Stored Value Cards: Challenges and Opportunities for Reaching Emerging Markets

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Purpose:
• Explore potential for stored value cards (SVCs) to allow consumers to build assets and improve credit records;
• Highlight policy issues related to SVCs

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State of the SVC Industry

• Products have not reached full potential in combining different types of functionality
• Consumer education & customer service are huge need and very costly
• Asset- & credit-building features are not on industry’s radar
  – Innovation mostly occurring in other areas
• However, some innovations in asset- & credit-building are occurring
  – Linkages with savings vehicles
  – Reporting of repayments of small extensions of credit
Barriers to Asset- & Credit-Building Features

• Lack of market research on SVC users
• Need for intensive consumer education
• Need for adjustments to structure of credit-reporting system
• Lack of data on value of SVC data in predicting creditworthiness
Policy Implications

- FDIC Insurance
- Regulation E
- Money Service Business Laws
- Patriot Act, BSA, KYC
- Payroll Card Issues
- Preemption of State Laws