

APA Visa[®] Paycard Portal

How Are Paycards Different Than Other Prepaid Cards?

Prepaid cards have received a great deal of media attention lately. A common theme of these articles is that prepaid cards currently are unregulated, allowing issuers to charge hidden fees. While extolling the virtue of full disclosure, these publications fail to tell the whole story. Namely, that paycards, a form of prepaid card, already are subject to significant regulation. On the state level, most wage payment statutes require that employees receive their full wages each pay period without discount. This generally means that employees must be able to access all of their wages at least once each pay period without fees or other costs.

On the federal level, Federal Reserve Regulation E requires disclosure of any fees that may be incurred as a result of the employee's discretionary uses. Just like employees who decide to use a check-cashing service to cash their paycheck, or employees with direct deposit who decide to access wages from an out of network ATM, employees with paycards may incur fees if they fail to take advantage of the many access methods that are offered free of charge. Due to Regulation E and state statutes with similar requirements, these fees should never come as a surprise to employees.

Regulation E includes a number of other consumer protections as well, and limits cardholder losses when paycards are lost or stolen. Employees with branded cards (i.e., those with a Visa, MasterCard or Discover logo) also are protected against most fraudulent uses by the brand's zero cardholder liability policy. Finally, the Federal Deposit Insurance Corporation (FDIC) has issued an opinion making clear that the funds loaded onto a paycard are FDIC insured.

Workers without bank accounts often incur high fees when cashing their paychecks and then incur additional costs when paying bills using money orders or traveling to a payment location to pay in person. Paycards provide these workers with the ability to access their wages in a much cheaper, safer and more convenient manner than when paper paychecks are used.