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| TRAINING AND EMPLOYMENT NOTICE | NO. 9-18 |
| | DATE November 19, 2018 |

TO: STATE WORKFORCE AGENCIES

FROM: MOLLY E. CONWAY /s/
Acting Assistant Secretary

SUBJECT: Regulation E Requirements for Prepaid Accounts (or Debit Cards)

1. **Purpose.** To remind state workforce agencies of the revised requirements in Regulation E for government programs that issue prepaid debit cards as a mechanism for paying non-needs tested benefits and for the financial institutions that provide the prepaid debit cards; and to announce that the Bureau of Consumer Financial Protection (Bureau) has extended the deadline for implementation of these requirements.

2. **Action Requested.** State Administrators are requested to provide this information to all staff responsible for implementing the requirements of 12 CFR Part 1005 (Regulation E), which includes regulation of prepaid accounts, such as prepaid debit cards that disburse non-needs tested government benefits.

3. **Summary and Background.**
 - a. Summary – This guidance provides information on the extension of the deadline for implementing the revisions to Regulation E. The new implementation deadline is April 1, 2019.

 - b. Background – The Electronic Fund Transfer Act of 1978 (EFTA) establishes basic rights, liabilities, and responsibilities for participants in the electronic fund transfer system, including entities offering electronic fund transfer services, consumers who use those services, and intermediaries. See 15 U.S.C. 1693 (stating purpose of statute) and 12 CFR 1005.1(b) (stating purpose of implementing regulation). Regulation E, which was originally promulgated by the Federal Reserve Board (Board), implements EFTA. The Board issued rules applying a modified version of Regulation E to certain products used to distribute funds pursuant to certain government benefit programs that became effective in 1997. The Dodd-Frank Act generally transferred jurisdiction on this issue to the Bureau. Regulation E carries out the purposes of EFTA and, like EFTA, protects individual consumers engaged in electronic fund transfers.

On October 5, 2016, the Bureau released the 2016 Prepaid Rule. This rule amended Regulations E and Z to add consumer protections related to prepaid accounts. This rule contains revised requirements for government programs that issue prepaid debit cards as a mechanism for paying benefits and the financial institutions that provide the prepaid cards.

State workforce agencies responsible for administration of the Unemployment Insurance (UI) program that utilize prepaid cards to provide unemployment benefits should review this rule and take the appropriate steps to comply with the revised requirements, which may require computer programming to implement.

On January 25, 2018, the Bureau released a final rule amending and clarifying certain provisions of Regulation E related to prepaid accounts and extending the effective date to April 1, 2019.

4. **Content.** The effective date of the amendments to Regulation E is April 1, 2019. The 2016 Prepaid Rule and its amendments are on the Bureau's website at:

<https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/prepaid-rule/>. This link also contains a wide array of information and tools to support implementation of the new requirements, including a summary of key changes for government benefit accounts, which can be found at:

https://www.consumerfinance.gov/documents/6094/cfpb_prepaid_government-benefit-accounts_2018-amendments.pdf.

5. **Inquiries.** The Bureau is responsible for all guidance related to Regulation E and its provisions. Therefore, states should forward any questions about the 2016 Prepaid Rule or its amendments to the Bureau at: <https://reginquiries.consumerfinance.gov/>.

6. **References.**

- 15 U.S.C. 1693 et seq. – *Electronic Fund Transfer Act, as amended*;
- 12 CFR Part 1005 – *Electronic Fund Transfers (Regulation E)*;
- Final Rule – Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and Truth in Lending Act (Regulation Z), 81 Fed. Reg. 83,934 (November 22, 2016);
- Final Rule – Prepaid Accounts Under the Electronic Funds Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z); Delay of Effective Date, 82 Fed. Reg. 18,975 (April 25, 2017); and
- Final Rule – Rules Concerning Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z), 83 Fed. Reg. 6,364 (February 13, 2018).

7. **Attachment(s).** Not Applicable