

United States Senate

WASHINGTON, DC 20510

November 3, 2015

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray:

We commend the Consumer Financial Protection Bureau (CFPB or Bureau) for its November 2014 study of prepaid account agreements and the protections these accounts provide, including access to account information, overdraft services, and fee disclosure information. We write to bring to your attention to predatory behavior in the prepaid card market that impacts a particularly vulnerable population, formerly incarcerated people.

As the Bureau moves forward with finalizing a proposed rule to strengthen protections for prepaid products, we urge you to take a second look at the impact of prepaid cards in the unique prison context. Prison release cards are a critical tool for people leaving prisons to transfer their earned wages and/or commissary account balances to a prepaid card. Any reductions to the wages and account balances of formerly incarcerated people could harm their ability to successfully reenter society.

Today, some firms charge high fees on prison prepaid cards that create significant barriers to reentry for formerly incarcerated people. Most corrections agencies that report using prepaid cards also report that fees are imposed on cardholders, including unusual fees such as weekly maintenance fees.¹ These cards often also include forced arbitration provisions.² As your recent study on arbitration showed, the rights of consumers nationwide are limited by forced arbitration in the financial services industry.³ As another example, states receive revenue from certain vendors chosen to provide prison release cards. Correctional facilities may also structure their contracts with prepaid card vendors in such a way that costs are entirely passed on to formerly incarcerated people.⁴

The CFPB's 2014 study of prepaid account agreements examined 325 account agreements. Only five, or 1.5 percent, of the agreements studied were prison release cards.⁵ Additionally, according to the Bureau of Justice Statistics, prison sentences have increased in recent decades. For example, prison sentences imposed increased from an average of 55.1 months during 1988 to

¹ Prison Policy Initiative, Comment to the CFPB proposed rule (March 18, 2015), available at <http://static.prisonpolicy.org/releasecards/CFPB-comment.pdf>.

² <http://static.prisonpolicy.org/releasecards/CFPB-comment.pdf>.

³ <http://www.consumerfinance.gov/reports/arbitration-study-report-to-congress-2015/>.

⁴ <http://static.prisonpolicy.org/releasecards/CFPB-comment.pdf>.

⁵ Consumer Financial Protection Bureau, "Study of prepaid account agreements," Nov 2014, http://files.consumerfinance.gov/f/201411_cfpb_study-of-prepaid-account-agreements.pdf

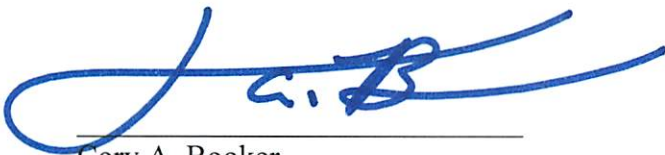
59.7 months in 2006. Longer sentences prolong the periods in which incarcerated individuals are removed from the consumer financial market. Moreover, as innovation increases the complexity of consumer financial products and transactions, imprisoned men and women fall further behind in financial capability. Therefore, this population is more susceptible to predatory harm than the general population and deserves specific redress.

Given the limited review of prison release cards in the CFPB's 2014 study of prepaid account agreements, the potential for financial abuse in the vendor-correctional facility relationships, and the distinctive vulnerability of men and women leaving prison, we request that the CFPB address issues surrounding prison release cards under the current rulemaking process for prepaid cards. Additionally, we request that the CFPB take a targeted look at a prison release card agreements and compare the provisions of these agreements to agreements in the broader prepaid card marketplace.

Thank you for your careful consideration of how the CFPB can provide increased transparency and consumer relief in the marketplace for prison release cards. Reforming the criminal justice system is one of the foremost civil rights issues of our time. Those who have paid their societal debts should not face predatory consumer practices upon their release from prison.

Please respond to this inquiry by November 30th, 2015. We look forward to working with you on this issue.

Sincerely,



Cory A. Booker
United States Senator



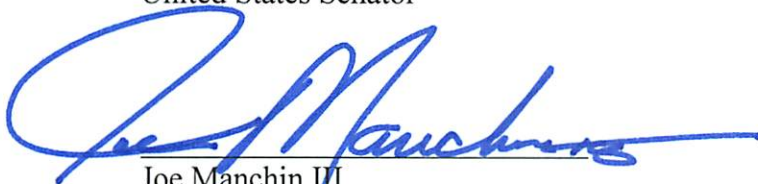
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United States Senator



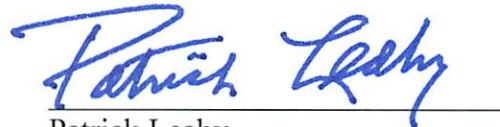
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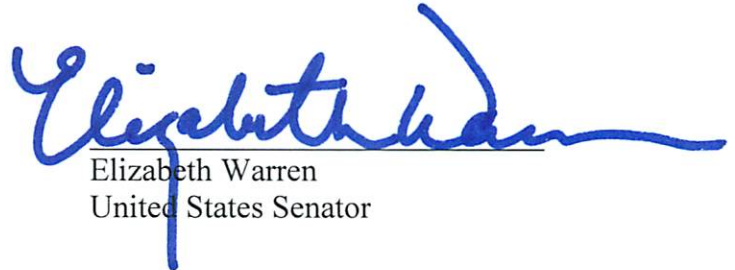
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