

Prepaid cards are improving the lives of the underbanked

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(Photo: AP file/Shawn Baldwin)

Russell Simmons is the co-founder of RushCard, which is headquartered in Blue Ash.

James Baldwin wrote: “Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.”

I agree. For years, I watched poor and working-class families struggle to make ends meet while working toward the American Dream. I knew I had to do something to help these folks. This was exactly my goal when I co-founded RushCard, one of the first general purpose prepaid cards in the country, over 14 years ago.

A 2015 FDIC survey tells us that 33.5 million households – 26.9 percent of the country – are unbanked or underbanked. When I started RushCard, I was tired of watching poor and working-class folks stand in lines outside of check-cashing stores for hours, only to then have to pay a fee to cash their hard-earned paychecks. I knew this had to change, and I was determined to provide a financial tool for those that had been purposely kept out of the traditional banking economy.



A man pays with a credit card in a Wal-Mart Ekono supermarket in Santiago, Chile. Some people make a hobby of juggling multiple credit cards to maximize rewards; others just want simplicity. If the idea of chasing credit card rewards as a pastime doesn't appeal to you, using just one credit card is a reasonable choice. (Photo: Associated Press file)

I'm proud to say since founding RushCard, the prepaid industry and popularity of prepaid cards as a critical financial resource has grown tremendously. According to The Nilson Report, Americans charged \$244 billion using prepaid cards in 2015. The usefulness and value of this tool are indisputable.

Like in any industry, regulation is necessary to remove bad actors and protect consumers. A recent op-ed in the Cincinnati Enquirer pointed to a technological glitch at our company as an example of why the Consumer Financial Protection Bureau (CFPB) needs to regulate the prepaid industry. What that piece failed to recognize is that we too support regulation of the industry and the CFPB. In fact, RushCard has been self-regulating for years, even though the industry does not require us to do so. We believe regulations not only protect consumers but create an even playing field for fair competition among companies.

More: [Portman needs to stand up for users of prepaid cards \(/story/opinion/contributors/2017/05/04/portman-needs-stand-up-users-prepaid-cards/101237198/\)](/story/opinion/contributors/2017/05/04/portman-needs-stand-up-users-prepaid-cards/101237198/)

I like to quote my new partner, Steve Streit, founder and CEO of Green Dot. Steve says, “A football game without rules and referees isn't a sport; it's a brawl. Like sports, to be successful, industry also needs rules and referees to ensure fairness, integrity and safety for all participants.” I couldn't agree

more.

It is also important to note the role that prepaid cards have played in empowering millions of un- and underbanked families across the country. JP Morgan Chase, the country's largest bank, has admitted that checking accounts cost them \$300 a year to maintain and that they can only really make any money with upper-middle class and wealthy families. For those who are prevented from getting checking accounts or who are not considered worthy customers, prepaid has provided a much-needed financial tool through which millions of these people can enter the mainstream economy.

Prepaid cards are also helpful for those customers who have had a history of financial problems and bad credit. For these customers, RushCard has provided a home to restore their financial well-being and let them feel like they are part of a bank, while enabling them to exercise financial discipline since they can only spend what is on their card. For our many middle-class and affluent customers, they choose RushCard because they understand that prepaid cards are a valuable, cheaper alternative to a checking account.

Folks that previously had to pay the excessive costs associated with check-cashing stores are keeping more of their hard-earned money by using prepaid. We know it is far cheaper to have your paycheck automatically deposited into your prepaid account than it is to pay 2 percent and in some states up to 10 percent in fees to cash your check. For a minimum-wage worker in Ohio making \$8.15 an hour, the difference in income is massive.

RushCard has always been a pioneer and leader in the prepaid industry and is proud to be headquartered in Cincinnati and call this city our home. Along with our new partner, Green Dot, we will continue to call for more accountability in the industry and serve as an example of transparency and innovation. We are committed to building and expanding the financial tools that millions of working-class and middle-income families rely on to improve their everyday lives.

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