

## AARP FOUNDATION Q&A: FEBRUARY 6, 2013

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### Reloadable Prepaid Debit Cards and Direct Deposit at Tax Time

#### **Q1: What are reloadable prepaid debit cards?**

Prepaid card accounts generally work like any debit card associated with checking accounts. Funds can be loaded by cash, online transfer or direct deposit. Some accounts enable cardholders to set up direct deposit of Social Security and other benefits. Once money is loaded onto a card account, cardholders can make purchases anywhere the card's brand (such as Visa or MasterCard) is accepted.

AARP Foundation has created educational materials that explain the benefits, drawbacks, and what to look for when choosing a reloadable prepaid debit card. A brochure "Is a prepaid card account right for you?" and companion one-pager "How to use your prepaid card account wisely." are available for free from the Income Impact Area, [income@aarp.org](mailto:income@aarp.org), 202-434-2143, and bulk orders are available for tax sites that wish to provide the educational materials to clients.

#### **Q2: How does direct deposit onto a reloadable prepaid debit card work?**

Like direct deposit into a bank or credit union account, cardholders **MUST** have a ROUTING NUMBER and DIRECT DEPOSIT ACCOUNT NUMBER to initiate electronic deposit directly into their card accounts. **The number imprinted on the prepaid card is NOT the same as the DIRECT DEPOSIT ACCOUNT NUMBER.**

Some prepaid cards have limited ability to accept direct deposits. For example, the Treasury-issued DirectExpress card allows deposit of Social Security, but not tax refunds or payroll checks. **Cardholders should check with their card issuer to determine whether direct deposit is available for their card account.** If a card is eligible for direct deposit of a tax refund, the cardholder should receive (and in most cases, can request) the ROUTING NUMBER and DIRECT DEPOSIT ACCOUNT NUMBER for their card account.

#### **Q3: What kind of documentation should Tax-Aide volunteers look for if prepaid cardholders wish to have their tax refunds electronically deposited into their prepaid card accounts?**

The same information needed to direct deposit tax refunds into a checking account—the ROUTING NUMBER and DIRECT DEPOSIT ACCOUNT NUMBER—are available for prepaid card accounts that accept direct deposit of tax refunds and should be entered into the appropriate spaces on the tax form.

The direct deposit information for a prepaid card account prepared by the company that issued the prepaid card should clearly note the cardholder's name, address, ROUTING NUMBER, DIRECT DEPOSIT ACCOUNT NUMBER, and the last 4-digits of the number imprinted on the card (this assures that the direct deposit information is tied to the card held by the cardholder).

See Figure 1 for an example of a direct deposit form from a prepaid card. **In all cases, Tax-Aide volunteers should use an official piece of documentation from the prepaid card issuer with the ROUTING and DIRECT DEPOSIT ACCOUNT NUMBER, and should not take the numbers from the taxpayer verbally or written on a piece of paper.**

**Figure 1: Sample Direct Deposit Form for a prepaid card**

Fill out this form and submit it to your payroll or benefits office.

**1 Enter the amount you want to deposit each pay period.**  
Select one:  
 Entire Check Amount  % Per Check  \$  Per Check

**2 Sign and submit your form to payroll or benefits office.**  
Social Security Number \_\_\_\_\_  
Signature \_\_\_\_\_ Date \_\_\_\_\_

NOT TO BE COMPLETED  
FOR PAYROLL/BENEFITS USE ONLY

**IMPORTANT:** The routing and direct deposit numbers may not be used to pay bills or take money off of your Card. All transactions of this type will be declined.

Account Type:  Checking  
Pay to the order of: \_\_\_\_\_ VOID \_\_\_\_\_ \$ VOID  
The Bancorp Bank  
Routing Number: \_\_\_\_\_ Direct Deposit Number: \_\_\_\_\_

Questions? Call the \_\_\_\_\_ Direct Deposit hotline at 866-\_\_\_\_\_

**Q4: What will happen if an incorrect routing or account number is entered?**

(Answer from IRS website: <http://www.irs.gov/Individuals/Frequently-Asked-Questions-about-Splitting-Federal-Income-Tax-Refunds> with minor editing)

Be very careful entering account and routing numbers as mistakes can result in several different scenarios. For example:

- If a digit is omitted in the account or routing number of an account and the number does not pass IRS' validation check, IRS will send a taxpayer a paper check for the entire refund;
- If an incorrect account or routing number is entered and the designated financial institution rejects and returns the deposit to IRS, IRS will issue a paper check for that portion of the taxpayer's refund; or

- **If an incorrect account or routing number is entered that belongs to someone else and the designated financial institution accepts the deposit, it is very difficult to recover the funds.**

IRS assumes no responsibility for taxpayer error. Please, verify account and routing numbers and double check the accuracy of the numbers entered on the return.

**Q5: Does AARP or AARP Foundation have its own prepaid debit card?**

AARP Foundation has endorsed the *AARP Foundation Prepaid MasterCard brought to you by Green Dot*. This is the first prepaid debit card focused on serving older Americans and provides financially struggling people with a safe and consumer-friendly alternative to more costly banking options. The *AARP Foundation Prepaid Card brought to you by Green Dot* may be purchased and used by anyone with a valid Social Security number who is over 18 years of age; AARP membership is not required to use the card.

**Q6. How can people find out more about the features and details of the AARP Foundation card?**

The *AARP Foundation Prepaid MasterCard brought to you by Green Dot* is available at [www.AARPFoundationCard.com](http://www.AARPFoundationCard.com) and participating retail outlets. For questions concerning the program, you can contact Green Dot directly:

Cardholder Customer Service: (888) 225-6091

**Q7: Why did AARP Foundation decide to brand a prepaid card?**

AARP Foundation is working with individuals who are age 50+ to help win back opportunity, so they can take control and regain their confidence. The AARP Foundation Prepaid card bought to you by Green Dot helps meet the needs of the thousands of struggling older people.

Today, more than 16 million people (disproportionately African American and Hispanic) aged 45+ live in unbanked or underbanked households<sup>1</sup>, that is they have neither a checking or savings account (they are “unbanked,” 5.4 million people), or they have an account but also rely on alternative financial services such as check cashers, payday lenders, and auto-title loans (they are “underbanked,” 11.1 million people).

To find out more about AARP Foundation’s work in financial inclusion and capability, go to [www.aarpfoundation.org](http://www.aarpfoundation.org), or contact Donna V.S. Ortega [dvortega@aarp.org](mailto:dvortega@aarp.org), or Emily Allen, [ecallen@aarp.org](mailto:ecallen@aarp.org).

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<sup>1</sup> AARP Public Policy Institute Fact Sheet, “A Portrait of Older Unbanked and Underbanked Consumers Highlights of a National Survey,” July 2010.