

CFPB Proposes Additional Changes to the Prepaid Rule

Article By:

Lucille C. Bartholomew

On June 15, 2017, the CFPB [announced](#) that it is [proposing](#) for public comment certain modifications to its prepaid rule. The rule, which was issued in final form in October 2016, limits consumers' losses for lost and stolen prepaid cards, requires financial institutions to investigate errors, and includes enhanced disclosure provisions.

The [final rule](#) unexpectedly granted Regulation E error resolution rights to consumers holding unregistered prepaid accounts, a provision that was not part of the CFPB's [original proposal](#). Financial institutions criticized this aspect of the final rule, arguing that providing error resolution rights to holders of unregistered accounts would invite and open new avenues for fraud. Financial institutions also argued that it would be difficult, if not impossible, to investigate alleged errors if they have little to no information about the purchasing customer. As a result, financial institutions have claimed that, if the CFPB retains error resolution rights for unregistered prepaid accounts, they would no longer provide immediate access to funds on such accounts.

To address these concerns, the current proposal would require consumers to register their prepaid accounts to qualify for Regulation E error resolution rights, including the right to recoup funds for lost or stolen cards. Under the CFPB's proposal, however, Regulation E error resolution rights would apply to registered accounts even if the card was lost or stolen before the consumer completed the registration process.

The proposal also requests comment on provisions that would create an exception for certain digital wallets. Under the proposed exception, customers using digital wallets linked to a traditional credit card product would continue to receive Regulation Z's open-end credit protections and would not receive the protections of the credit-related provisions of the prepaid rule.

As discussed in a [prior post](#), in April 2017, the CFPB extended the compliance date for the prepaid rule from October 1, 2017, to April 1, 2018. In the latest proposal, the CFPB requests comment on whether it should extend the compliance date even further.

The proposal also includes other adjustments and clarifications regarding the definition of a prepaid account, pre-acquisition disclosure requirements, submission of prepaid account agreements to the CFPB, and unsolicited issuance of access devices. Along with its proposal, the CFPB has released an updated version of its [Prepaid Rule Small Entity Compliance Guide](#).

Comments on the CFPB's proposal are due 45 days after publication in the Federal Register.

© 2025 Covington & Burling LLP

National Law Review, Volume VII, Number 169

Source URL: <https://natlawreview.com/article/cfpb-proposes-additional-changes-to-prepaid-rule>