

An Employee's Guide to Payroll Cards

What is a payroll card? A payroll card is a reloadable prepaid card offered by an employer as a way for its employees to receive their wages electronically. Payroll cards, like direct deposit, are a form of electronic payment and an alternative to paper paychecks. Each payday, the employee's net wages are deposited directly into the payroll card account. The employee can then use the card anywhere a debit card is accepted to buy things, get cash and pay bills.

The employer is responsible for researching card vendor options, negotiating card costs and features, and choosing the best payroll card program for the company and its employees—one that is easy and convenient to use, provides many beneficial features, and is most affordable to employees. The vendor is



Payroll card basics

- ✓ Net wages are deposited into the payroll card account each payday—the funds are available for use immediately.
- ✓ The card can be used to make purchases, get cash, and, in many cases, pay bills.
- ✓ If you don't want to use the card to make purchases or payments, you can access your full net wages at least once per pay period for free—guaranteed.
- ✓ A credit check or banking relationship is not required to get a card since the product is prepaid, not credit.
- ✓ A payroll card is typically less expensive than using a check-cashing service and paying bills with money orders or cashier's checks.
- ✓ A payroll card is safer than carrying large amounts of cash.
- ✓ There are many ways to use a payroll card at no cost.
- ✓ When payroll cards are offered, you must be able to choose from at least one other wage payment method, such as direct deposit. Some states require that employees also be given the option of receiving a paper check.
- ✓ You can switch from a payroll card to direct deposit at any time.
- ✓ Your employer does not have access to your transaction history and cannot see how you use the card or where you spend your money.

responsible for, among other things, providing card packets and cardholder disclosures, providing cardholders with access to their transaction histories and account balances, and delivering customer service.

A well-designed payroll card program can benefit both employer and employees.

This guide is for you if you have been given the option of receiving your wages on a payroll card or you already have a payroll card. It explains how payroll cards can be used, presents their features and benefits, and provides tips for using a payroll card to your best advantage while avoiding potential costs.

Payroll Card Types

Branded payroll cards. Payroll cards are "branded," meaning that they carry the logo of a major payment network (such as Visa and MasterCard). You can use a branded card with your personal identification number (PIN) at ATMs and at in-store point-of-sale terminals, and with your signature at stores, restaurants and other businesses worldwide that accept debit cards. A payroll card can also be used to pay bills in person, online or by phone, and to make hotel, airline, rental car and other types of reservations.

Your program might allow free or low-cost funds transfers to other accounts. International transfers (remittances) using the card often cost less than wiring money.

Personalized cards. Payroll cards are typically personalized with the employee's name. Despite this personalization, your employer will not have access to information about where and how you spend your money.

Instant issue cards. Some employers offer an instant issue card without an employee's name on it that can be quickly assigned to a particular employee for immediate use. An instant issue card can be used by the employee until the personalized card arrives.

Portable cards. "Portable" payroll cards can be used to receive funds from any employer that offers payroll direct deposit—this could be a second employer if you have more than one job, or a new employer if you change jobs. You can also add money to the card yourself, or use it to accept funds from other sources, such as a tax refund or government benefits. You can tell your card is portable if you were given an account number (usually different than the account number on the face of the card) and a routing number by your card issuer. If you aren't sure, you can contact customer service to find out.

If your card is not portable, you cannot have funds added from other sources. And if you leave your job, you can access the remaining funds on the card but it will no longer work when the balance reaches zero. (If you would like to continue to use your card, you should check the cardholder website to see if the vendor provides an option for you to upgrade to a portable card.)

Accessing Your Wages

Net wages are deposited into each employee's payroll card account on payday, and the funds are available immediately. The funds deposited into your card account belong to you. Identical to direct deposit, an employer may be able to reverse a deposit, but only in the case of an error in calculating your net wages.

Is a payroll card right for me?

When deciding how to receive your wages, consider:

✓ Do I have a bank account? If not, could I open one? How much would a bank account cost me, given my average balance and the way I'll use the debit card, compared to using the payroll card?

✓ Is there a large, surcharge-free ATM network linked to the payroll card so I can get cash where and when I need it without a surcharge from the owner of the ATM?

✓ How can I check my balance whenever I want to, easily and at no cost?

✓ What are the ways I can avoid all or most of the costs associated with the card?

You must be given free access to your full wages at least once per pay period.

With a Visa- or MasterCard-branded payroll card, you can obtain your full net wages in cash at least once per pay period from tellers at any financial institution that is a member of the same payment brand network—not just the bank that issued your payroll card—at no cost. Some programs also give you the option to access your full net wages by writing a check out to yourself for the full amount and taking it to a designated establishment to receive cash at no cost. Checks for this purpose are typically included in your new card packet.

ATM withdrawals. You also can use your payroll card to access cash at ATMs. Some payroll cards offer one or more free in-network ATM withdrawals per pay period. You can locate in-network ATMs online, at the same website where you log in to your card account, or ask your employer for a list.

Because ATMs don't issue exact change, and because most banks limit the amount of money that may be withdrawn from an ATM in a single day, it is unlikely you would be able to withdraw all the cash in your card account at one time at an ATM.

You are never required to withdraw your payroll card balance all at once. Many employees take advantage of the security and flexibility that a card offers by storing some funds on the card for purchases, bill payments and later cash withdrawals.

Cash back with purchase. If you need cash, you also have the option to ask for "cash back" when you make a PIN transaction at a grocery store, drugstore, the Post Office, etc.



Payroll Card Costs

Watch for fees and learn how to avoid them. Like other methods of accessing your wages, such as cashing a check or using a debit card, payroll cards may involve certain costs. These can include a charge for some ATM withdrawals, PIN transactions, overdrafts and inactivity. Costs will vary based on the specific program that is being offered by your employer.

The good news is that most (if not all) payroll card costs are avoidable. The key is understanding what costs you could incur and how

you can work around them. For example:

- ◆ Programs do not charge inactivity fees if the employee is still receiving wages on the card. To avoid an inactivity fee (if you are no longer receiving any wages on the card), use the card at least once per month. Or withdraw all of the money and close the card if you don't plan to use it again.
- ◆ To avoid a fee for PIN transactions, sign for the purchase (credit option) instead of using your PIN (debit option).
- ◆ For non-urgent inquiries, send an email message or use the vendor's automated phone system for customer service.
- ◆ Check your balance online, by text or email message, or through the card issuer's automated phone system to avoid an ATM balance inquiry fee. Many programs now also offer a free mobile application (app) for smartphone users that allows free access to your account information while on the go.

Like other financial accounts, all payroll cards come with a fee schedule. Read the notice that comes with your card packet thoroughly so that you understand exactly if and when you may incur a fee, how much it would be, and how you could avoid it. Contact the vendor if you have questions.

Overdraft fees. Typically, your card won't allow you to spend more money than is in the account. However, it is possible that a transaction that overdraws your account could be processed. If this happens, the account will show a negative balance until the next deposit. You cannot be charged an overdraft fee if your vendor approves an ATM or one-time transaction that exceeds your account balance unless you have been given the option, and specifically agreed (opted in), to pay a fee for this service. You can avoid spending more than you have and incurring an overdraft fee for other types of transactions (recurring bill payments, for example), or being charged a denied transaction fee, by carefully monitoring your card's balance and tracking your purchases.

As is the case with credit and debit cards, using your payroll card for certain transactions, such as buying gas at the pump, paying for a restaurant meal or checking in to a hotel, could trigger an automatic "hold" on funds. A "hold" is a temporary freeze that could last a day or longer, until the final transaction amount is processed. If you plan to use your card for these types of transactions, plan ahead to avoid getting caught short.

Consider your options. Remember, you have a choice between direct deposit into a bank account or receiving your wages on a payroll card. Compare both options to determine which one best meets your needs and is most economical considering how you'll use your account. (Some banks have minimum balance requirements for free or low-cost accounts.)

If your card is lost or stolen

Immediately call customer service and report the loss or theft. Your card will be deactivated and you will be provided with a new card with the same value as the missing one. As with a checking account debit card, there may be a fee for a replacement.

Keep your payroll card vendor's contact information in an accessible place, separate from the card, so you can call as soon as you notice your card missing. Reporting the issue immediately is the key to limiting your liability for unauthorized transactions.

Monitoring Your Account

Account history. The vendor typically will make at least 60 days of account history available to you online at no charge, and might also provide your most recent transactions through its automated phone system. You can always request a written statement. (There might be a fee for a written statement due to the cost of postage, etc.)

Account balance. There are many options for you to check your balance. These include signing in to your account online, using an automated phone system, talking to a customer service representative, making a balance inquiry at an ATM, signing up for text or email alerts, or using a mobile app. As with a debit card, some of these options, such as ATM inquiries and live customer service, may incur a fee. Avoid charges by understanding how you can check your balance for free and taking advantage of those options.

Pay stubs. Irrespective of the way you get paid—by direct deposit, by payroll card or by check—you will most likely receive a statement of earnings and deductions (pay stub) from your employer each pay period, either electronically or in paper form. This is separate from the transaction history provided by the payroll card vendor. (Remember, your employer can't see how you use your payroll card). Review your pay stub to make sure your employer calculated your wages correctly. Contact your employer if you believe there has been an error.

Consumer Protections

Deposit insurance. Network-branded payroll cards are usually insured by the government for up to \$250,000 per account to guarantee the safety of the account. Ask your employer whether your payroll card account is FDIC- or NCUA-insured up to the maximum amount.

Limited liability for unauthorized transactions. Payroll cards are governed by the same liability rules as debit cards. This means that your maximum liability for unauthorized transactions is \$50 if you notify the card issuer within two business days of learning that your card has been lost or stolen. Your liability can reach \$500 if you do not notify the issuer within this time period. Your liability may become unlimited if you fail to notify the issuer within 60 days after the transaction has been posted and you have received or accessed a record of the transaction.

“Zero liability” protection. Network-branded payroll cards provide “zero liability” protection, which means that you are not responsible for unauthorized purchases. However, there are some exceptions to the protection such policies offer. Read your vendor's cardholder agreement or terms of service to understand your responsibilities and how you are protected.

Consumer Action

www.consumer-action.org

Submit consumer complaints about consumer problems to our advice and referral hotline: hotline@consumer-action.org or 415-777-9635

Chinese, English and Spanish spoken



Consumer Action thanks our sponsors:
Visa Inc., MasterCard, ADP, First Data, Commerce Bank and the
Network Branded Prepaid Card Association (NBPCA).

© Consumer Action 2014