

May 7, 2009

The Honorable Christopher J. Dodd
Chairman, Committee on Banking, Housing and Urban Affairs
448 Senate Russell Office Building
Washington, DC 20510

RE: OPPOSE THE SCHUMER PREPAID CARDS AMENDMENT

Dear Chairman Dodd:

I understand that the Senate will soon consider your credit card legislation (S. 414). On behalf of the members of the Electronic Funds Transfer Association (EFTA), I am writing to express opposition to Senator Charles Schumer's amendment (adopted in Committee) affecting prepaid cards. I would very much appreciate the opportunity to work with your office to address the concerns that Senator Schumer's amendment is attempting to address, while at the same time insuring that consumers will be able to continue enjoying the benefits of this increasingly popular and important payment vehicle.

The EFTA is the nation's leading inter-industry professional association promoting the adoption of electronic payment systems and commerce. EFTA's diverse membership includes financial institutions, information processors, card organizations, automated teller machine (ATM) networks and owners, retailers, technology companies and government agencies. A list of the members of EFTA's Board of Directors is attached. Please note that none of the governmental members of EFTA were involved in the development of this letter. Many EFTA members are primary players in issuing and/or processing "open loop" prepaid cards (issued by a financial institution and useable at multiple merchant locations).

The Schumer amendment's critical flaw is the failure to differentiate between open loop prepaid cards and "closed loop" gift cards (typically useable at a single merchant) with respect to expiration dates and service fees. Open loop cards offer significant convenience and flexibility to consumers by offering them a way to budget monthly expenses, avoid bounced check or check-cashing fees, give parents the ability to provide funds to college aged children, as well as a gifting option that can be used at over 20 million merchants throughout the world. Open loop cards carry costs to the issuer, including card production, packaging and distribution, telephone and/or online customer service, protection against lost/stolen cards, fraud monitoring and prevention, data protection, and processing and acceptance service.

Many state legislatures initially considered legislation similar to the Schumer amendment. States that have enacted prepaid card legislation have generally recognized the difference between open loop and closed loop cards with respect to service fees and expiration dates. Given EFTA's deep history of, and commitment to, working with Congress and federal agencies on prepaid card issues, I ask you to strongly consider removing Senator Schumer's amendment from the final credit card reform legislation.

I appreciate your time and consideration in this matter. EFTA looks forward to working with you, your staff, Senator Schumer, and all interested parties on a workable solution.

Sincerely,

Kurt Helwig
President & CEO

cc: The Honorable Richard Shelby, Ranking Member
Senate Banking Committee
Senate Leadership