4. In theory, some employees might like keeping their wages separate from other funds, and payroll cards can provide a way to control spending and potentially protect exempt wages from debt collectors. But in practice, it appears unlikely that many employees would pay to maintain bank accounts that they are not using to receive their wages and manage their primary income. Moreover, payroll cards can be garnished just like bank accounts.
5. Madeline K. Aufseeser, Aite, Checkmate: U.S. Payroll Card Programs Trump Paper Checks (April 8, 2015), http://www.aitegroup.com/report/checkmate-us-payroll-card-programs-trump-paper-checks.
6. Id.
7. Id.
8. For a list of some of the locations that use the Skylight payroll card issued by NetSpend, see Comments of NCLC to CFPB on Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z), Docket No. CFPB-2014-0031at 15-17 (March 23, 2015), http://www.nclc.org/images/pdf/banking_and_payment_systems/nclc_prepaid_card_npr_comments-032315.pdf (NCLC Prepaid Comments to CFPB).
9. See NY AG Payroll Report, supra; American Payroll Association, Press Release, "American Payroll Association, National Consumer Law Center Agree Payroll Cards Make Sense for Unbanked if Proper Guidelines Followed" (July 31, 2013), http://www.nclc.org/images/pdf/pr-reports/pr_effective-payroll-card2013.pdf ; MasterCard, MasterCard Makes Sure Payroll Cards Work For Employees and Employers (Dec. 10, 2013), .https://www.masteryourcardusa.org/resource/6-payroll-card-standards/.
10. 12 C.F.R. § 1005.10(e)(2).
11. CFPB Bulletin 2013-10, Sept. 12, 2013, available at http://files.consumerfinance.gov/f/201309_cfpb_payroll-card-bulletin.pdf.
12. A summary of state payroll card laws is available on the American Payroll Association's website at http://paycard.americanpayroll.org/compliance-regulations.
13. The New York State Attorney General reported that at least some employers received incentive payments per employee or a bonus payment if a threshold level of employees signed up with a payroll card. See NY AG Payroll Report, supra, at 19.
14. Sandra Pedicini, "More companies opt to give workers payroll debit cards," *Orlando Sentinel* (Oct. 6, 2013) ("At Darden, which owns chains including Olive Garden and Red Lobster, new employees automatically are set up to receive debit cards, but they can make a phone call or go online to opt out."), http://www.orlandosentinel.com/business/os-cfb-cover-payroll-cards-20131006,0,1927050.story.

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15. Lauren K. Saunders, Jillian McLaughlin, National Consumer Law Center, *2013 Survey of Unemployment Prepaid Cards: States Save Workers Millions in Fees; Thumbs Down on Restricting Choice* (January 2013), http://www.nclc.org/images/pdf/pr-reports/report-prepaid-card-2013.pdf (NCLC, 2013 Unemployment Card Survey).
16. State-by-state wage payment laws can be found at http://paycard.americanpayroll.org/compliance-regulations.
17. Bob Kalinowski, "Feds investigating McDonald's franchise over payroll debit cards," *The Times-Tribune* [Scranton], (June 23, 2013), http://thetimes-tribune.com/news/feds-investigating-mcdonald-s-franchise-over-payroll-debit-cards-1.1509690 ("As long as the fees do not cause wages to drop below $7.25 per hour, the federal minimum wage, the practice does not violate the Fair Labor Standards Act.").
18. NY AG Payroll Report, supra, at 3 n.3.
19. NY AG Payroll Report, supra, at 16, 17, 19.
20. NY AG Payroll Report, supra, at 8.
21. Visa requires all Visa member banks and credit unions (virtually every bank and credit union) to permit consumers to withdraw cash from their payroll card at the teller window for free. See Visa, Visa Core Rules and Visa Product and Service Rules § 5.9.1.3 at PSR-300 (Oct. 15, 2015) (In the United States, an acquirer (a financial institution that accepts Visa cards) may "not assess an Access Fee on a Manual Cash Disbursement [a teller withdrawal] conducted with a domestic Visa Prepaid Card [including payroll cards]"), https://usa.visa.com/dam/VCOM/download/about-visa/15-October-2014-Visa-Rules-Public.pdf. The same is true under MasterCard rules. See MasterCard, Transaction Processing Rules at 105 (June 9, 2015) (Financial institutions "must disburse all cash disbursements at par without any discount and without any service or other charge to the Cardholder, except as may be imposed to comply with applicable law."), https://www.mastercard.us/en-us/about-mastercard/what-we-do/rules.html.
22. Consumer Action developed a flyer in consultation with Visa and MasterCard that states: "With a Visa- or MasterCard-branded payroll card, you can obtain your full net wages in cash at least once per pay period from tellers at any financial institution that is a member of the same payment brand network—not just the bank that issued your payroll card—at no cost." The flyer is available at http://www.consumer-action.org/english/articles/an_employees_guide_to_payroll_cards.
23. NY AG Payroll Report, supra, at 11.
24. Cathy S. Beyda, Paul Hastings LLP, Industry Must Set Record Straight on Payroll Card, Pay Update, vol. 7, issue 12 (2013), https://www.paulhastings.com/docs/default-source/PDFs/paybefore-(july-2013)0f33df6923346428811cff00004cbded.pdf.
25. For NCLC's 2013 report on unemployment prepaid cards, Ohio Policy Matters analyzed the locations of network ATMs in Ohio. See *NCLC 2013 Unemployment Card Survey*, supra, at 4-5.
26. The Pennsylvania Treasury Department, when revising its unemployment prepaid card, made a special effort to reach workers throughout the states. The Department added 25% more ATMs on six networks. See *NCLC 2013 Unemployment Card Survey*, supra, at 18.
27. NY AG Payroll Report, supra, at 8.
28. For one particular payroll-card network, which the New York State Attorney General named the "A" Network, "a cardholder employee would not be immediately aware that there was an 'A' Network ATM available inside a particular establishment without checking the 'A' Network's website, mobile phone application, or approaching the establishment itself." NY AG Payroll Report, supra, at 12.

29. The prepaid card used by the State of Pennsylvania to pay unemployment benefits has a mobile app that can search across the multiple ATM networks that the card accesses to provide free access even in remote areas of the state. See *NCLC 2013 Unemployment Card Survey*, supra, at 18.
30. See *NCLC 2013 Unemployment Card Survey*, supra, at 4-5.
31. Reg. E, 12 C.F.R. § 1005.18(c).
32. 79 Fed. Reg. 77102, 77179 (Dec. 23, 2014). The CFPB proposed to permit charges for statements if a consumer requested one more than once per month, requested transaction history that is more than 18 months old, or asked for automatic mailed monthly statements. Id.
33. Id.; 71 Fed. Reg. 51437, 51444 (Aug. 30, 2006).
34. NY AG Payroll Report, supra, at 14.
35. Regulation E, 12 C.F.R. § 1005.18(b)(1)(ii). The CFPB has proposed to extend that period to 18 months. But even 18 months' worth of history may not be enough if the consumer has a tax return that is audited, is looking for a receipt for an item with a longer warranty, needs to prove income over a longer period of time for a mortgage application, or for a variety of other reasons.
36. See, e.g., Mich. Comp. Laws § 408.476(6)(d); Minn. Stat. § 177.255; Vt. Stat. Ann. tit. 21, § 342; 820 Ill. Comp. Stat. Ann. 115/14.5(5); HI Rev. Stat. § 388-5.7(a)(8)(F).
37. Regulation II, 12 C.F.R. § 235.5(d)(1).
38. While some payroll cards come with convenience checks, the checks must be pre-funded before they can be used, effectively turning them into a prepaid money order.
39. See Lauren Saunders, National Consumer Law Center, *Payday Lender Prepaid Cards: Overdraft and Junk Fees Hit Cash Strapped Families Coming and Going* (July 2015), http://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/Report_PaydayLendersPrepaid71515.pdf ("NCLC, Payday Lender Prepaid Cards").
40. The studies both focused on NetSpend's general use prepaid cards, which have $15 overdraft fees, compared to the $25 overdraft fees that NetSpend has on its Skylight payroll cards used in Kansas and Missouri. The first study found that consumers who used the overdraft service paid an average of $14.62 per month more in fees for their accounts than other consumers. See Fumiko Hayashi & Emily Cuddy, Fed. Reserve Bank of Kansas City, *General Purpose Reloadable Prepaid Cards: Penetration, Use, Fees, and Fraud Risks*, Table 5.2 at 68 (Feb. 2014) ("Kansas Fed, GPR Report"), http://www.kc.frb.org/publicat/reswkpap/pdf/rwp14-01.pdf. The second study, which focused on a narrower category of consumers who had more regular income, found that the median consumer who opted in to overdraft protection paid $9.12 per month in overdraft fees (or 7.3 overdraft fees per year), and that a quarter of overdrafters paid a minimum of $14.84 per month in overdraft fees (11.9 overdraft fees per year). See Fumiko Hayashi and Emily Cuddy, Federal Reserve Bank of Kansas City, *Recurrent Overdrafts: A Deliberate Decision by Some Prepaid Cardholders?* (October 2014) ("Kansas Fed, Recurrent Overdrafts"), http://www.kansascityfed.org/publicat/reswkpap/pdf/rwp14-08.pdf.
41. A study by Harvard Business School researchers estimated 97.5% of account closures are caused by overdrafts. See Dennis Campbell, Asis Martinez Jerez, and Peter Tufano, Harvard Business School, *Bouncing Out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures* (June 6, 2008), http://www.bostonfed.org/economic/cprc/conferences/2008/payment-choice/papers/campbell_jerez_tufano.pdf (paper presented at Boston Federal Reserve Board workshop on Consumer Behavior and Payment Choice). The CFPB has noted: "The great majority of involuntary account closures at the study banks are due to negative balances that accountholders are unable or perhaps unwilling to repay, and many of these closures are associated with the use of overdraft." CFPB, "CFPB Study of Overdraft Programs:

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A white paper of initial data findings" at 25 (June 2013), http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf. A survey by the Pew Charitable Trusts also found: "About one-third of respondents closed their checking account due to overdraft fees." Pew Charitable Trusts, "Overdraft America: Confusion and Concerns about Bank Practices" at 2 (May 2012), http://www.pewtrusts.org/~/media/Assets/2014/06/SCIBOverdraft20America1pdf.pdf?la=en.

42. See NCLC, Carolyn Carter and Robert J. Hobbs, *No Fresh Start: How States Let Debt Collectors Push Families into Poverty* (Oct. 2013), https://www.nclc.org/issues/no-fresh-start.html; NCLC, Collection Actions § 12.4.6 (3d ed. 2014 & online supp.).
43. Cf. Miller v. Bank of Am., 51 Cal. Rptr. 3d 223 (Cal. Ct. App. 2006), aff'd, 207 P.3d 531 (Cal. 2009) (bank may deduct overdraft and insufficient funds fees from Social Security and other public benefit funds that are exempt from garnishment).
44. The wage payment laws in many states permit employers to give employees only the choice of direct deposit or a payroll card. But we do not know if any states have completely eliminated paper checks for their own employees.
45. Regulation E requires financial institutions to investigate errors if the consumer provides timely notification and prohibits institutions from holding consumers liable for unauthorized charges. See 12 C.F.R. §§ 1005.6, 1005.11.
46. See NCLC, *Payday Lender Prepaid Cards*, supra.
47. NCLC, *2013 Unemployment Card Survey*, supra, at 18.
48. Id. at 21.
49. The fee schedule for South Dakota lists a $5.95 "card issuance" fee and states: "This fee may be charged at the time of issuance, both initial issuance and when re-issued due to lost, stolen, etc." (emphasis added). But the State assured us that this fee is not charged—though we question why "initial issuance" is mentioned at all in the fee schedule. If the fee is charged, it might violate state or federal law by preventing the worker from accessing the first paycheck to the penny and receiving the full minimum wage.
50. The cardholder agreement listed no ATM fees, but the brochure for the card on the state's website "You will receive one free ATM transaction per payment made to the card. Any ATM transactions beyond that may result in a $2.00 fee from Premier ACCESS, but currently this fee is not being charged." http://bfm.sd.gov/paycard/prc_brochure.pdf. The state's email response to us also stated "There is a $2.00 ATM fee for transactions beyond the one FREE transaction they receive per load." When we asked for clarification, the state official would only say that, speaking only for himself as a cardholder, he had never been charged an ATM fee.
51. Oddly, the State of South Dakota claims that workers can sign up for automatic monthly paper statements for free. However, the fee schedule includes a "Special Statement Copy Fee: $3.00 per request for a paper copy of a prior statement." We asked both the State and First Premier Bank to clarify whether that fee was charged for an ad hoc request for a transaction history by a worker who does not receive statements. The State did not know and refused to authorize the bank to tell us.
52. After reviewing 40 prepaid card account agreements from the 11 largest prepaid card companies, the Consumer Financial Protection Bureau found that only three agreements offered overdraft services that could trigger a fee. CFPB, "Study of prepaid account agreements" at 25 (Nov. 2014), http://files.consumerfinance.gov/f/201411_cfpb_study-of-prepaid-account-agreements.pdf (CFPB prepaid survey). Those three are likely the three NetSpend cards sold through payday lenders and online. See NCLC, Payday Lender Prepaid Cards, supra.

53. See NCLC, *Payday Lender Prepaid Cards*, supra.
54. See Appendix C (NetSpend overdraft program fact sheet).
55. The study found that the top quartile—25 percent—of the consumers who opted in to overdraft protection paid an average of $14.84 per month in overdraft fees (11.9 $15 overdraft fees per year). See Fumiko Hayashi and Emily Cuddy, Federal Reserve Bank of Kansas City, "Recurrent Overdrafts: A Deliberate Decision by Some Prepaid Cardholders?" (October 2014) ("Kansas Fed, Recurrent Overdrafts"), http://www.kansascityfed.org/publicat/reswkpap/pdf/rwp14-08.pdf.
56. See Appendix C (NetSpend overdraft program fact sheet).
57. Id.
58. http://departmentforms.dpsk12.org/payroll/paycardsfaq.pdf (note: spelling corrected by NCLC).
59. The model law is available at http://consumersunion.org/wp-content/uploads/2013/02/Payroll-Model-Law.pdf.
60. See 820 Ill. Comp. Stat. Ann. 115/14.5.
61. NCLC's full comments on the CFPB's proposed prepaid card rules are available at http://www.nclc.org/images/pdf/banking_and_payment_systems/nclc_prepaid_card_npr_comments-032315.pdf.

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APPENDIX A

STATE GOVERNMENT PAYROLL CARD FEES*

(See Appendix B for international fees)

FEE	ALABAMA (WELLS FARGO)	ARIZONA (BofA)*	GEORGIA (COMERICA)	INDIANA (PNC)	KANSAS (NETSPEND SKYLIGHT)	KENTUCKY (BofA)*	MISSOURI (NETSPEND SKYLIGHT)
Card Issuance, Monthly Fee	$0	$0	$0	$0	$0	$0	$0
Get Cash							
ATM-In-Network (per deposit)	1F/$1.50	$0	2F/$1.25	1F/$1.05	1F/$1.50	$0	$0
ATM-Out-of-Network (per deposit)	$1.50	$1.50	$1.25	$1.05	1F/$1.50	$1.25	$1.75
Bank Teller (per deposit)	$0	$0	$0	1F/$2.10	$0	$0	$0
Convenience Checks	n/a	n/a	n/a?	n/a?	$0	n/a	$0
Transfers	n/a	$0	$1.50	n/a?	$0	$0	$0
Spend Money							
Purchased with Signature	$0	$0	$0	$0	$0	$0	$0
Purchased with PIN	$0	$0	$0	$0	$0	$0	$0
Electronic Bill Pay	n/a?	$0	n/a?	n/a?	$0	$0	$0
Information							
Balance at In-Network ATM	$0	$0	$0	$0.40	$1.00	$0	$0
Balance at Out-of-Network ATM	$0	$0	$0	$0.40	$1.00	$0	$0
Automated Customer Svc	$0	$0	5F/$0.35 +1F/ $0.10 for texts	2F+1F per deposit/$0.40	$0	$0	$0
Live Customer Svc (per mo.)	1F/$2.00	$0	5F/$0.35	2F+1F per deposit/$0.40	$0	$0	$0
Monthly Mailed Statements	n/a?	$0	n/a?	n/a?	n/a?	$0	$0
Ad Hoc Statement Requests	$0	$0	$0	$0	$0	$0	$0
Research	$0	$0	$0	$0	$0	$0	$0
Penalty Fees							
ATM Decline (# free/deposit)	$0	$0	$0	1F/$0.20	$1.00	$0	$1.00
Point of Sale Decline (# per deposit)	$0	$0	$0	$0	$1.00	$0	$0
Overdraft Fee	$0	$0	$0	$0	$25.00	$0	$25.00
Legal Process Fee	$0	$100.00	$0	$0	$0	$0	$0
Lost/Stolen							
Replacement Card (per year)	1F/$15.00	1F/$2.50	$5.00	1F/$5.00	1F/$7.00	1F/$3.00	$0
Express Delivery	$15.00	$15.00	$15.00	$15.00	n/a?	$12.50	n/a?
Emergency Cash/Wire Transfer	n/a?	$15.00	n/a?	n/a?	n/a?	$15.00	n/a?
Other Fees							
Second Accountholder Card	$15.00	n/a	n/a?	n/a?	$0	n/a	n/a?
Stop Payment	n/a?	$0	n/a?	n/a?	n/a?	$0	$15.00
Inactive/Closed							
Inactivity Per Month (X days/mo.)	$0	$0	$1.25 (12 mo.)	$0.50 (14 mo.)	$5.00 (120 days)	$0	$5.00 (60 days)
Acc't Closing/Funds by Check	n/a?	$0	n/a?	n/a?	$10.00	$0	n/a?

*BofA = Bank of America
1F/$1.00 =1 free, then $1.00
Red font indicates a fee higher than most other cards charge.

n/a = The service is not offered.
n/a? = Unclear if the service is not offered or if the service is free.
?* = The state's fee schedule and response were not clear.

APPENDIX A

STATE GOVERNMENT PAYROLL CARD FEES* *(continued)*

(See Appendix B for international fees)

FEE	NEBRASKA (US BANK)	NEW HAMPSHIRE (BofA)*	NEW JERSEY (BofA)*	OHIO (KEYBANK)	OKLAHOMA (CHASE)	OREGON (US BANK)
Card Issuance, Monthly Fee	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Get Cash						
ATM-In-Network (per deposit)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
ATM-Out-of-Network (per deposit)	1F/$1.25	1F per week/$1.50	2F/$1.00	$2.00	2F/$1.00	2F/$2.00
Bank Teller (per deposit)	$0.00	$0.00	1F per week/$4.00	$0.00	$0.00	$0.00
Convenience Checks	n/a?	n/a	n/a	n/a?	n/a?	n/a?
Transfers	$2.00	$0.00	$0.00	n/a?	F to Chase/ $0.50	n/a?
Spend Money						
Purchased with Signature	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Purchased with PIN	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Electronic Bill Pay	n/a?	$0.00	$0.00	n/a?	$0.25	n/a?
Information						
ATM Bal Inquiry - In-Network	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
ATM Bal Inquiry, Out-of-Network	$0.00	$0.00	$0.00	$0.50	$0.00	$0.00
Automated Customer Svc	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Live Customer Svc (per month)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Monthly Mailed Statements	n/a	$0.00	$0.00	$3.00	n/a?	$0.00
Ad Hoc Statement Requests	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Research	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Penalty Fees						
ATM Decline (# free per deposit)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Point of Sale Decline (# per deposit)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Overdraft Fee	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Legal Process Fee	$0.00	$100.00	$100.00	$0.00	$0.00	$0.00
Lost/Stolen						
Replacement Card (per year)	$0.00	1F/$5.00	1F/$5.00	$5.95	$0.00	$0.00
Express Delivery	$15.00	$15.00	$15.00	$25.00	$15.00	$15.00
Emergency Wire Transfer	n/a?	$15.00	$15.00	n/a?	n/a?	n/a?
Other Fees						
Secondary Account Card	$5.00	n/a	n/a	n/a?	n/a?	$0.00
Stop Payment	n/a?	$0.00	n/a?	n/a?	n/a?	n/a?
Inactive/Closed Account						
Inactivity Per Month (after X days/mo.)	$2.00 (270 days)	$0.00	$0.00	$2.95 (180 days)	$1.50 (12 mo.)	$2.00 (12 mo.)
Account Closed/Funds by Check	n/a?	$5.00	$5.00	n/a?	n/a?	n/a?

*BofA = Bank of America
1F/$1.00 =1 free, then $1.00
Red font indicates a fee higher than most other cards charge.

n/a = The service is not offered.
n/a? = Unclear if the service is not offered or if the service is free.
?* = The state's fee schedule and response were not clear.

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APPENDIX A

STATE GOVERNMENT PAYROLL CARD FEES* *(continued)*

(See Appendix B for international fees)

FEE	SOUTH DAKOTA (FIRST PREMIER BANK)	TEXAS (BofA)*	VIRGINIA (COMERICA BANK)	WASHINGTON (US BANK)	WEST VIRGINIA (CITI)	WISCONSIN (US BANK)
Card Issuance, Monthly Fee	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Get Cash						
ATM-In-Network (per deposit)	$0.00	$0.00	5F per month/$1.45	$0.00	$0.00	$0.00
ATM-Out-of-Network (per deposit)	0?*	3F per mo./$1.50	$1.45	$1.75	$1.95	$2.00
Bank Teller (per deposit)	$0.00	3F per mo/$3.00	2F/$2.50	$0.00	$0.00	1F/$3.00
Convenience Checks	n/a?	n/a	n/a?	n/a	$0.00	$0.00
Transfers	n/a?	$0.00	$1.50 (via IVR)	$0.00	$0.00	n/a?
Spend Money						
Purchased with Signature	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Purchased with PIN	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Electronic Bill Pay	n/a?	$0.00	$0.50	$0.00	n/a	$0.00
Information						
ATM Bal Inquiry - In-Network	$0.00	$0.00	1F per month/$0.50	$0.00	$0.00	$0.50
ATM Bal Inquiry, Out-of-Network	$0.00	$0.00	$0.50	$1.00	$0.00	$1.00
Automated Customer Svc	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Live Customer Svc (per month)	$0.00	$0.00	$0.00	$0.00	$0.00	3F/$3.00
Monthly Mailed Statements	$0.00	$0.00	n/a?	$2.00	$0.00	$2.00
Ad Hoc Statement Requests	$3.00	$0.00	$0.00	$0.00	$0.00	$0.00
Research	Up to $25/hour	$0.00	"We may charge such costs to your available funds."	$0.00	$0.00	$0.00
Penalty Fees						
ATM Decline (# free per deposit)	$0.00	$0.00	2F per month/$0.50	$0.00	$0.25	$0.50 out of network
Point of Sale Decline (# per deposit)	$0.00	$0.00	$0.00	$0.00	$0.25	$0.00
Overdraft Fee	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Legal Process Fee	$0.00	$100.00	$50.00	$0.00	$0.00	$0.00
Lost/Stolen						
Replacement Card (per year)	$5.95	1F/$5.00	1F every 3 yrs/$5.00	1F/$5.00	1F/$3.95	$0.00
Express Delivery	n/a?	$15.00	$15.00	$15.00 (expedited), $25.00 (overnight)	$12.95	$15.00
Emergency Wire Transfer	n/a?	$15.00	n/a?	$0.00	n/a?	n/a?
Other Fees						
Secondary Account Card	n/a?	n/a	n/a?	n/a	$3.95	$5.00
Stop Payment	n/a?	$0.00	n/a?	$25.00 (convenience checks)	n/a?	n/a?
Inactive/Closed Account						
Inactivity Per Month (after X days/mo.)	$5.00 (5 mo.). After 12 mo., acct. is closed, check is mailed for $15	$0.00	$1.25 (14 months)	$2.00 (90 days)	$0.00	$0.00
Closed/Funds by Check	$15.00	$5.00	n/a?	n/a?	n/a?	n/a?

*BofA = Bank of America
1F/$1.00 =1 free, then $1.00
Red font indicates a fee higher than most other cards charge.

n/a = The service is not offered.
n/a? = Unclear if the service is not offered or if the service is free.
?* = The state's fee schedule and response were not clear.

APPENDIX B

INTERNATIONAL FEES ON STATE GOVERNMENT PAYROLL CARDS*

STATE	ATM	ATM BALANCE INQUIRY	INTERNATIONAL TRANSACTIONS	CUSTOMER SERVICE	CARD REPLACEMENT
Alabama (Wells Fargo)	$1.50	$0	3%	?	?
Arizona (Bank of America)	$3.50	$0	2%	$0	$15.00
Georgia (Comerica)	$1.25 + 3%	$1.25	3%	?	?
Indiana (PNC)	1F/$1.05	$0.40	$1.50	?	?
Kansas (NetSpend Skylight)	1F/$1.50	$1.00	$0	?	?
Kentucky (Bank of America)	$3.00	$0	2.5%	?	Quote at request
Missouri (NetSpend Skylight)	$2.00	$0	$0	?	?
Nebraska (US Bank)	$1.25	$0	3%	?	?
New Hampshire (Bank of America)	$3.50	$0	2%	$0	Quote at request
New Jersey (Bank of America)	$3.00	$0	2%	$0	Quote at r equest
Ohio (KeyBank)	$3.00	$0.50	2%	?	?
Oklahoma (Chase)	$0	$0	3%	?	?
Oregon (US Bank)	$3.00	$0	up to 3%	?	?
South Dakota (First Premier Bank)	$0	$0	3%	?	?
Texas (Bank of America)	$3.50	$0	2%	1F/$5	Quote at request
Virginia (Comerica)	$1.50	1F per month/$0.50	2%	?	?
Washington (US Bank)	$3.00	$1.00	3%	$0	$0
West Virginia (Citi)	$0	$0	$0	?	?
Wisconsin (US Bank)	$3.00	$2.00	3%	?	?

*Red font indicates a fee higher than most others cards charge.

1F/$1.00 = 1 free per deposit, then $1.00

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APPENDIX C

NETSPEND OVERDRAFT PROGRAM FACT SHEET

42%

of prepaid cardholders have no emergency savings.[2]

NetSpend's Optional Overdraft Protection Program helps cardholders cover emergencies

With the most customer friendly pricing and practices

Principles	NetSpend Prepaid	NetSpend Paycard
Customer choice and awareness	Customers must opt-in, enroll in e-sign, provide an e-mail address.	Customers must opt-in, NetSpend sends paper notices for Overdraft opt in and out.
Encourage customer success	There is no fee if the customer repays the overdrawn amount within 24 hours from the time the transaction settles.	There is no fee if the customer repays the overdrawn amount by the time the transaction settles.
Discourage excessive use	• Customers can incur no more than 3 fees per month. • Customers are cooled off after 12 fees in 12 months. • $100 maximum negative balance inclusive of fees.	• Customers can incur no more than 5 fees per month. • Customers are cooled off after 18 fees in 12 months. • $125 maximum negative balance inclusive of fees.
Overdraft fees should be reasonable and proportional	• Overdrafts up to $10 incur no fee. • $15.00 fee per transaction if exceeds Free Buffer ($10.01+) or account is not reloaded within 24 hour grace period	• Overdrafts up to $ 5 incur no fee. • $ 25.00 fee per transaction if exceeds Free Buffer ($5.01+).
No re-ordering of debits to maximize the number of overdraft fees	• All fees are pended at the time the transaction is authorized. • Transactions are never re-ordered.	
Overdraft should not be marketed as a source of credit	All overdraft communications include a reminder that it is an expensive service that should not be overused.	

[2] Pew Charitable Trust, Why Americans Use Prepaid Cards (2014), http://www.pewtrusts.org/uploadedFiles/PCS_Assets/2014/Prepaid-Cards-Survey-Report.pdf

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