



Nonprofit Publisher  
of Consumer Reports

March 25, 2010

Kenneth Binning, Vice President  
Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, CA 94105

RE: Green Dot Corporation Application to Acquire Bonneville Bancorp.

Dear Mr. Binning:

Consumers Union, the nonprofit publisher of *Consumer Reports*®, respectfully requests the Federal Reserve Bank of San Francisco to carefully consider the following concerns in its review of the application from the Green Dot Corporation under the Bank Holding Company Act to acquire 100 percent of the voting shares of Bonneville Bancorp and thereby indirectly acquire voting shares of Bonneville Bank both of Provo, Utah.

We take this opportunity to express our concern that this acquisition will provide growth for an even larger second-tier banking system, which will negatively impact many consumers.

Green Dot is a vendor of prepaid cards. Prepaid cards, or “general purpose reloadable cards, are marketed as sensible, attractive alternatives to check cashiers and traditional bank accounts.<sup>1</sup> However, consumers face dangers and traps with prepaid cards, which are becoming the foundation of a second-tier banking system that shadows the traditional banking system.

Thus, we ask you to consider the following concerns:

**1. Green Dot Should Hold Funds So That They are Protected to the Individual Cardholder**

Consumers should have peace of mind that the funds on their prepaid cards are protected. Consumers rely on these funds for important household purposes, oftentimes in lieu of traditional bank accounts. To protect these funds, Green Dot should make certain that prepaid card funds are either kept in individual accounts or if the funds are pooled, that the funds qualify for deposit insurance on a pass-through basis.

The FDIC recently clarified that funds underlying prepaid cards, or stored value cards, qualify for deposit insurance on a pass-through basis when held in a pooled account. The FDIC’s new

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<sup>1</sup> “The prepaid card industry refers to prepaid cards as “general purpose reloadable cards.” Michelle Jun, Consumers Union, *Prepaid Cards: Second-Tier Bank Account Substitutes*, (August 2009), available at <http://www.defendyourdollars.org/Prepaid%20WP.pdf>.

General Council Opinion No. 8 (GC8) issued on October 31, 2008, lays out the criteria for pass-through coverage.

We believe any prepaid card program, including those by Green Dot, should be required to either set up funds in individual accounts in the name of the cardholder or held in pooled accounts that meets the FDIC's "pass-through" requirements: 1) the account records at the insured depository institution must disclose the existence of a custodial relationship; 2) the records of the insured depository institution or records maintained by the custodian or other party must disclose the identities of the actual owners of the funds and the amount owned by each such owner; and 3) the funds are owned by the cardholders.

## **2. Green Dot Should Provide Regulation E Protections by Contract Until Federal Law Provides Such Protections**

General use reloadable prepaid cardholders should have the same protections that debit cardholders enjoy. Prepaid cardholders should be assured that losses will be capped when prepaid cards are lost or stolen or when unauthorized charges are made. Prepaid cardholders should be assured that missing money will promptly be credited not later than 10 business days.

Until Regulation E protections are extended to prepaid cards by federal law, Green Dot should provide these important consumer protections to its cardholders by contract. Currently, it appears that most, if not all, of Green Dot's prepaid products Cardholder Agreements provide Regulation E-like protections. We urge that this will continue, and that these terms are carried out and upheld by Green Dot.

## **3. Green Dot's Prepaid Cards Should Provide Simple, Straightforward Fee Schedules and Structures**

The fee structures and fee schedules for prepaid card products are often confusing and difficult to find. Consumers need to be able to see all of the fees upfront in order to comparison shop between different cards, and to decide which prepaid card works best for their needs. We provide the following suggestions for how Green Dot may provide simpler fee structures and provide better fee information:

- Prepaid card fees should be displayed in a simple comprehensive chart, much like the Schumer Box for credit cards, which displays important fees with clear explanations for what the fees are for;<sup>2</sup>
- Monthly costs should be capped for use of prepaid cards and should be known up front;
- Fee information should be provided in plain sight: on the outside of prepaid card packages; prominently on prepaid card website homepages; and, in other places consumers find prepaid cards;
- Fee advertising that creates an impression of low cost by touting the absence of one fee without disclosing other fees should be stopped;
- Overdraft or shortage fees should be eliminated;
- Dormancy or inactivity fees should be eliminated; and
- Paper Statements should be provided to consumers monthly for no fee or a nominal fee.

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<sup>2</sup> Similar to the "Schumer Box" for credit card terms and fees. 12 C.F.R. 226.5a

Consumers Union appreciates this opportunity to provide our comments and concerns regarding Green Dot's application to acquire Bonneville Bancorp.

Sincerely,

Michelle Jun  
Staff Attorney  
West Coast Office