

**ALERTS**

## CFPB Proposes Six-Month Extension to Effective Date of Prepaid Accounts Rule

**March 10, 2017**

On March 8, 2017, the Consumer Financial Protection Bureau (“CFPB”) proposed to delay the effective date of its rule providing consumer protections for prepaid products (“Prepaid Accounts Rule”) for a period of six months, to April 1, 2018 (“Proposed Extension”). In its Notice of Proposed Rulemaking (“Proposal”),<sup>[1]</sup> the CFPB explains that the primary factors behind the Proposed Extension were discussions with industry participants and additional time to allow the CFPB to assess whether any adjustments to the Prepaid Accounts Rule may be appropriate. Comments on the Proposal will be due within 21 days of its publication in the Federal Register, which is expected to occur shortly.

### Background

On Oct. 5, 2016, the CFPB released a final version of the Prepaid Accounts Rule to create comprehensive consumer protections for prepaid accounts, including disclosure and error resolution requirements.<sup>[2]</sup> These protections include the extension of Regulation E coverage to prepaid accounts and adoption of provisions specific to such accounts, as well as the expansion of Regulation Z’s coverage to overdraft credit features that may be offered in conjunction with prepaid accounts. Pursuant to this final version, the Prepaid Accounts Rule has a general effective date of Oct. 1, 2017 (“Effective Date”).

### Proposed Extension

While the CFPB wants the Prepaid Accounts Rule to become effective “as soon as feasible,” it has determined the Proposed Extension is necessary to help facilitate compliance with the rule’s requirements. According to the Proposal, through its efforts to support industry implementation, the CFPB has learned of industry participants’ concerns regarding their ability to comply with the Prepaid Accounts Rule by the Effective Date while also ensuring continued availability of their prepaid products with minimal disruption to consumers. Due to these concerns, the CFPB has proposed a six-month extension to the Effective Date. The CFPB believes the Proposed Extension will be sufficient for industry participants to ensure compliance and also “would both allow more time for package printing and allow pull-and-replace processes at retail locations to occur after the winter holiday season, which is a particularly busy time for retailers.”

In addition to compliance concerns, the CFPB also cited the opportunity to assess whether any adjustments to the Prepaid Accounts Rule are appropriate as an additional consideration for the Proposed Extension. Specifically, the Proposed Extension will allow the CFPB to “more closely evaluate concerns raised by industry participants regarding certain substantive aspects of the [Prepaid Accounts Rule] that they assert are posing particular complexities for implementation or may have negative consequences for consumers that were not anticipated or fully explained by commenters in response to the [proposed rule published on Dec. 23, 2014], and to propose revisions to those provisions of the [Prepaid Accounts Rule] if it determines that amendments are necessary and appropriate.”

*Authored by Donald J. Mosher, Kara A. Kuchar and Adam J. Barazani.*

If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

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[1] The Proposal is available on the CFPB’s website.

[2] The final version of the Prepaid Accounts Rule is available on the CFPB’s website.

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