

Via Fax: (202) 452-3819

November 18, 2004

Ms. Jennifer L. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> and Constitution Avenue, N.W.  
Washington, DC 20551

**Re: Docket No. R-1210**

Dear Ms. Johnson,

I am writing on behalf of Woodstock Institute to strongly support the proposed amendments to 12 CFR 205 (Regulation E) which protects consumers using payroll cards from unauthorized transfers and undisclosed fees.

Woodstock Institute is a Chicago-based research, policy, and advocacy organization working to expand access to financial services and increase assets in low-income and minority households. Working with the Chicago CRA Coalition, which Woodstock Institute convenes, we have provided extensive comments to area banks on the benefits and challenges of using stored value cards to reach the unbanked.

This amendment would define a payroll card account directly or indirectly established by an employer to receive wages, salary, or other employee compensation on a recurring basis as an account which receives the consumer protections of the federal Electronic Funds Transfer Act.

Since the payroll card industry specifically, and the stored value card industry generally, is very diverse, this proposal should provide a definition that will include future product innovations. The stored value card product is currently used not only for payroll deposit in place of a paper check, but also for refund anticipation loan proceeds, unemployment benefits, child welfare payments, and as a substitute for a traditional bank account. In addition, it is possible that many stored value card products will include a savings component in the near future.<sup>1</sup>

The funds stored by these types of card are valuable consumer assets and we respectfully request that any new regulation not restrict or impose new conditions on the general reach of what is a “consumer asset account.”

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<sup>1</sup>Jacob, Katy. 2004 *Stored Value Cards: A Scan of Current Trends and Future Opportunities*. Center for Financial Services Innovation.

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Woodstock Institute supports the provision of the proposed amendment that applies Regulation E uniformly for payroll cards issued by financial institutions, employers, and third party issuers. This provision ensures that all workers receiving payroll cards will receive periodic statements and other consumer protections, regardless of the stored value card vendor selected by their employer.

Finally, Woodstock Institute strongly supports Regulation E protections applied to all funds in a payroll card account. These protections are important given current account management innovations, which may store funds in either a standard numbered account or as part of several pooled sub-accounts.

We appreciate the efforts of the Board of Governors of the Federal Reserve System to make the consumer protections of Regulation E addressing the electronic transfer of funds plainly applicable to payroll cards. Once again, we request that the Board extend the same clarity and protection to certain other types of stored value cards which are financially important to low-income households.

Sincerely,

Malcolm Bush, Ph.D.  
President

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