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**CONTACT:** Jennifer Tramontana  
NBPCA Director of Communication  
303-929-9636  
jennifer@nbpca.org

## **New Study Finds Prepaid Cards a Comparatively Less Expensive Alternative for Consumers**

**Montvale, NJ** - According to an economic study released today, consumers who opt to use a network branded prepaid card could pay as much as 35-70% less in fees compared to low balance checking and debit accounts, making prepaid cards a far more cost-effective, valuable financial tool for many.

The comparative economic analysis was conducted by economist Michael Flores of Bretton Woods, Inc, an expert on financial institutions. The study analyzed a range of payments options available to consumers, and their relative costs and benefits. It also looked at various kinds of prepaid cards, including analyzing the cost and benefits of both general purpose reloadable cards (the kind consumers buy for themselves) as well as prepaid cards tied to direct deposit (these are most often used by state governments to deliver benefits, by companies for payroll, etc.). While smaller studies have been done in the past, this is the first, comprehensive study that compares the costs of prepaid cards in the context of alternative financial tools.

"There is no question that prepaid cards are a much better option for many consumers," said Flores. "An objective review of the costs associated with these cards compared to costs of alternatives such as basic bank checking accounts, in addition to the safety and security associated of prepaid cards compared to cash, leaves no doubt that prepaid cards are a smarter option for many."

Prepaid cards have risen in popularity among consumers in recent years. These cards offer many of the same benefits, including fraud and loss protections, as credit cards. However, they access funds pre-paid, eliminating the risk of debt or overdrafting. Prepaid cards open the door to large segments of the population who otherwise might not be able to access our card-based economy or consumers who want to more effectively budget their spending.

"The Bretton Woods report provides hard, empirical evidence behind the notion that network branded prepaid cards improve the lives of many people, by saving them money and time managing their finances," said Kirsten Trusko, President of the Network Branded Prepaid Card Association (NBPCA). "Prepaid cards afford the consumer the flexibility and security benefits of a traditional credit card without the risk of running up debt and overdraft charges. That's particularly critical in today's tough economic climate. Today's report goes a long way toward

silencing uninformed critics who want to remove this valuable tool as a financial option for millions of American consumers.”

To gain an appreciation of the costs to consumers using network branded prepaid cards, Flores assembled the pricing of basic FDIC insured checking accounts from the top four banks in the United States and the prices from largest providers of network branded prepaid cards in order to provide a basis of comparison of costs to consumers given similar usage patterns. The analysis also examined recent studies on a typical usage pattern for prepaid card users. The comparison revealed:

- ***A typical consumer with a low balance checking account can expect to pay \$200 to \$350 annually. These costs include overdraft charges, ATM fees and minimum balance fees.***
- ***Consumers without access to traditional banking and without a prepaid card must rely on a patchwork system of money orders, check cashing services and bill-payment fees. These fees cost the user from \$167 to over \$312 annually.***
- ***A consumer who chooses a prepaid card instead of a bank account with direct deposit (commonly for payroll or a government benefit) may pay between \$108 to \$207, a savings of \$96 to \$146 over a basic checking account.***
- ***General purpose prepaid card users can expect to pay \$215 to \$320 annually***



The full text of the report and a bio for Mr. Flores can be found [here](#).

#### **About Bretton Woods & Michael Flores**

Mr. Flores, President and CEO of Bretton Woods, Inc, is a subject matter expert in the area of financial institutions. He has over 30 years of financial institution experience in both hand-on experience and academic study. Mr. Flores specializes in the study of payment systems and

process improvement and reengineering through enabling technologies. He has testified in Congress and spoken to industry groups and has authored several studies and articles for industry publications. Previously, Mr. Flores served as a faculty member with Pacific Coast Banking School in Seattle, Washington where he taught *Technology's Role in Community Banking* curriculum for bankers in the graduate school.

### **About the NBPCA**

The Network Branded Prepaid Card Association (NBPCA) is a nonprofit, inter-industry trade association that supports the growth and success of network branded prepaid cards and represents the common interests of the many players in this new and rapidly growing payment category. The NBPCA's members include financial institutions, card organizations, processors, program managers, marketing and incentive companies, card distributors and law firms. The NBPCA's Working Groups drive the activities of the Association for its more than 42 members. For additional information, visit [www.NBPCA.org](http://www.NBPCA.org).