



American Payroll Association, National Consumer Law Center Agree Payroll Cards Make Sense for Unbanked If Proper Guidelines Followed

1. ***Employees must be able to access their full wages in cash at least once each pay period without fees.*** Free and clear access is required by the state wage and hour laws and is critical to the success of any payroll card program. Common methods of cash access include bank teller transactions, ATM withdrawals, convenience checks and cash back from point of sale purchases.
2. ***Employees must have a choice of wage payment method and be able to change it.*** Under federal law, employees may not be required to receive their wages on a payroll card and must have the choice of another payment method, typically direct deposit to an account of the employee's choosing. State wage and hour laws may also require a choice of a paper paycheck option. Employees should know how to change their selection if they want to do so.
3. ***Employers should offer a payroll card that is widely accepted.*** The logo of a widely accepted payment brand (i.e., Visa, MasterCard or Discover) signals to employees that they can take their card to any bank that is a member of the payment brand and receive their full wages from the teller each pay period without fees. In addition, branded payroll cards can be used to make purchases and pay bills in person, online and over the telephone. A wide, convenient surcharge-free ATM network linked to the payroll card is also important to help employees avoid third party ATM surcharge fees.
4. ***Employers must provide clear information and training on use of the payroll card and possible fees.*** Training can ensure that employees understand the key terms and know how to access their wages without fees. Pricing for discretionary services should be reasonable and easily understandable.
5. ***Employees must be provided free and convenient access to account information.*** Employees need free access to account information to check their balance, spot unauthorized charges, monitor fees and manage their finances. They should not be charged a fee for responsible behavior, such as checking their balance using an automated telephone system. Additional free means of accessing account information, like automated text messages and smart phone applications, are becoming more common.



6. ***The funds in the payroll card account must have deposit insurance.*** Employee wages must be protected if the bank holding the funds becomes insolvent. Employers should select a program that maintains payroll funds in an FDIC- or NCUA-insured account on a pass-through basis to the individual cardholder.
7. ***Be wary of overdraft protection.*** Payroll cards are often promoted as a budgeting tool for low income workers. Employees usually can spend only those funds deposited onto the card. To prevent confusion and ensure that the program truly promotes financial responsibility, employers should consider selecting programs that do not offer overdraft protection or other embedded credit features. Such features can be unsafe for employees if used unwisely and can result in a cycle of debt. This principle does not prohibit a program from covering an occasional inadvertent overdraft transaction if there is no charge to the employee.
8. ***Be wary of employer incentives.*** Some payroll card programs pay cash incentives to the employer. Those funds might be better spent improving the card program for employees.

We believe that well-designed payroll card programs can live up to their promise, benefitting both employees and employers.

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