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United States Senate

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The Honorable Elizabeth Warren
Special Assistant to the President and Special Advisor to the Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Warren:

Congratulations on your appointment as Assistant to the President and Special Adviser to the Secretary of the Treasury for the creation of the Consumer Financial Protection Bureau. I have no doubt that your unique insight will prove invaluable during the CFPB's formative beginning.

I write to you today concerning prepaid debit cards, a financial product that is growing at an astronomical rate. As you are aware, consumers have come to increasingly rely on these cards instead of checking accounts, debit cards and credit cards. As recently as 2008, the size of the prepaid card market was \$247.7 billion, with one recently completed study projecting the market size in 2011 to be \$427.5 billion – an increase of approximately \$180 billion over three years.


Numerous consumer advocacy groups have called for oversight of this rapidly expanding industry. These cards serve a valuable purpose, but they often come with many fees and poor disclosure of those fees and the terms under which they can be used. They do not have the same guaranteed consumer protections as credit and debit cards, although they are often marketed and used as substitutes for credit and debit cards. And furthermore, many members of the underbanked community use prepaid cards and are often exploited due to their lack of knowledge of the banking system as a whole. All of these factors clearly speak to the need for prudent regulation of this burgeoning industry.

To that end, I have worked on legislation with all stakeholders – consumer advocacy groups, banks, prepaid card providers – that would provide for full disclosure of fees to the consumer before the time of purchase and to limit fees to a specified list to facilitate consumer comparisons of different prepaid cards. In addition, consumers would be granted protections similar to the ones they enjoy with debit cards from the FDIC.

I would like to work with you and the CFPB to properly regulate this industry and if necessary to develop legislation to protect consumers without stifling competition. Please feel free to contact me or my staff on this important issue as we move forward.

I wish you the best of luck in your efforts to set up the CFPB to protect American consumers and thank you for your kind attention to this matter.

Sincerely,



ROBERT MENENDEZ
United States Senator