

**Written Statement of Green Dot Corporation
For
Senate Committee on Aging Hearing
“Hanging Up on Phone Scams: Progress and Potential Solutions to this Scourge”
July 16, 2014**

Chairman Nelson, Ranking Member Collins and members of the Committee, Green Dot appreciates the opportunity to submit testimony for the hearing “Hanging Up on Phone Scams: Progress and Potential Solutions to this Scourge.” Preventing fraud against consumers, especially our vulnerable seniors, is a priority for Green Dot.

Our core product is the Green Dot Prepaid Debit Card which is a general-purpose reloadable MasterCard or Visa branded prepaid debit card. This card can be used to make purchases, to pay bills, to get cash and to access funds, just like any traditional MasterCard or Visa debit card. Today, Green Dot Corporation is the largest provider reloadable debit cards in the United States.

Green Dot Corporation also operates the Green Dot Reload Network, which offers consumers the ability to add cash to their prepaid card at 92,000 retail stores coast to coast. Green Dot cards and some 150 other prepaid card programs utilize the Green Dot Reload Network for the purpose of having their cardholders add cash to their prepaid cards. Customers may add cash to their prepaid cards using one of two methods. One method is the MoneyPak PIN method and the other is the “card swipe” method.

The MoneyPak PIN method of reloading a debit card requires the MoneyPak to be in-stock at the retailer and requires the customer to “load the card” with cash by paying a specified amount to the retailer. The consumer then goes online or makes a phone call to have the money on the MoneyPak transferred to their prepaid card using the PIN that is on the MoneyPak they have purchased.

Combating Fraud

On the Green Dot Network we process nearly 50 million reload transactions annually. A small percentage of those are transactions made by a person who buys a MoneyPak for the purpose of reloading a prepaid card for another person. Typically and most often, that other person is a family member. For example, a parent who is buying a MoneyPak to reload their college aged child's card. For this limited number of transactions, being able to remotely load funds is a convenience.

However, as the Committee has documented, this method of reloading a card is being exploited by scammers who target seniors with confidence scams. Such scams are designed to convince the senior that they have won a prize or some other similar enticement and that the way for the senior to collect the prize is to buy a MoneyPak for a specified amount of money and then provide the secret PIN number associated with that MoneyPak to the scammer. This is the equivalent of handing a stranger your bank debit card and telling them your secret PIN. As the Committee knows, the scammer immediately uses that secret PIN to empty the MoneyPak. At that point, the money is gone and the scammer is gone.

This method of fraud is called "Victim Assisted Fraud" because the scam can only happen when a willing victim purposely gives away their personal information to a stranger. Because the victim themselves facilitates the scam, it has been very difficult to stop. Based on dispute filings, we believe Victim Assisted Fraud represented approximately \$30 million in cash loads in 2013 out of total load volume of approximately \$20 Billion, or approximately one-quarter of one percent of loads.

In an effort to help stop this type of scam, Green Dot has spent millions of dollars to combat victim assisted fraud. Such measures include:

- A. Developing technology to help identify potentially nefarious transactions and blocking the PIN before the fraud can be completed. This has helped somewhat, but often times ends up snaring too many honest customers along with the scammers.
- B. Developing methods to quickly track the flow of funds after being notified by a victim of such a scam. This allows Green Dot to attempt to block and recover funds for the victim and to provide law enforcement with detailed information on the scammer. This has helped somewhat, with Green Dot reclaiming millions of dollars in scammed money and returning that money to victims, while helping law enforcement to make a number of key arrests both domestically and internationally.
- C. Blocking cash withdrawals on its Green Dot debit cards at ATM machines outside the United States.
- D. Lastly, Green Dot has spent many millions of dollars reprinting all MoneyPak packaging with large red warning notices urging consumers to never give out their secret PIN number. We have also worked with consumer advocates, the Better Business Bureau and law enforcement agencies to place warnings and create videos on helping educate seniors on confidence scams. However, it would appear that this tactic has not achieved the intended goal because the seniors ignore the warnings, convinced that the con artist is genuine.

All these tactics have helped somewhat and the number of MoneyPak fraud disputes have declined over the recent past. However, given the "Victim Assisted" nature of the fraud and our inability to completely eradicate this nefarious use of our MoneyPak PIN product, Green Dot has decided to discontinue the MoneyPak PIN method of reloading a card altogether, and instead, move fully to the "card swipe" reload process. This reload method requires the actual cardholder to be present in the store and swipe the actual debit card in order to reload funds. While this will, unfortunately, harm honest customers who routinely rely on the MoneyPak PIN method for adding money to a family member's card as previously discussed, it will eliminate the MoneyPak as an instrument of the Victim Assisted Fraud. The reason is that "swipe reloading" requires the actual cardholder to be present with their card in the store in order to reload. So, without the MoneyPak PIN, the scammer will have no method of instructing a senior to buy a product and no method of redeeming any associated PIN number.

Of course, confidence scams aimed at seniors have been around for hundreds of years and we understand that seniors will always need to be cautious of strangers bearing gifts. But at least Green Dot's products will no longer be able to be used by scammers to facilitate such fraud.

The MoneyPak PIN product has already been removed from Walmart and many other Green Dot retailers and will be completely unavailable in all Green Dot retailers by end of Q1 2015.

Today, the vast majority of Green Dot reloads are already performed using the swipe method of reloading and not a MoneyPak.

Green Dot is proud of our efforts to protect our nation's seniors from scams, and we are ready and willing to work with the Committee and its members to explore other ways in which we can enhance the protections for our nation's most vulnerable consumers.

About Green Dot

Green Dot Corporation is a bank holding company that owns Green Dot Bank, a state member bank located in Provo, Utah. We are regulated by the Board of Governors of the Federal Reserve System and the State of Utah Department of Financial Institutions. We have over 600 domestic employees and have offices in Pasadena, California; Palo Alto, California, Bentonville, Arkansas and Provo, Utah.

Green Dot's sole mission is to reinvent personal banking for the masses with a sole focus on low cost, fair and easy to use banking products for low and moderate income Americans. Our cards feature no penalty or overdraft fees of any kind and short, simple and clear disclosures. Green Dot cards and reload services are available to consumers at more than 90,000 retailers nationwide, online and via the leading app stores. Each year, Green Dot will open approximately 5 million new FDIC insured accounts for Americans who were either previously unbanked or underserved by traditional banks.

All Green Dot accounts are FDIC-insured accounts with Regulation E consumer protections. We require customer identification and our accounts are compliant with the requirements of the USA PATRIOT Act. Direct deposit is free and funds are immediately available. Registering and using a Green Dot card does not affect your credit score. In addition, there is no purchase fee when you order a card online. Green Dot products adhere to our customer covenant of clear disclosures, no minimum balance requirements and no penalty fees ever.

Green Dot supports the application of consumer protections to general purpose reloadable prepaid debit cards, including guaranteeing deposit insurance for the customer accounts, full Regulation E protections, crediting funds to accounts in a reasonable time, restricting abusive fees, and ensuring customer access to necessary account information.