

Empowerment through Financial Education

A Program of the Southeastern Credit Union Foundation

Prepaid Card Basics

Many purchases require a credit or debit card. Unfortunately, not all of us have one. Prepaid cards may be a convenient alternative to these forms of payment and to cash. Learn more about prepaid cards to see if they're right for you.

Key Concepts:

- **Prepaid Card:** A prepaid card is a bit like a credit or debit card because you can use it to pay for purchases instead of using cash except it is not tied to an account and You can purchase prepaid cards without having to apply with a financial institution. With a prepaid card, money is loaded onto the card before use. It is a safe alternative to carrying cash and paying check-cashing fees.
- **Closed Loop Gift Cards:** A card used for transactions exclusively at a particular merchant's locations.
- **General Purpose Reloadable Cards (GPR):** A prepaid card that you can add money to that has a network (i.e. Mastercard, Visa) brand, and can be used anywhere cards are accepted.
- **Teen and Student Cards:** Parents can teach teens and students financial responsibility while monitoring their spending with these cards.

Prepaid Cards

Prepaid cards are an alternative to credit and debit cards, but there is a lot of information you should know. Here are a few key points to keep in mind.

1. **Make purchases:** Prepaid cards can be used to make purchases, pay bills, make withdrawals at ATMS, receives wages or funds by direct deposit much like a debit card.
2. **Convenience is key:** Prepaid cards are easy to get, securable, and don't carry big risks to your financial profile.
3. **Do not impact credit:** Since prepaid cards don't require you to open an account with a financial institution, your transactions may not be reported to any credit bureaus.
4. **May have fees:** while you may not have to pay interest on your purchases with using a prepaid card, you may still encounter fees associated with activation, cash reload, transactions, transfers, and card replacement.
5. **Provide protection:** The CFPB guarantees certain protections with prepaid cards. For some of the protections to apply, you must register your card with the company that issued the card. FDIC (Federal Deposit Insurance Corporation) insurance protects consumers so that if the card issuer goes out of business, your money doesn't disappear with them (for credit unions, it's NCUA, or National Credit Union Administration, insurance). If a prepaid card is not FDIC or NCUA insured, it must be stated on the packaging.

Learn More About Your Rights!

You have certain rights under the law or under the terms of your cardholder agreement. It's important to know your rights and how to exercise them. Additionally, depending on your card, you may have you may have insurance if the bank issuing your card goes out of business. Visit the [CFPB website](#) to learn more about prepaid cards and your rights.

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