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Authors:

Courtney Rogers Perrin

It's EZ as 1, 2, 3 . . . Disclosure, limited liability and periodic statements required for prepaid accounts under the CFPB's new Prepaid Rule amending Regulations E and Z

The Consumer Financial Protection Bureau (CFPB) recently issued a final rule, the "Prepaid Rule," amending Regulations E and Z. The Prepaid Rule affects issuers of prepaid personal, household or family accounts by expanding the applicability of Regulations E and Z as of October 1, 2017. It brings "prepaid accounts" into Regulation E's definition of "account" and broadens the reach of Regulation Z's overdraft credit features. While this rule applies to digital wallets and P2P payments, the CFPB did not extend this rule to virtual currency.

A prepaid account is one that is preloaded, or can be reloaded, and that can be used at multiple, unaffiliated merchants or at an ATM. It does not necessarily have to be labeled as a "prepaid account," but cannot be a checking account, share draft account, or NOW account. Gift cards are also excluded from the definition.

Three of the biggest components of the rules are disclosure requirements, limited liability and error resolution, and periodic statements:

- **D**isclosure: Before account acquisition, the financial institution must provide the consumer with a short and long-form disclosure and other specific institution and fee information. The short-form disclosure must include the amount of a number of static and additional fees associated with use, even if the amount of such fee is $0, as well as statements about overdraft protections and FDIC/ NCUA insurance, while the long-form must provide a more comprehensive account explanation. Disclosure timing is more flexible for accounts sold in retail locations or by telephone. For examples of

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disclosures, click here.

- **Limited Liability**: All prepaid accounts, whether or not the consumer's identity has been verified, are entitled to limited liability and error resolution protections, but not necessarily to provisional credit. Verified accounts are entitled to provisional credit in the amount of the alleged error if the financial institution will take more than ten days to investigate, less a maximum of $50. If a consumer also has a hybrid prepaid-credit card from the account issuer, the issuer must offer an overdraft credit feature. However, a separate credit feature cannot be added to a prepaid account without consumer consent.
- **Periodic Statements**: Financial institutions must provide consumers with periodic statements or a periodic statement alternative. The periodic statement alternative requires readily available balance information, at least twelve months' electronic transaction history, and at least twenty-four months' written transaction history. Fees assessed must also be included. Financial institutions must also post prepaid account agreements electronically or send them to consumers upon request, and, as of October 1, 2018, must submit them to the CFPB.

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