

Telemarketing Sales Rule, 16 CFR Part 310, Project No. R411001

NetSpend, a TSYS company (“NetSpend” or the “Company”) is located in Austin, Texas. For more than 11 years, NetSpend has provided program manager services for multiple prepaid debit card programs (“Programs”). Among the FDIC member banks issuing the Programs are MetaBank™ of Sioux Falls, South Dakota, The Bancorp Bank, Wilmington, Delaware, and The Bank of the Internet, San Diego, California. NetSpend currently serves some 3 million active Cardholders in the United States.

The Company’s products have proven attractive to underbanked and underserved consumers. The NetSpend prepaid debit card, whether it is a MasterCard or Visa card account, provides low-barrier to entry access to financial services with consumer protections equivalent to those associated with traditional bank accounts. While the NetSpend prepaid debit card account has many of the features of a checking account, our Cardholders may not create checks.

Notwithstanding this restriction, which is described in the Cardholder Agreement provided to each Cardholder, by way of example, one of our issuing banks receives thousands of Remotely Created Checks (RCCs) each month. While each of these RCC requests is automatically rejected by the bank, NetSpend incurs approximately \$75,000.00 per year in bank fees related to just that one bank’s processing of each check image. In addition, in both 2010 and 2011, we suffered significant losses from RCCs originated by First Bank of Delaware before it was sanctioned by the Department of Justice for abuses that included the creation of RCCs for fraudulent merchants and telemarketers wishing to skirt the rules of the electronic funds transfers networks.

NetSpend and our issuing banks cannot control this practice. Clearly, some financial institutions and their third-party vendors choose to ignore the 100% return-rate ensuing from RCCs created with the ABA routing numbers associated with our issuing banks. This is a situation where banks-of-first-deposit are profiting while receiving banks and their third-party service providers, such as NetSpend and its issuing banks are burdened with the costs.

NetSpend lauds the efforts of the Federal Trade Commission (the “Commission”) to better understand and address this issue. While our experience is limited to the negative effects of RCCs, we support the proposed ban on payment methods routinely employed in fraudulent telemarketing transactions, described in FTC Matter No: R411001. We also welcome the opportunity to share our expertise and assist the Commission at any stage of the rulemaking process. With its emphasis on eliminating the use of RCCs, this rule change would significantly benefit our business and ultimately our Cardholders.

