Assembly Committee on Banking and Finance ~~Committee~~
Informational Hearing

October 12, 2005
1:00 p.m.
~~—~~State Capitol, Room 126

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The Growing Use of Stored Value Cards

Background

Introduction

In terms of America's payment system, we are rapidly becoming a house of cards. Credit cards, debit cards and prepaid or stored value cards (SVCs) are replacing checks and even cash as the chosen method of payment for everything from lattees to laser surgery~~—~~.

As described in a recent report on SVCs, "Credit cards allow consumers to 'buy now, pay later,' while debit cards work in a 'buy now, pay now' mode. With prepaid products, by definition, consumers 'pay now, buy later.'" ("Understanding Prepaid and Stored-Value Payment Products: A Framework for Discussion", John Gould, Tower Group, January 2005)

The term "prepaid" does not accurately describe all SVCs, however. As discussed below, some SVCs are used in lieu of paychecks. These payroll cards are not prepaid, but instead provide the worker with the compensation he or she has earned.

~~In simple terms, SVCs are essentially a plastic alternative to cash or checks.~~ It is estimated that the global market for all stored value applications in 2004 was nearly $500 billion. In simple terms, SVCs are essentially a plastic alternative to cash or checks~~With SVCs,~~ where the monetary value of the card is stored on either a magnetic stripe or with a computer chip that holds a fixed value that can be spent by the cardholder. When the card is used, the funds are deducted from the card. In most cards, the deduction is immediate, but with certain technology the deduction may be delayed.

SVCs may be disposable or reloadable. Disposable cards store a one-time fixed amount. Reloadable cards can have funds added to the card one or more times by the cardholder, employer or other parties who are providing funds for the cardholder.

SVC systems are often described as either "closed-loop" or "open-loop" systems. In a pure closed-loop system, the SVC is accepted only by a single store, such as a local gift shop, or a chain of stores and perhaps its affiliates like The Gap and Banana Republic.

With an open-loop system, the cardholder can use the card for multiple purposes and at many points of sale in order to purchase goods or services or even to pay bills. Open-loop cards may be issued for use in one mall where the cardholder can use the card to make purchases at any store in the mall. These cards, which are sometimes referred to as "quasi-closed loop" may be co-branded with the name of the mall and a bank card logo like MasterCard or Visa.

Other open-loop cards may be usable at any place a bank card is accepted, not just the stores in one mall. These SVCs use signature-based technology and some of these cards may be used with ATMs and point of sale (POS) machines.

"Non-branded cards" use PIN-based technology. These cards may be used for transactions only through POS or ATM networks, but not signature-based transactions.

With SVCs the cardholder has no association with a depository institution the way he or she would have with a debit card that is linked to a checking, savings or NOW account.

As card issuers amass funds to pay for the value of the cards, typically the issuer pools funds in a single account with different subaccounts for each card. Depending on how the issuing entity treats the accounts (some are "pooled" accounts and some, for accounting purposes, are actual bank accounts held by the individual consumer), SVCs may or may not carry FDIC insurance. ~~See b~~

Below ~~for~~is a further discussion of the regulation of SVCs as well as an overview of some of the current uses for SVCs. Because of the dynamic nature of these cards, this is not meant to be an exhaustive discourse but instead provides a general indication of how the cards are governed and how they are used.

Gifts Cards and More: The Wide Array of Uses for Stored Value Cards

The uses and types of prepaid or stored value cards grow everyday. SVCs were developed and first used in the 1970s. College campuses established systems where students could use the cards at the campus book store, dining hall and other retailers on or near the campus. Public transit systems also used SVCs to enable riders to purchase and hold fares for future rides.

In the early 1990's prepaid phone cards grew in popularity. Today, gift cards are the SVC of choice for many people. According to a 2004 survey by ValueLink, a division of First Data Corporation that issues gift cards, 64 percent of adults in the US – approximately 139 million people – either bought or received a gift card in the past 12 months. In 2001, just 36% had bought or received a gift card.

In the last few years, gift cards have changed the complexion of the holiday season. In 2004, about $17.3 billion was spent on gift cards, making up around 11 percent of total holiday spending. Because most retailers do not count gift cards in their sales revenue until after the cards are redeemed, the holiday sales season now extends past December 25th into January as shoppers flock to store after Christmas to use the cards they received.

Most ~~According to ValueLink, ___ % of~~ gift cards are redeemed within the first month after they are received.~~— days of receipt.~~ However, it is estimated that 10% of funds on gift cards are never redeemed. ("Beware Strangers Bearing Gift Cards," *Business Law Today*, November/December 2004)

California law, created by AB 1092 (Harman) (Chapter 116, Statutes of 2003~~, Statu 2003~~) added closed-loop gift cards to the laws governing gift certificates. Under AB 1092 gift cards that may be used only with affiliated sellers of goods or services are treated just like gift certificates. Therefore, with few exceptions, these gift cards may not be sold with expiration dates and they remain valid until redeemed or replaced. In addition, gift cards may not impose service fees. Dormancy fees are permitted if (1) the value remaining is $5 or less; (2) the fee does not exceed $1 per month; (3) there is no activity for 24 months; (4) the cardholder may add value; and (5) the fees are clearly disclosed. (Civil Code, Section 1749.5) Closed-loop gift cards are also exempt from escheat laws under most circumstances.

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Gift cards that are usable with multiple sellers of goods or services are exempt from the gift certificate law and are not exempt from the escheat law. AB 175 (Calderon) would require that the seller or issuer of these gift cards would have to disclose clearly to the consumer the card's purchase price and any service, maintenance, dormancy or other fees associated with the card. AB 175 is currently being held in the Senate Judiciary Committee.

In addition to providing a great way to ease the burden of holiday shopping, SVCs are being used as employee incentives and as rewards for customer loyalty.

More and more often, SVCs are also being used as a disaster relief tool. For this use, the cards are like a debit card with a specified cash value. They are used to provide funds to those who have suffered a loss from a man-made or natural disaster. Typically, these cards are open loop and enable the holder to purchase basic necessities. Although FEMA’s attempt to use them for victims of hurricane Katrina turned into a disaster itself, the American Red Cross has effectively been using SVCs for several years.

Following a disaster, the cards provide immediate cash to those who may have lost everything or to those who cannot get to their personal funds because they are unable to access their bank account.~~FEMA~~

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~~**Public Sector Uses**~~

Payroll and Benefit Cards for Private Employers

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A growing number of employers are using SVCs as a way to provide employees with wages or other benefits such as flexible spending accounts that pay for out-of-pocket medical expenses.

Payroll cards can be a cost-effective way for employers to pay their employees because the cost of loading funds on a card can be less than the cost of issuing a check. SVCs can also be cost-effective for employees, particularly for those employees without a bank account, because accessing funds through a SVC may cost little or nothing while check cashers typically charge high fees for their services.

Payroll cards offer various features and fees but most work in similar ways. The employer signs on with a payroll processor, paying an enrollment fee based on the number of workers who will be issued cards. Each pay period, the employer sends its payroll to the processing firm. After subtracting taxes and other deductions, the processor sends the data to a bank that transmits it to a special individual account linked to a worker's payroll card. The worker may carry a balance on the account from pay period to pay period but the funds do not earn interest.

Once the wages are credited to the account, they can be withdrawn using the payroll card at an ATM, which may charge a fee. The card can also be used to purchase goods and services like a debit card. If a payroll card is reported stolen or lost within 48 hours, it will be replaced and the lost pay restored. An employee may incur a fee to replace a card.

In California, Section 212 of the Labor Code ~~requires A~~authorizes an employer to pay employee wages by check or similar instrument, as long as it is negotiable and payable in cash, on demand, without discount, at some established place of business in the state and is accompanied by a written itemized statement. It also authorizes an employer to deposit employee wages directly into an account in any depository institution of the employee's choice, provided the employee has voluntarily authorized such deposit.

~~The Dept of Labor has interpreted~~ In a May 6, 2004 opinion letter, the California Department of Industrial Relations (DIR) responded to a question about whether a corporation could require employees who do not voluntarily choose to receive wages through direct deposit to be paid through a "stored value card system."

DIR concluded "Mandated use of the stored value card system would be illegal under Labor Code §§212 and 213, which among other things restrict the manner in which wages made be paid through an instrument other than cash, but which authorize direct deposit to specified financial institutions *if* voluntarily authorized by the employee. Mandated use of this system would also appear to violate comparable requirements within Fair Labor Standards Act regulations . . ."

In part because of the ~~DOL~~DIR opinion, Assemblyman Benoit introduced AB 822 in February 2005. As amended on May 2, 2005, -AB 822 would have allowed employers, if voluntarily authorized by an employee, to transferring wages to a payroll card that can be used to access funds at an ATM, provided that the employee ~~is~~was entitled to at least one

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Formatted: Font: (Default) Times New Roman, 12 pt pay card transaction without charge per pay period. AB 822 was held in the Assembly Labor Committee.

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~~Early uses of SVCs in the United States included public transportation, public assistance payments, and child support payments. Many unbanked consumers have been using SVCs to access public benefits for years. For instance, in Illinois, welfare recipients have been receiving their benefits electronically since 1996. Moreover, in 1996, the Debt Collection Improvement Act (DCIA) was passed to require the use of electronic funds transfer (EFT) for most Federal payments, with the exception of tax refunds, starting January 2, 1999.1 SVCs today take several forms, including gift and phone cards, payroll cards, and prepaid debit cards. SVCs are an increasingly popular instrument for one-time uses such as life insurance payments and moving expenses.~~

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~~In spite of the Department of Labor opinion~~Even without AB 822, some California employers are already using payroll cards to provide wages to their employees. It is unclear at this time how many California employers are offering payroll cards and how many employees are using them. ~~, but the cards are in use today.~~ Based on what the Assembly Committee on Banking and Finance staff has learned, employers who offer payroll cards are issuing them only when employees voluntarily agree to accept them and at least one transaction per pay period is provided at no cost to the employee.

Public Sector Uses

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In the last few decades, state and federal governments have sought out innovative ways to reduce the cost associated with delivering benefits and providing services through the use of costly paper based payment systems.~~-~~ Today, SVCs are becoming the mainstream way to provide benefits for various government services.

The U.S. Department of Agriculture first experimented with a SVC system to replace traditional food stamp coupons in Reading, Pennsylvania in 1984. While the project was successful, it was cost prohibitive because it operated through a closed system rather than unitizing the existing commercial electronic funds infrastructure.

In 1996, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law No. 104-193) which mandated the replacement of the paper-based Food Stamp Program (FSP) with the Electronic Benefit Transfer (EBT). In August of 1997, California enacted legislation providing the authority for the state Department of Health and Human Services ~~(?)~~ to proceed with the EBT project.

The EBT is the automated delivery, redemption, and reconciliation of the FSP and cash benefits program. It provides clients electronic access to food stamp and cash benefits through the use of EBT cards at point-of-sale devices. The goal of the EBT project is to reduce the cost of delivering benefits to clients and to help clients better manage their financial affairs.

In EBT systems, food stamp recipients apply for their benefits by filling out a form at their local food stamp office. After eligibility and the level of benefits have been determined, an account is established in the client's name. Benefits are deposited in the client's account each month and he or she is issued a plastic card resembling an ATM/Debit card. Upon receiving the card the client must either call a special phone number to choose a PIN or make an appointment to choose a PIN in person. Recipients are allowed to change their PIN at any time.

Federal law prohibits any charges for using EBT for food stamp benefits. However, recipients may have to pay ATM surcharges when they withdraw cash benefits. In California, recipients of both food stamps and cash benefits receive them on the same card.

Under the federal food stamp program regulations, traditional food stamp coupons may not be used to purchase household items (cleaning products, garbage bags, etc) or for the purchase of alcohol. With the advent of EBT combining food stamp and cash benefits on one card, the question arises of how the differentiation is made between products that can be purchased with food stamps and those that cannot.

As with the paper coupons, the merchant is responsible for ensuring that those items that are complaint with the food stamp program are paid for via the client's food stamp account. This is accomplished either through a manual separation of compliant food items from other items, or through the technology of the merchant's check out system that automatically separates cash and food stamp items.

Typically, when a client pays via a compliant POS system and he or she chooses "EBT" is then given two choices: "food stamps" or "cash." If the items being paid for consist of both, the system would deduct the appropriate amounts from each account.

In its initial stages of development EBT program was implemented under a series of best practices such as:

- Recipients choose their on PINs
- A 24 hour a day, 7 day a week toll free telephone access to report and deactivate a lost of stolen card.
- Support over the help line in 11 different languages.
- Prohibit the mailing of "live" EBT cards.
- Monitor card non-use and follow up with recipients who are not using their card. (The system does not keep a record of what a client buys)

The EBT project is the largest public sector use of SVCs nationwide. At this time all California counties use the EBT system for the payout of food stamps and/or cash benefits. Serving more than one million California households that depend on public assistance programs creates ongoing operational challenges. For example, each of California's 56 counties administers its own welfare department and must be able to connect and interface with 19 different data centers and exchange data with seven eligibility processing centers.

EBT is on its way to achieving numerous savings and benefits. A 2003 report from the California Health and Human Services Data Center outlines several advantages of the EBT system:

- Improved efficiency of the benefit delivery system and the ability to conduct a detailed audit on the issuance and redemption of benefits.
- Improved ability to detect and track fraud.
- Elimination of the cost for printing food stamp coupons.
- Utilization of existing POS systems.
- Reduction of retailers' overhead cost related to handling food stamps.
- Better serving the un-banked population.

In addition to the EBT program, the state of California has examined the idea of using SVCs for the payment of state disability insurance benefits, unemployment insurance, and workers compensation benefits but to-date these programs are still making payments the old-fashioned way. Some states, such as Massachusetts, dispense child support payments in the form of SVCs, but California has not moved in that direction.

~~The California Department of Labor~~

~~SVC systems operate in two ways. One is the "closed-loop" system, which can be used only for the issuer's products or for limited purposes, such as prepaid gift cards through retailers like Old Navy or many prepaid phone cards. "Open-loop" systems offer. The issue of FDIC insurance for SVCs is a point of some controversy, and it will be discussed in greater detail below.~~

Regulation of ~~Stored Value Cards~~SVCs

The incredible growth of the SVC industry has not led to an equivalent growth in government oversight or regulation of the sellers or issuers of the cards on either the state or federal level. This is due in part because regulators have been uncertain how to define these instruments. Even when they do, ~~the uses of~~ SVCs and the related technology keep evolving into new products and uses~~expanding~~.

In researching the laws and regulations governing SVCs, there are still many unresolved regulatory questions, such as: Are SVC issuers money service businesses (MSBs)? Are these accounts depository accounts? When are the funds FDIC insured and when are they not? Are SVCs covered by Regulation E? At what point do SVCs become currency?

Below is an overview of some of the major laws, regulations and proposed regulations which attempt to answer some of those questions. This is by no means an exhaustive list of all of the opinion letters and advisories that have been issued by the regulators in regards to various types of SVCs.

State Law Governing SVCs

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One of the uncertainties for issuers of SVCs is whether state MSB laws apply. Closed-loop cards generally are not regulated by state MSB laws. As described above, in California gift cards are governed like gift certificates and issuers are not subject to licensing. To the extent that the these cards are governed by laws in other states, it is usually to provide protections for consumers who purchase gift cards rather than to restrict who can issue the cards or require licensing of issuers.

For open-loop cards, according to the California Department of Financial Institutions, the issuers in California are not subject to any of the special licensee laws. In a few other states, state MSB laws do apply. In Texas, for example, the seller of certificates and/or cards that may be redeemed in any store in a shopping mall must obtain a license under the Sale of Checks Act (Texas Financial Code §152.001 et seq.). In a February 19, 1998 opinion letter the Texas Department of Banking determined:

> "The mall certificate differs from a gift certificate issued directly by a merchant. Once the gift certificate is redeemed for merchandise, the transaction is complete. A mall certificate, on the other hand, requires two exchanges: one between the customer and merchant for goods or services, and one between the merchant and vendor for cash. This second exchange is significant. Because the merchant must exchange the certificate for cash with a third-party vendor, mall certificates constitute an instrument for the transmission or payment of money to another, and fall within the scope of the Act."

Federal Regulation of SVCs

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Federal Reserve Board (FRB)

The FRB has proposed regulations on SVCs several times, but has not acted to-date. In 1996, the FRB issued proposed amendments to Regulation E (12 C.F.R. § 205 (1996)) which implements the Electronic Fund Transfer Act. Regulation E establishes various requirements for electronic fund transfers (EFTs) including requiring banks to produce monthly statements for consumers, limiting the liability of consumers against fraud and implementing procedures to handle fraudulent transactions claims of consumers. Regulation E currently covers numerous types of consumer transactions, including ATM withdrawals and debit card transactions.

The 1996 amendments included provisions under which many SVCs would be exempt from Regulation E, and others would be covered under limited requirements. (61 Fed. Reg. 19,696 (1996))

After the proposed regulations were issued but before they were finalized, Congress directed the FRB to conduct a study on whether the proposed regulations would adversely affect the cost, development, and operation of SVCs. The FRB noted it was difficult to determine whether the benefits to consumers would outweigh the costs given the limited use of SVCs at that time.

The report concluded that full compliance with Regulation E would likely result in substantial operating and opportunity costs.. ("Report to the Congress of the Application of the Electronic Fund Transfer Act to Electronic Stored-Value Products" March 1997). As a result of the report, the 1996 proposed regulations were not adopted.

In September 2004, the FRB issued a proposed rule that would provide that payroll card accounts established either directly or indirectly by an employer on behalf of an employee in order to provide employee compensation on a recurring basis are covered by Regulation E. This means that payroll cardholders would receive initial disclosures, periodic statements, and other consumer protections such as the ability to dispute charges and correct errors on their payroll card account. The account would be subject to the regulation whether the account is operated or managed by the employer, a third-party payroll processor, or a depository institution. (69 FR 55996 (September 17, 2004).

These proposed rules have raised concerns from the issuers of payroll cards and consumer groups. The issuers of payroll cards are worried about the requirement to provide periodic statements to account holders. Consumer groups, on the other hand, feel that the regulations should include more than just payroll cards for recurring compensation. Reloadable SVCs and payroll cards for one-time compensation should also be included.

Federal Deposit Insurance Corporation (FDIC)

In contrast to the FRB, the FDIC did issue a legal opinion relating to SVCs in 1996 (FDIC General Counsel's Opinion No. 8, 61 Federal Register 40490 (August 2, 1996)). The opinion created a complicated classification scheme to determine whether or not funds kept in accounts for SVCs were insured deposits.

The FDIC held that stored value products issued by banks are insured if the funds underlying the electronic cash remain in a customer's account until it is transferred to a merchant or other third party, who in turn collects the funds from the customer's bank. However, bank-issued electronic cash does not result in an insured deposit when the underlying funds are placed in a reserve or general liability account held by the issuing bank to pay merchants and other payees as they make claims for payments.

In April 2004, the FDIC issued a Financial Institution Letter (FIL-44-2004) requesting comment on proposed regulations that would supplant their 1996 opinion. These new regulations were necessary because developments in the SVC industry meant that the previous scheme was "at a minimum incomplete, and may be obsolete".

The 2004 proposed rule defined a “stored value card” as “a device that enables the cardholder to transfer the underlying funds (i.e., the funds received by the issuer of the card in exchange for the issuance or reloading of the card) to a merchant at the merchant’s point of sale terminal.” The FDIC explicitly excluded closed loop cards from coverage under the proposed rule.

Under the proposed rule, SVCs issued by insured depository institutions were treated differently than those issued by "sponsoring companies" (i.e. entity other than an insured depository institution that issues SVCs.) The funds used to purchase SVCs issued by insured depository institutions would be considered deposits unless the institution kept the funds in a pooled reserve account without subaccounts for individual cardholders or other records indicating the amounts owed to individual cardholders. Funds that qualify as deposits would be insured on a "pass-through basis" to the individual cardholder. In other words, in the event of a bank failure, the cardholder would be the beneficiary of the FDIC insurance.

For sponsoring companies, the question of whether or not funds are insured was more complex. Reserve accounts with funds that a sponsoring company placed at a depository institution for the purpose of making payments on SVCs issued by the company would be considered deposits. In addition, funds collected by a depository institution from cardholders in exchange for SVCs issued by a sponsoring company would be deposits as long as the institution had the funds. Once the funds were forwarded to the sponsoring company the funds would no longer be deposits and therefore would not be insured.

If the funds supporting a sponsoring company's SVC were insured, they may be insured to the cardholder on a pass-through basis or to the sponsoring company. The deposit is insurable to the cardholder if: (1) the fiduciary relationship between the sponsoring company and the cardholder is expressly disclosed in the depository institution's account records; (2) the cardholder's interest in the funds is can be determined from the depository institution's account records or from records maintained by the sponsoring company; and (3) the deposit belongs to the cardholder. If these conditions are not met, the deposit is insurable to the sponsoring company.

The 2004 proposed regulations were never adopted and in August 2005, the FDIC issued new proposed regulations which would expand the definition of "deposit" even further and therefore establish insurance for more cardholders. Under the 2005 proposed regulations:

> "The first party (the party who places the funds at the bank) would be treated as the insured depositor unless (1) the records of the insured depository institution indicate that the first party is not the owner of the funds, AND (2) the records maintained by the depository institution or the first party reflect the identities of the cardholders and the amount payable to each cardholder. If both of these requirements are satisfied, the funds held by the depository institution would be insured on a 'pass-through" basis to the cardholders. (Financial Institution Letters, FIL-83-2005, August 22, 2005)

The FDIC is also requesting comments on whether disclosures to stored value cardholders about the insured status of the funds should be mandated. The FDIC's deadline has set a November 7, 2005 deadline for receiving comments.

Financial Crimes Enforcement Network (FinCEN)

As part of the US Treasury Department, FinCEN has determined that under certain circumstances, companies that issue, sell and redeem SVCs are MSBs and are therefore subject to the provisions of the Bank Secrecy Act (BSA) (31 USC 1051 *et seq*). The BSA was enacted in 1970 to prevent financial service providers from being used as intermediaries for or to hide the transfer or deposit of money derived from, criminal activity. The goal of this law is to prevent drug trafficking, terrorism, money laundering, and other crimes.

In April 2002, FinCEN promulgated regulations for the USA Patriot Act which made changes to the BSA. Those regulations established that a company providing SVCs is not considered to be an MSB (and is therefore exempt from the regulations) if it does not reach either of two financial activity thresholds: (1) the company does not sell SVC for amounts greater than $1,000; or (2) the company does not redeem SVCs for an amount greater than $1,000 from any person on any day in one or more transactions. In a subsequent ruling, FinCEN determined that the definition of "stored value" does not include closed loop cards, including SVCs like a mall-wide gift card.

Other Federal Regulators

Among the federal regulators of depository institutions, the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the National Credit Union Administration have all issued various opinion letters and advisories to their respective member institutions regarding SVCs in general and payroll cards in particular.

With regard to gift cards, in a January 2005 letter to the Massachusetts Attorney General the OCC indicated that it does not believe that state consumer protection laws governing gift cards are preempted by federal law even if the cards are issued by a national bank. ~~that state consumer protection laws apply to retail gift cards even if issued by a national bank. OCC Acting Chief Counsel Daniel Stipano sent a letter to Massachusetts Attorney General Tom Reilly stating that the OCC does not believe that the National Bank Act preempts state laws in this regard.~~ The OCC wrote this letter in response~~OCC's position supports Reilly's motion~~ to ~~dismiss~~ a lawsuit filed by Simon Property Group., Inc., the nation's largest shopping mall owner. In the suit, Simon maintained~~maintains that state laws are preempted~~ because their cards are issued by a national bank state laws did not apply. ~~,~~

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The Massachusetts Attorney General claimed that Simon violated state laws by subtracting $2.50 a month from gift cards that had an unused balance after six months, and charging a $7.50 fee to reactivate an expired card. Under Massachusetts state law gift cards must be redeemable at full face value for up to seven years after they are issued.

Using SVCs to Build Credit and Assets

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Since their inception, SVCs have been hailed as a way to help serve the unbanked and help reduce their dependence on high-cost services like check cashers. ~~Many banks and other depository institutions are using SVCs as a way to reach out to individuals who have no banking relationship.~~

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SVCs can be more broadly used because they generally do not require the identification and high quality credit score that effectively bars millions of individuals — especially immigrants — from opening traditional bank accounts. SVCs are also a more convenient product for those who live in communities where ~~there are~~ no bank branches are located nearby. However, many banks and other depository institutions are using SVCs as a way to reach out to individuals who have no banking relationship. The goal of these institutions is to build a relationship that will ultimately lead to the cardholder becoming an accountholder.

Today the challenge is to figure out how to use SVCs to establish a credit record for young people or for those who have no credit record because they have never had a traditional relationship with a bank. Others are exploring the use of SVCs to help people build assets.

~~SVCs can be purchased and reloaded at a growing number of locations other than bank branches, such as check cashers, convenience stores, and other retailers. SVCs can provide immediate availability of funds at a lower cost than some alternatives, such as check cashers.~~
Because SVCs are prepaid, they are more difficult to overdraft. This works to the long-term benefit of both the cardholder and the issuing bank. ~~Today the challenge is to figure out how to use SVCs to establish a credit record for young people or those who have no credit record because they have never had a traditional bank account or credit card relationship.~~ Some SVC issuers are working with credit bureaus to establish a way to use the information obtained with reloadable SVCs to establish credit.

In addition, SVC providers and community groups are trying to find a way to use the cards to help more people increase their financial assets. Some providers are exploring the idea of adding interest-bearing accounts that would be served by SVCs.
~~To-date, there is no widely accepted method, but as the use of SVCs continues to grow they are likely to become a credit-building tool in the near future.~~

To-date, SVCs are not widely accepted as a credit- or asset-building tool, but as the use of SVCs continues to grow they are likely to include these functions in the near future.

~~Florez bill~~
~~AB 822~~

~~Fema /red cross~~

~~Using SVC to build credit~~

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