UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-34819

GREEN DOT CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**95-4766827**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
3465 E. Foothill Blvd. **Pasadena, California 91107**	**(626) 765-2000**
(Address of principal executive offices, including zip code)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Class A Common Stock, $0.001 par value	GDOT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

There were 53,479,785 shares of Class A common stock outstanding, par value $.001 per share as of October 31, 2020.

GREEN DOT CORPORATION
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PART I

ITEM 1. Financial Statements

GREEN DOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2020	December 31, 2019
	(unaudited)	
Assets	(In thousands, except par value)	
Current assets:		
Unrestricted cash and cash equivalents	**$ 2,136,375**	$ 1,063,426
Restricted cash	**5,693**	2,728
Investment securities available-for-sale, at fair value	**—**	10,020
Settlement assets	**344,299**	239,222
Accounts receivable, net	**44,175**	59,543
Prepaid expenses and other assets	**54,278**	66,183
Income tax receivable	**961**	870
Total current assets	**2,585,781**	1,441,992
Investment securities available-for-sale, at fair value	**309,374**	267,419
Loans to bank customers, net of allowance for loan losses of $642 and $1,166 as of September 30, 2020 and December 31, 2019, respectively	**20,423**	21,417
Prepaid expenses and other assets	**40,683**	10,991
Property, equipment, and internal-use software, net	**145,932**	145,476
Operating lease right-of-use assets	**21,745**	26,373
Deferred expenses	**6,860**	16,891
Net deferred tax assets	**9,097**	9,037
Goodwill and intangible assets	**499,014**	520,994
Total assets	**$ 3,638,909**	$ 2,460,590
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 28,831**	$ 37,876
Deposits	**2,282,674**	1,175,341
Obligations to customers	**93,693**	69,377
Settlement obligations	**9,708**	13,251
Amounts due to card issuing banks for overdrawn accounts	**292**	380
Other accrued liabilities	**137,478**	107,842
Operating lease liabilities	**8,080**	8,764
Deferred revenue	**13,570**	28,355
Income tax payable	**12,695**	3,948
Total current liabilities	**2,587,021**	1,445,134
Other accrued liabilities	**6,402**	10,883
Operating lease liabilities	**18,629**	24,445
Line of credit	**—**	35,000
Net deferred tax liabilities	**17,984**	17,772
Total liabilities	**2,630,036**	1,533,234
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Class A common stock, $0.001 par value; 100,000 shares authorized as of September 30, 2020 and December 31, 2019; 53,459 and 51,807 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	**53**	52
Additional paid-in capital	**329,967**	296,224
Retained earnings	**675,906**	629,040
Accumulated other comprehensive income	**2,947**	2,040
Total stockholders' equity	**1,008,873**	927,356
Total liabilities and stockholders' equity	**$ 3,638,909**	$ 2,460,590

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	$ 146,648	$ 102,231	$ 440,723	$ 353,421
Processing and settlement service revenues	57,526	54,620	246,042	229,272
Interchange revenues	84,876	77,080	271,712	250,955
Interest income, net	2,020	6,517	11,002	25,640
Total operating revenues	291,070	240,448	969,479	859,288
Operating expenses:				
Sales and marketing expenses	96,189	98,352	319,738	284,485
Compensation and benefits expenses	61,077	46,678	173,009	156,451
Processing expenses	74,158	49,010	216,624	149,864
Other general and administrative expenses	62,296	48,595	198,519	145,327
Total operating expenses	293,720	242,635	907,890	736,127
Operating (loss) income	(2,650)	(2,187)	61,589	123,161
Interest expense, net	39	120	723	1,790
Other (expense) income, net	(1,650)	8	696	42
(Loss) income before income taxes	(4,339)	(2,299)	61,562	121,413
Income tax (benefit) expense	(1,347)	(1,768)	14,415	23,209
Net (loss) income	$ (2,992)	$ (531)	$ 47,147	$ 98,204
Basic (loss) earnings per common share:	$ (0.06)	$ (0.01)	$ 0.89	$ 1.87
Diluted (loss) earnings per common share:	$ (0.06)	$ (0.01)	$ 0.87	$ 1.84
Basic weighted-average common shares issued and outstanding:	52,635	51,595	52,269	52,405
Diluted weighted-average common shares issued and outstanding:	54,082	52,295	53,455	53,474

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND LOSS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
		(In thousands)		
Net (loss) income	**$ (2,992)**	$ (531)	**$ 47,147**	$ 98,204
Other comprehensive income				
Unrealized holding gain, net of tax	**756**	167	**907**	2,329
Comprehensive (loss) income	**$ (2,236)**	$ (364)	**$ 48,054**	$ 100,533

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended September 30, 2020										
	Class A Common Stock										
	Shares		Amount		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income		Total Stockholders' Equity
	(In thousands)										
Balance at June 30, 2020	**53,297**	**$**	**53**	**$**	**323,083**	**$**	**678,898**	**$**	**2,191**	**$**	**1,004,225**
Common stock issued under stock plans, net of withholdings and related tax effects	**162**		**—**		**(4,922)**		**—**		**—**		**(4,922)**
Stock-based compensation	**—**		**—**		**11,806**		**—**		**—**		**11,806**
Net loss	**—**		**—**		**—**		**(2,992)**		**—**		**(2,992)**
Other comprehensive income	**—**		**—**		**—**		**—**		**756**		**756**
Balance at September 30, 2020	**53,459**	**$**	**53**	**$**	**329,967**	**$**	**675,906**	**$**	**2,947**	**$**	**1,008,873**

	Three Months Ended September 30, 2019										
	Class A Common Stock										
	Shares		Amount		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income		Total Stockholders' Equity
	(In thousands)										
Balance at June 30, 2019	51,809	$	52	$	291,958	$	627,878	$	2,025	$	921,913
Common stock issued under stock plans, net of withholdings and related tax effects	76		—		(1,259)		—		—		(1,259)
Stock-based compensation	—		—		6,894		—		—		6,894
Repurchases of Class A common stock	(406)		—		—		—		—		—
Net loss	—		—		—		(531)		—		(531)
Other comprehensive income	—		—		—		—		167		167
Balance at September 30, 2019	51,479	$	52	$	297,593	$	627,347	$	2,192	$	927,184

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
(UNAUDITED)

	Nine Months Ended September 30, 2020					
	Class A Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(In thousands)					
Balance at December 31, 2019	**51,807**	**$ 52**	**$ 296,224**	**$ 629,040**	**$ 2,040**	**$ 927,356**
Common stock issued under stock plans, net of withholdings and related tax effects	**677**	**—**	**(3,049)**	**—**	**—**	**(3,049)**
Stock-based compensation	**—**	**—**	**36,793**	**—**	**—**	**36,793**
Walmart restricted shares	**975**	**1**	**(1)**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**47,147**	**—**	**47,147**
Other comprehensive income	**—**	**—**	**—**	**—**	**907**	**907**
Cumulative effect adjustment for adoption of ASU No. 2016-13 (CECL)	**—**	**—**	**—**	**(281)**	**—**	**(281)**
Balance at September 30, 2020	**53,459**	**$ 53**	**$ 329,967**	**$ 675,906**	**$ 2,947**	**$ 1,008,873**

	Nine Months Ended September 30, 2019					
	Class A Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In thousands)					
Balance at December 31, 2018	52,917	$ 53	$ 380,753	$ 529,143	$ (137)	$ 909,812
Common stock issued under stock plans, net of withholdings and related tax effects	634	1	(13,298)	—	—	(13,297)
Stock-based compensation	—	—	30,136	—	—	30,136
Repurchases of Class A common stock	(2,072)	(2)	(99,998)	—	—	(100,000)
Net income	—	—	—	98,204	—	98,204
Other comprehensive income	—	—	—	—	2,329	2,329
Balance at September 30, 2019	51,479	$ 52	$ 297,593	$ 627,347	$ 2,192	$ 927,184

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2020	2019
	(In thousands)	
Operating activities		
Net income	**$ 47,147**	$ 98,204
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and internal-use software	**43,014**	35,929
Amortization of intangible assets	**21,175**	24,523
Provision for uncollectible overdrawn accounts from purchase transactions	**6,743**	5,309
Stock-based compensation	**36,793**	30,136
Losses in equity method investments	**4,313**	—
Realized gain on sale of available-for-sale investment securities	**(5,062)**	—
Amortization of premium (discount) on available-for-sale investment securities	**618**	(209)
Change in fair value of contingent consideration	**—**	(1,866)
Amortization of deferred financing costs	**127**	1,253
Impairment of internal-use software	**1,099**	121
Changes in operating assets and liabilities:		
Accounts receivable, net	**8,625**	694
Prepaid expenses and other assets	**12,724**	9,679
Deferred expenses	**10,031**	14,438
Accounts payable and other accrued liabilities	**19,471**	(20,132)
Deferred revenue	**(15,068)**	(19,385)
Income tax receivable/payable	**8,842**	25,961
Other, net	**(1,741)**	6
Net cash provided by operating activities	**198,851**	204,661
Investing activities		
Purchases of available-for-sale investment securities	**(295,287)**	(117,959)
Proceeds from maturities of available-for-sale securities	**80,840**	72,569
Proceeds from sales of available-for-sale securities	**187,830**	4,905
Payments for acquisition of property and equipment	**(43,898)**	(58,185)
Net changes in loans	**493**	(1,457)
Investment in TailFin Labs, LLC	**(35,000)**	—
Other	**(916)**	—
Net cash used in investing activities	**(105,938)**	(100,127)
Financing activities		
Repayments of borrowings from notes payable	**—**	(60,000)
Borrowings on revolving line of credit	**100,000**	—
Repayments on revolving line of credit	**(135,000)**	—
Proceeds from exercise of options and ESPP purchases	**5,104**	4,862
Taxes paid related to net share settlement of equity awards	**(8,153)**	(18,159)
Net changes in deposits	**1,108,354**	(133,132)
Net decrease in obligations to customers	**(84,304)**	(25,311)
Contingent consideration payments	**(3,000)**	(3,634)
Repurchase of Class A common stock	**—**	(100,000)
Net cash provided by (used in) financing activities	**983,001**	(335,374)
Net increase (decrease) in unrestricted cash, cash equivalents and restricted cash	**1,075,914**	(230,840)
Unrestricted cash, cash equivalents and restricted cash, beginning of period	**1,066,154**	1,095,218
Unrestricted cash, cash equivalents and restricted cash, end of period	**$ 2,142,068**	$ 864,378
Cash paid for interest	**$ 839**	$ 2,049
Cash paid for/(refund from) income taxes	**$ 5,497**	$ (3,612)
Reconciliation of unrestricted cash, cash equivalents and restricted cash at end of period:		
Unrestricted cash and cash equivalents	**$ 2,136,375**	$ 861,275
Restricted cash	**5,693**	3,103
Total unrestricted cash, cash equivalents and restricted cash, end of period	**$ 2,142,068**	$ 864,378

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1—Organization

Green Dot Corporation ("we," "our," or "us" refer to Green Dot Corporation and its consolidated subsidiaries) is a financial technology leader and bank holding company with a mission to reinvent banking for the masses. Our company's long-term strategy is to create a unique, sustainable and highly valuable fintech ecosystem, in part through the continued evolution of our innovative Banking as a Service ("BaaS") platform, that's intended to fuel the engine of innovation and growth for us and our business partners.

Enabled by proprietary technology, our commercial bank charter and our high-scale program management operating capability, our vertically integrated technology and banking platform is used by a growing list of America's most prominent consumer and technology companies to design and deploy their own bespoke financial services solutions to their customers and partners, while we use that same integrated platform for our own leading collection of banking and financial services products marketed directly to consumers through what we believe to be the most broadly distributed, omni-channel branchless banking platforms in the United States.

We were incorporated in Delaware in 1999 and became a bank holding company under the Bank Holding Company Act and a member bank of the Federal Reserve System in December 2011. We are headquartered in Pasadena, California, with additional facilities throughout the United States and in Shanghai, China.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP. We consolidated our wholly-owned subsidiaries and eliminated all significant intercompany balances and transactions.

We have also prepared the accompanying unaudited consolidated financial statements in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X and, consequently, they do not include all of the annual disclosures required by GAAP. Reference is made to our Annual Report on Form 10-K for the year ended December 31, 2019 for additional disclosures, including a summary of our significant accounting policies. There have been no material changes to our significant accounting policies during the nine months ended September 30, 2020, other than the adoption of the accounting pronouncements discussed herein. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal and recurring items, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. These financial statements were prepared using information reasonably available as of September 30, 2020 and through the date of this report. The accounting estimates used in the preparation of the Company's consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from these estimates due to the uncertainty around the magnitude, duration and effects of the COVID-19 pandemic, as well as other factors.

Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") that requires financial assets measured at amortized cost be presented at the net amount expected to be collected. Credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited by the amount that the fair value is less than amortized cost. The amendments under ASU 2016-13 eliminate the probable incurred loss recognition model under GAAP and introduce a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments. The estimate of expected credit losses requires entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts. The new ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's

Note 2—Summary of Significant Accounting Policies (continued)

assumptions, models, and methods for estimating expected credit losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

We adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost. Results for periods after January 1, 2020 are presented under ASU 2016-13 while prior period amounts continue to be reported under previously applicable accounting standards. The adoption of ASU 2016-13 resulted in an adjustment of approximately $0.3 million, net of tax, to beginning retained earnings, the effect of which we do not consider material to our consolidated financial statements.

Most of our financial assets within the scope of ASU 2016-13 are considered highly short-term in nature and therefore, we are less susceptible to risks and uncertainty of credit losses over extended periods of time. The adoption of ASU 2016-13 did not result in any material changes to our methods for developing our allowance for credit losses, or the information we assess in developing our current estimate of expected credit losses. See Notes 4, 5 and 6 to these consolidated financial statements for additional information on our financial assets within scope of the new accounting standard.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other* ("ASU 2017-04")*: Simplifying the Test for Goodwill Impairment*, which simplifies the existing two-step guidance for goodwill impairment testing by eliminating the second step resulting in a write-down to goodwill equal to the initial amount of impairment determined in step one. The ASU is to be applied prospectively for reporting periods beginning after December 15, 2019. We adopted the provisions of ASU 2017-04 on January 1, 2020, the effect of which did not have a material impact on our consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which simplifies the accounting for income taxes by removing certain exceptions and improves consistent application of Topic 740. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We do not anticipate any immediate impact on our consolidated financial statements upon adoption.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)* (“ASU 2020-06”), which simplifies an issuer’s accounting for convertible instruments and its application of the derivatives scope exception for contracts in its own equity. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. We are currently evaluating the provisions of ASU 2020-06, but do not expect any material impact on our consolidated financial statements.

Note 3—Revenues

Disaggregation of Revenues

Our products and services are offered only to customers within the United States. We determine our operating segments based on how our chief operating decision maker manages our operations, makes operating decisions and evaluates operating performance. Within our segments, we believe that the nature, amount, timing and uncertainty of our revenue and cash flows and how they are affected by economic factors can be further illustrated based on the timing in which revenue for each of our products and services is recognized.

The following table disaggregates our revenues by the timing in which the revenue is recognized:

	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019	
	Account Services	Processing and Settlement Services	Account Services	Processing and Settlement Services
Timing of revenue recognition	(In thousands)			
Transferred at a point in time	**$ 113,695**	**$ 57,526**	$ 114,418	$ 54,616
Transferred over time	**116,661**	**1,168**	63,880	1,017
Operating revenues [(1)]	**$ 230,356**	**$ 58,694**	$ 178,298	$ 55,633

Note 3—Revenues (continued)

	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Account Services	Processing and Settlement Services	Account Services	Processing and Settlement Services
Timing of revenue recognition	(In thousands)			
Transferred at a point in time	**$ 369,874**	**$ 246,042**	$ 378,492	$ 229,263
Transferred over time	**339,140**	**3,421**	221,211	4,682
Operating revenues (1)	**$ 709,014**	**$ 249,463**	$ 599,703	$ 233,945

(1) Excludes net interest income, a component of total operating revenues, as it is outside the scope of *ASC 606, Revenues*

Within our Account Services segment, revenues recognized at a point in time are comprised principally of ATM fees, interchange, and other similar transaction-based fees. Revenues recognized over time consist of new card fees, monthly maintenance fees, revenue earned from gift cards and substantially all BaaS partner program management fees. Substantially all of our processing and settlement services are recognized at a point in time.

Refer to *Note 19 — Segment Information* for our revenues disaggregated by our products and services and the components to our total operating revenues on our Consolidated Statements of Operations for additional information.

Contract Balances

As disclosed on our Consolidated Balance Sheets, we record deferred revenue for any upfront payments received in advance of our performance obligations being satisfied. These contract liabilities consist principally of unearned new card fees and monthly maintenance fees. We recognized approximately $0.1 million and $0.2 million in revenue for the three months ended September 30, 2020 and 2019, respectively, and $25.9 million and $31.6 million for the nine months ended September 30, 2020 and 2019, respectively, that were included in deferred revenue at the beginning of the periods and did not recognize any revenue during these periods from performance obligations satisfied in previous periods. Changes in the deferred revenue balance are driven primarily by the amount of new card fees recognized during the period, and the degree to which these reductions to the deferred revenue balance are offset by the deferral of new card fees associated with cards sold during the period.

Note 4—Investment Securities

Our available-for-sale investment securities were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
September 30, 2020				
Corporate bonds	**$ 10,000**	**$ 92**	**$ —**	**$ 10,092**
Agency bond securities	**55,000**	**45**	**(114)**	**54,931**
Agency mortgage-backed securities	**212,126**	**3,059**	**—**	**215,185**
Municipal bonds	**13,972**	**219**	**(241)**	**13,950**
Asset-backed securities	**14,921**	**295**	**—**	**15,216**
Total investment securities	**$ 306,019**	**$ 3,710**	**$ (355)**	**$ 309,374**
December 31, 2019				
Corporate bonds	$ 10,000	$ 12	$ —	$ 10,012
Agency bond securities	19,980	20	—	20,000
Agency mortgage-backed securities	208,821	2,453	(241)	211,033
Municipal bonds	4,342	2	(2)	4,342
Asset-backed securities	31,814	238	—	32,052
Total investment securities	$ 274,957	$ 2,725	$ (243)	$ 277,439

Note 4—Investment Securities (continued)

As of September 30, 2020 and December 31, 2019, the gross unrealized losses and fair values of available-for-sale investment securities that were in unrealized loss positions were as follows:

	Less than 12 months		12 months or more			
	Fair value	**Unrealized loss**	**Fair value**	**Unrealized loss**	**Total fair value**	**Total unrealized loss**
			(In thousands)			
September 30, 2020						
Agency bond securities	**$ 29,886**	**$ (114)**	**$ —**	**$ —**	**$ 29,886**	**$ (114)**
Municipal bonds	**4,618**	**(241)**	**—**	**—**	**4,618**	**(241)**
Total investment securities	**$ 34,504**	**$ (355)**	**$ —**	**$ —**	**$ 34,504**	**$ (355)**
December 31, 2019						
Agency mortgage-backed securities	$ 43,337	$ (153)	$ 8,735	$ (88)	$ 52,072	$ (241)
Municipal bonds	—	—	113	(2)	113	(2)
Total investment securities	$ 43,337	$ (153)	$ 8,848	$ (90)	$ 52,185	$ (243)

Our investments generally consist of highly rated securities, as our investment policy restricts our investments to highly liquid, low credit risk assets. We did not record any significant credit-related impairment losses during the three and nine months ended September 30, 2020 or 2019 on our available-for-sale investment securities. Upon adoption of ASU 2016-13, we establish an allowance for credit losses limited by the amount that the fair value of the investment is less than its amortized cost, rather than a direct write down under previous GAAP. Any subsequent improvements in credit will be recognized in income through a reversal of the allowance established. We continue to record non-credit-related losses as a component of accumulated other comprehensive income or loss. We do not intend to sell our investments and we have determined that it is more likely than not that we will not be required to sell our investments before recovery of their amortized cost bases, which may be at maturity.

During the nine months ended September 30, 2020, we recorded a realized gain of approximately $5.1 million as a result of the sale of certain investment securities. The gain recognized upon sale of the investments was reclassified from accumulated other comprehensive income and is recorded as a component of other income and expenses on our consolidated statements of operations.

As of September 30, 2020, the contractual maturities of our available-for-sale investment securities were as follows:

	Amortized cost	**Fair value**
	(In thousands)	
Due after one year through five years	$ 10,000	$ 10,092
Due after five years through ten years	50,000	49,886
Due after ten years	18,972	18,995
Mortgage and asset-backed securities	227,047	230,401
Total investment securities	$ 306,019	$ 309,374

The expected payments on mortgage-backed and asset-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

Note 5—Accounts Receivable

Accounts receivable, net consisted of the following:

	September 30, 2020	December 31, 2019
	(In thousands)	
Trade receivables	**$ 15,896**	$ 14,512
Reserve for uncollectible trade receivables	**(259)**	(202)
Net trade receivables	**15,637**	14,310
Overdrawn cardholder balances from purchase transactions	**3,270**	4,327
Reserve for uncollectible overdrawn accounts from purchase transactions	**(2,175)**	(3,398)
Net overdrawn cardholder balances from purchase transactions	**1,095**	929
Overdrawn cardholder balances from maintenance fees	**2,772**	2,235
Total net overdrawn account balances due from cardholders	**3,867**	3,164
Receivables due from card issuing banks	**5,577**	5,758
Fee advances, net	**3,179**	26,268
Other receivables	**15,915**	10,043
Accounts receivable, net	**$ 44,175**	$ 59,543

Our net overdrawn account balances due from cardholders are a result of purchase transactions that we honor or maintenance fee assessments, in each case, in excess of the funds in the cardholder's account. Reserves for overdrawn account balances from purchase transactions are subject to our recent adoption of ASU 2016-13 and are included as a component of other general and administrative expenses on our consolidated statements of operations. Overdrawn cardholder balances from maintenance fee assessments are presented net of the consideration we expect to receive under ASC 606 and are recorded as contra-revenue within card revenues and other fees. The adoption of ASU 2016-13 did not result in any material changes to our methods for developing allowances for any component within our accounts receivable given their short-term nature.

Activity in the reserve for uncollectible overdrawn accounts from purchase transactions consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Balance, beginning of period	**$ 5,070**	$ 2,368	**$ 3,398**	$ 2,710
Provision for uncollectible overdrawn accounts from purchase transactions	**2,345**	1,262	**6,743**	5,309
Charge-offs	**(5,240)**	(511)	**(7,966)**	(4,900)
Balance, end of period	**$ 2,175**	$ 3,119	**$ 2,175**	$ 3,119

Note 6—Loans to Bank Customers

The following table presents total outstanding loans, gross of the related allowance for loan losses, and a summary of the related payment status:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Total Outstanding
	(In thousands)					
September 30, 2020						
Residential	$ —	$ —	$ —	$ —	$ 3,821	$ 3,821
Commercial	—	—	—	—	1,901	1,901
Installment	—	3	—	3	591	594
Secured credit card	862	597	821	2,280	12,469	14,749
Total loans	$ 862	$ 600	$ 821	$ 2,283	$ 18,782	$ 21,065
Percentage of outstanding	4.1 %	2.9 %	3.9 %	10.8 %	89.2 %	100.0 %
December 31, 2019						
Residential	$ 1	$ —	$ —	$ 1	$ 4,530	$ 4,531
Commercial	—	—	—	—	158	158
Installment	1	—	—	1	1,246	1,247
Secured credit card	1,080	939	2,183	4,202	12,445	16,647
Total loans	$ 1,082	$ 939	$ 2,183	$ 4,204	$ 18,379	$ 22,583
Percentage of outstanding	4.8 %	4.2 %	9.7 %	18.6 %	81.4 %	100.0 %

Nonperforming Loans

The following table presents the carrying value, gross of the related allowance for loan losses, of our nonperforming loans. See *Note 2 — Summary of Significant Accounting Policies* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2019 for further information on the criteria for classification as nonperforming.

	September 30, 2020	December 31, 2019
	(In thousands)	
Residential	$ 250	$ 290
Installment	129	147
Secured credit card	821	2,183
Total loans	$ 1,200	$ 2,620

Credit Quality Indicators

We closely monitor and assess the credit quality and credit risk of our loan portfolio on an ongoing basis. We continuously review and update loan risk classifications. We evaluate our loans using non-classified or classified as the primary credit quality indicator. Classified loans are those loans that have demonstrated credit weakness where we believe there is a heightened risk of principal loss, including all impaired loans. Classified loans are generally internally categorized as substandard, doubtful or loss, consistent with regulatory guidelines.

Our secured credit card portfolio is collateralized by cash deposits made by each cardholder in an amount equal to the user's available credit limit, which mitigates the risk of any significant credit losses we expect to incur.

The table below presents the carrying value, gross of the related allowance for loan losses, of our loans within the primary credit quality indicators related to our loan portfolio:

Note 6—Loans to Bank Customers (continued)

	September 30, 2020		December 31, 2019	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Residential	**$ 3,571**	**$ 250**	$ 4,241	$ 290
Commercial	**1,901**	**—**	158	—
Installment	**455**	**139**	1,058	189
Secured credit card	**13,928**	**821**	14,464	2,183
Total loans	**$ 19,855**	**$ 1,210**	$ 19,921	$ 2,662

Impaired Loans and Troubled Debt Restructurings

When, for economic or legal reasons related to a borrower’s financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a Troubled Debt Restructuring, or TDR. Our TDR modifications involve an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk. As of September 30, 2020, none of our TDR modifications have been made in response to the COVID-19 pandemic.

The following table presents our impaired loans and loans that we modified as TDRs as of September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Residential	**$ 250**	**$ 188**	$ 290	$ 221
Installment	**139**	**104**	160	48

Allowance for Loan Losses

Activity in the allowance for loan losses consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Balance, beginning of period	**$ 570**	$ 970	**$ 1,166**	$ 1,144
Provision for loans	**247**	658	**501**	1,914
Loans charged off	**(282)**	(112)	**(1,403)**	(1,661)
Recoveries of loans previously charged off	**107**	42	**378**	161
Balance, end of period	**$ 642**	$ 1,558	**$ 642**	$ 1,558

Note 7—Equity Method Investment

On January 2, 2020, we effectuated our agreement with Walmart to jointly establish a new fintech accelerator under the name TailFin Labs, LLC (“TailFin Labs”), with a mission to develop innovative products, services and technologies that sit at the intersection of retail shopping and consumer financial services. The entity is majority-owned by Walmart and focuses on developing tech-enabled solutions to integrate omni-channel retail shopping and financial services. We hold a 20% ownership interest in the entity, in exchange for annual capital contributions of $35.0 million per year from January 2020 through January 2024.

We account for our investment in TailFin Labs under the equity method of accounting in accordance with ASC 323*, Investments – Equity Method and Joint Ventures*. Under the equity method of accounting, the initial investment is recorded at cost and the investment is subsequently adjusted for, among other things, its proportionate share of earnings or losses. However, given the capital structure of the TailFin Labs arrangement, we apply the Hypothetical Liquidation Book Value ("HLBV") method to determine the allocation of profits and losses since our liquidation rights and priorities, as defined by the agreement, differ from our underlying ownership interest. The HLBV method calculates the proceeds that would be attributable to each partner in an investment based on the liquidation provisions of the agreement if the partnership was to be liquidated at book value as of the balance sheet date. Each partner’s allocation of income or loss in the period is equal to the change in the amount of net equity they are legally

Note 7—Equity Method Investment (continued)

able to claim based on a hypothetical liquidation of the entity at the end of a reporting period compared to the beginning of that period, adjusted for any capital transactions.

Any future economic benefits derived from products or services developed by TailFin Labs will be negotiated on a case-by-case basis between the parties.

As of September 30, 2020, our net investment balance is included in the long term portion of the caption entitled prepaid expenses and other assets on our consolidated balance sheet. We recorded total equity in losses of approximately $1.6 million and $4.3 million for the three and nine months ended September 30, 2020, which are recorded as a component of other income and expense on our consolidated statements of operations. Total equity in losses also includes income and losses from an investment held by our bank under the Community Reinvestment Act, which is inconsequential to these consolidated financial statements.

Note 8—Deposits

Deposits are categorized as non-interest or interest-bearing deposits as follows:

	September 30, 2020	December 31, 2019
	(In thousands)	
Non-interest bearing deposit accounts	**$ 2,249,457**	$ 1,055,818
Interest-bearing deposit accounts		
Checking accounts	**6,880**	95,995
Savings	**7,853**	6,619
GPR deposits	**13,894**	11,892
Time deposits, denominations greater than or equal to $100	**3,793**	3,854
Time deposits, denominations less than $100	**797**	1,163
Total interest-bearing deposit accounts	**33,217**	119,523
Total deposits	**$ 2,282,674**	$ 1,175,341

Total deposit balances have increased substantially as compared to December 31, 2019, principally as a result of stimulus funds and other government benefits received by our cardholders under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The scheduled contractual maturities for total time deposits are presented in the table below:

	September 30, 2020
	(In thousands)
Due in 2020	$ 327
Due in 2021	1,373
Due in 2022	1,445
Due in 2023	628
Due in 2024	456
Thereafter	361
Total time deposits	$ 4,590

Note 9—Debt

2019 Revolving Facility

In October 2019, we entered into a secured credit agreement with Wells Fargo Bank, National Association, and other lenders party thereto. The credit facility provides for a $100.0 million five-year revolving line of credit (the "2019 Revolving Facility"), maturing in October 2024. We use the proceeds of any borrowings under the revolving facility for working capital and other general corporate purposes, subject to the terms and conditions set forth in the credit agreement. We classify amounts outstanding as long-term on our consolidated balance sheets, however, we may make voluntary repayments at any time prior to maturity. As of December 31, 2019, the outstanding balance on our revolving line of credit was $35.0 million. The entire $100.0 million remains available for use under the credit facility as of September 30, 2020.

Note 9—Debt (continued)

At our election, loans made under the credit agreement bear interest at 1) a LIBOR rate (the “LIBOR Rate") or 2) a base rate determined by reference to the highest of (a) the United States federal funds rate plus .50%, (a) the Wells Fargo prime rate and (c) a daily rate equal to one-month LIBOR rate plus 1.0% (the “Base Rate"), plus in either case an applicable margin. The margin is dependent upon on our total leverage ratio and varies from 1.25% to 2.00% for LIBOR Rate loans and .25% to 1.00% for Base Rate loans.

We also pay a commitment fee, which varies from .20% to .35% per annum on the actual daily unused portions of the 2019 Revolving Facility. Letter of credit fees are payable in respect of outstanding letters of credit at a rate per annum equal to the applicable margin for LIBOR Rate loans.

The 2019 Revolving Facility contains certain affirmative and negative covenants including negative covenants that limit or restrict, among other things, liens, indebtedness, investments and acquisitions, mergers and fundamental changes, asset sales, restricted payments, changes in the nature of the business, transactions with affiliates and other matters customarily restricted in such agreements. We must also maintain a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as set forth in the credit agreement. At September 30, 2020, we were in compliance with all such covenants.

If an event of default shall occur and be continuing under the facility, the commitments may be terminated and the principal amounts outstanding under the 2019 Revolving Facility, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

Senior Credit Facility

In October 2014, we entered into a $225.0 million credit agreement with Bank of America, N.A., as an administrative agent, Wells Fargo Bank, National Association, and the other lenders party thereto. The credit agreement provided for 1) a $75.0 million five-year revolving facility (the "Revolving Facility") and 2) a five-year $150.0 million term loan facility ("Term Facility" and, together with the Revolving Facility, the "Senior Credit Facility"). In March 2019, we elected to make a voluntary prepayment of $60.0 million to retire the Term Facility without penalty or additional premium. The Revolving Facility remained available for use until the Senior Credit Facility matured in October 2019, at which point we entered into the 2019 Revolving Facility discussed above.

We did not incur any cash interest expense related to our debt during the three months ended September 30, 2020 and 2019. Cash interest expense was $0.6 million for each of the nine months ended September 30, 2020 and 2019.

Note 10—Income Taxes

Income tax expense for the nine months ended September 30, 2020 and 2019 differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	Nine Months Ended September 30,	
	2020	**2019**
U.S. federal statutory tax rate	**21.0 %**	21.0 %
State income taxes, net of federal tax benefit	**1.3**	1.5
General business credits	**(2.6)**	(2.0)
Employee stock-based compensation	**(0.7)**	(3.7)
IRC 162(m) limitation	**4.5**	1.9
Nondeductible expenses	**0.4**	0.2
Other	**(0.5)**	0.2
Effective tax rate	**23.4 %**	19.1 %

The effective tax rate for the nine months ended September 30, 2020 and 2019 differs from the statutory federal income tax rate of 21%, primarily due to state income taxes, net of federal tax benefits, general business credits, employee stock-based compensation, and the Internal Revenue Code (IRC) 162(m) limitation on the deductibility of

Note 10—Income Taxes (continued)

certain executive compensation. The increase in the effective tax rate for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily due to an increase of $0.5 million in taxable income resulting from the IRC 162(m) limitation on the deductibility of certain executive compensation and a $3.9 million decline in excess tax benefits from stock-based compensation. We recognized an excess tax benefit on stock compensation of $0.5 million for the nine months ended September 30, 2020, compared to a $4.4 million excess tax benefit for the prior year comparable period. These increases were partially offset by the impact of general business credits.

On March 27, 2020, the CARES Act was signed into law, which, among other things, includes certain income tax provisions for individuals and corporations; however, these benefits do not impact our current tax provision.

We have made a policy election to account for Global Intangible Low-Taxed Income ("GILTI") in the year the GILTI tax is incurred. For the nine months ended September 30, 2020, the provision for GILTI tax expense was not material to our financial statements.

We establish a valuation allowance when we consider it more-likely-than-not that some portion or all of the deferred tax assets will not be realized. During the second quarter June 30, 2020, we released our valuation allowance against our capital loss carryforwards, as we recognized capital gains on the sale of certain investment securities during that period sufficient to offset our capital loss carryforward amount. As of September 30, 2020 and December 31, 2019, we did not have a valuation allowance on any of our deferred tax assets as we believed it was more-likely-than-not that we would realize the benefits of our deferred tax assets.

We are subject to examination by the Internal Revenue Service, or IRS, and various state tax authorities. We remain subject to examination of our federal income tax return for the years ended December 31, 2016 through 2019. We generally remain subject to examination of our various state income tax returns for a period of four to five years from the respective dates the returns were filed. The IRS initiated an examination of our 2017 U.S. federal tax return during the second quarter June 30, 2020 and the examination remains ongoing. We do not expect that this examination will have a material impact on our consolidated financial statements.

As of September 30, 2020, we have federal net operating loss carryforwards of approximately $31.9 million and state net operating loss carryforwards of approximately $57.9 million which will be available to offset future income. If not used, the federal net operating losses will expire between 2021 and 2035. Of our total state net operating loss carryforwards, approximately $31.7 million will expire between 2021 and 2039, while the remaining balance of approximately $26.2 million does not expire and carries forward indefinitely. The net operating losses are subject to an annual IRC Section 382 limitation, which restricts their utilization against taxable income in future periods. In addition, we have state business tax credits of approximately $16.3 million that can be carried forward indefinitely and other state business tax credits of approximately $1.1 million that will expire between 2023 and 2027.

As of September 30, 2020 and December 31, 2019, we had a liability of $9.8 million and $8.4 million, respectively, for unrecognized tax benefits related to various federal and state income tax matters excluding interest, penalties and related tax benefits. The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is as follows:

	Nine Months Ended September 30,	
	2020	**2019**
	(In thousands)	
Beginning balance	**$ 8,398**	$ 6,965
Increases related to positions taken during prior years	**235**	—
Increases related to positions taken during the current year	**1,200**	1,569
Decreases as a result of a lapse of applicable statute of limitations	**—**	(456)
Ending balance	**$ 9,833**	$ 8,078
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	**$ 9,657**	$ 8,023

As of September 30, 2020 and 2019, we recognized accrued interest and penalties related to unrecognized tax benefits of approximately $0.8 million and $0.4 million, respectively.

Note 11—Stockholders' Equity

Stock Repurchase Program

In May 2017, our Board of Directors authorized, subject to regulatory approval, expansion of our stock repurchase program by an additional $150 million. We sought and received regulatory approval during the second quarter of 2019 and entered into an accelerated share repurchase agreement for $100 million in May 2019. In August 2019, we completed final settlement of shares purchased under this agreement, receiving in total approximately 2.1 million shares at an average repurchase price of $48.26. As of September 30, 2020, we have an authorized $50 million remaining under our current stock repurchase program for any additional repurchases.

Walmart Restricted Shares

On January 2, 2020, we issued Walmart, in a private placement, 975,000 restricted shares of our Class A Common Stock. The shares vest in equal monthly increments through December 1, 2022. Walmart is entitled to voting rights and participate in any dividends paid from the issuance date on the unvested balance, and therefore, the total amount of restricted shares issued are included in our total Class A shares outstanding. As of September 30, 2020, there were 731,253 unvested shares outstanding.

The estimated grant-date fair value of the restricted shares is recorded as a component of stock-based compensation expense over the related period we expect to benefit under our relationship with Walmart.

Note 12—Stock-Based Compensation

We currently grant restricted equity awards to employees, directors and non-employee consultants under our 2010 Equity Incentive Plan. Additionally, through our 2010 Employee Stock Purchase Plan, employees are able to purchase shares of our Class A common stock at a discount through payroll deductions. We have reserved shares of our Class A common stock for issuance under these plans.

Restricted Stock Units

The following table summarizes restricted stock units subject to only service conditions granted under our 2010 Equity Incentive Plan:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
	(In thousands, except per share data)			
Restricted stock units granted	**96**	52	**1,580**	140
Weighted-average grant-date fair value	**$ 51.96**	$ 35.41	**$ 30.45**	$ 48.39

Performance-Based Restricted Stock Units

We grant performance-based restricted stock units to certain employees which are subject to the attainment of pre-established annual performance targets. The actual number of shares subject to the award is determined at the end of the annual performance period and may range from 0% to 200% of the target shares granted. These awards generally contain an additional service component after each annual performance period is concluded and the unvested balance of the shares determined at the end of the annual performance period will vest over the remaining requisite service period. Compensation expense related to these awards is recognized using the accelerated attribution method over the vesting period (generally, a period of four years) based on the fair value of the closing market price of our Class A common stock on the date of the grant and the estimated performance that is expected to be achieved.

Note 12—Stock-Based Compensation (continued)

The following table summarizes the performance-based restricted stock units granted under our 2010 Equity Incentive Plan:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share data)			
Performance-based restricted stock units granted [(1)]	**53**	—	**615**	883
Weighted-average grant-date fair value	**$ 51.25**	$ —	**$ 34.82**	$ 50.15

(1) Performance awards granted also reflects, as applicable, the issuance of any shares awarded in excess of their original target amount based on the Compensation Committee's certification of completed performance years. The grant date fair value for these awards are based on the grant price at the time of the original award.

Performance-Based Stock Options

In connection with the recent hiring of certain executive officers, we granted performance-based stock options with a seven-year term that vest subject to continued service over three years, and upon our company achieving certain stock trading prices within a five-year period. Compensation expense related to these awards is recognized over the greater of the explicit service period or a derived implicit period based on when the performance targets are expected to be achieved. The grant date fair value is determined through the use of a Monte Carlo simulation and is not subsequently re-measured.

The following table summarizes the performance-based stock options granted to date:

	Nine Months Ended September 30,
	2020
	(In thousands, except per share data)
Performance-based stock options granted	**2,250**
Weighted-average exercise price	**$ 31.30**
Weighted-average grant-date fair value	**$ 14.57**

The estimated grant-date fair value of each performance option grant was based on the following weighted-average assumptions:

	Nine Months Ended September 30,
	2020
Risk-free interest rate	**0.63 %**
Expected term (in years)	**3.30**
Expected dividends	**—**
Expected volatility	**53.8 %**

The total stock-based compensation expense recognized was $11.8 million and $6.9 million for the three months ended September 30, 2020 and 2019, respectively, and $36.8 million and $30.1 million for the nine months ended September 30, 2020 and 2019, respectively. Total stock-based compensation expense includes amounts related to each of the awards discussed above and purchases made under our 2010 Employee Stock Purchase Plan, and reflects, as applicable, accelerated expense recognition associated with our retirement policy.

Under our retirement policy, following a qualified retirement, any service-based requirement for unvested stock awards held by the eligible employee is eliminated. Accordingly, the related compensation expense is recognized immediately for qualifying awards granted to eligible employees, or in the case of ineligible employees who later become eligible under the retirement policy, over the period from the grant date to the date a qualifying retirement is achieved, if earlier than the standard vesting dates. Performance-based restricted stock units issued to retirement eligible employees remain subject to the stock awards' annual performance targets and the expense will be adjusted accordingly based expected achievement.

Note 13—Earnings (Loss) per Common Share

The calculation of basic and diluted earnings (loss) per share (EPS) was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share data)			
Basic earnings (loss) per Class A common share				
Numerator:				
Net (loss) income	**$ (2,992)**	$ (531)	**$ 47,147**	$ 98,204
Amount attributable to unvested Walmart restricted shares	**43**	—	**(742)**	—
Net (loss) income allocated to Class A common stockholders	**$ (2,949)**	$ (531)	**$ 46,405**	$ 98,204
Denominator:				
Weighted-average Class A shares issued and outstanding	**52,635**	51,595	**52,269**	52,405
Basic (loss) earnings per Class A common share	**$ (0.06)**	$ (0.01)	**$ 0.89**	$ 1.87
Diluted earnings (loss) per Class A common share				
Numerator:				
Net (loss) income allocated to Class A common stockholders	**$ (2,949)**	$ (531)	**$ 46,405**	$ 98,204
Re-allocated earnings	**(1)**	—	**16**	—
Diluted net (loss) income allocated to Class A common stockholders	**$ (2,950)**	$ (531)	**$ 46,421**	$ 98,204
Denominator:				
Weighted-average Class A shares issued and outstanding	**52,635**	51,595	**52,269**	52,405
Dilutive potential common shares:				
Stock options	**426**	83	**208**	130
Restricted stock units	**751**	199	**658**	463
Performance-based restricted stock units	**231**	373	**298**	413
Employee stock purchase plan	**39**	45	**22**	63
Diluted weighted-average Class A shares issued and outstanding	**54,082**	52,295	**53,455**	53,474
Diluted (loss) earnings per Class A common share	**$ (0.06)**	$ (0.01)	**$ 0.87**	$ 1.84

The restricted shares issued to Walmart contain non-forfeitable rights to dividends and are considered participating securities for purposes of computing EPS pursuant to the two-class method. The computation above excludes income attributable to the unvested restricted shares from the numerator and excludes the dilutive impact of those underlying shares from the denominator.

For the periods presented, we excluded certain restricted stock units and stock options outstanding (as applicable), which could potentially dilute basic EPS in the future, from the computation of diluted EPS as their effect was anti-dilutive. Additionally, we have excluded any performance-based restricted stock units and performance-based stock options where the performance contingency has not been met as of the end of the period. The following table shows the weighted-average number of shares excluded from the diluted EPS calculation as their effects were anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Class A common stock				
Options to purchase Class A common stock	**947**	—	**488**	—
Restricted stock units	**133**	476	**175**	314
Performance-based restricted stock units	**460**	752	**292**	466
Unvested Walmart restricted shares	**759**	—	**836**	—
Total	**2,299**	1,228	**1,791**	780

Note 14—Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value.

For more information regarding the fair value hierarchy and how we measure fair value, see *Note 2–Summary of Significant Accounting Policies* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2019.

As of September 30, 2020 and December 31, 2019, our assets and liabilities carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
September 30, 2020		(In thousands)		
Assets				
Corporate bonds	**$ —**	**$ 10,092**	**$ —**	**$ 10,092**
Agency bond securities	**—**	**54,931**	**—**	**54,931**
Agency mortgage-backed securities	**—**	**215,185**	**—**	**215,185**
Municipal bonds	**—**	**13,950**	**—**	**13,950**
Asset-backed securities	**—**	**15,216**	**—**	**15,216**
Total assets	**$ —**	**$ 309,374**	**$ —**	**$ 309,374**
Liabilities				
Contingent consideration	**$ —**	**$ —**	**$ 6,300**	**$ 6,300**
December 31, 2019				
Assets				
Corporate bonds	$ —	$ 10,012	$ —	$ 10,012
Agency bond securities	—	20,000	—	20,000
Agency mortgage-backed securities	—	211,033	—	211,033
Municipal bonds	—	4,342	—	4,342
Asset-backed securities	—	32,052	—	32,052
Total assets	$ —	$ 277,439	$ —	$ 277,439
Liabilities				
Contingent consideration	$ —	$ —	$ 9,300	$ 9,300

We based the fair value of our fixed income securities held as of September 30, 2020 and December 31, 2019 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets or liabilities during the three and nine months ended September 30, 2020 or 2019.

The following table presents changes in our contingent consideration payable for the three and nine months ended September 30, 2020 and 2019, which is categorized in Level 3 of the fair value hierarchy:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
		(In thousands)		
Balance, beginning of period	**$ 7,300**	$ 13,166	**$ 9,300**	$ 15,800
Payments of contingent consideration	**(1,000)**	(1,000)	**(3,000)**	(3,634)
Change in fair value of contingent consideration	**—**	(1,866)	**—**	(1,866)
Balance, end of period	**$ 6,300**	$ 10,300	**$ 6,300**	$ 10,300

Note 15—Fair Value of Financial Instruments

The following describes the valuation technique for determining the fair value of financial instruments, whether or not such instruments are carried at fair value on our consolidated balance sheets.

Short-term Financial Instruments

Our short-term financial instruments consist principally of unrestricted and restricted cash and cash equivalents, settlement assets and obligations, and obligations to customers. These financial instruments are short-term in nature, and, accordingly, we believe their carrying amounts approximate their fair values. Under the fair value hierarchy, these instruments are classified as Level 1.

Investment Securities

The fair values of investment securities have been derived using methodologies referenced in *Note 2–Summary of Significant Accounting Policies* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2019*.* Under the fair value hierarchy, our investment securities are classified as Level 2.

Loans

We determined the fair values of loans by discounting both principal and interest cash flows expected to be collected using a discount rate commensurate with the risk that we believe a market participant would consider in determining fair value. Under the fair value hierarchy, our loans are classified as Level 3.

Deposits

The fair value of demand and interest checking deposits and savings deposits is the amount payable on demand at the reporting date. We determined the fair value of time deposits by discounting expected future cash flows using market-derived rates based on our market yields on certificates of deposit, by maturity, at the measurement date. Under the fair value hierarchy, our deposits are classified as Level 2.

Contingent Consideration

The fair value of contingent consideration obligations, such as the earn-out associated with our acquisition of UniRush LLC ("UniRush") in 2017, is estimated through valuation models designed to estimate the probability of such contingent payments based on various assumptions. Estimated payments are discounted using present value techniques to arrive at an estimated fair value. Our contingent consideration payable is classified as Level 3 because we use unobservable inputs to estimate fair value, including the probability of achieving certain earnings thresholds and appropriate discount rates. Changes in fair value of contingent consideration are recorded through operating expenses.

Debt

The fair value of our revolving line of credit is based on borrowing rates currently available to a market participant for loans with similar terms or maturity. The carrying amount of our outstanding revolving line of credit approximates fair value because the base interest rate charged varies with market conditions and the credit spread is commensurate with current market spreads for issuers of similar risk. The fair value of the revolving line of credit is classified as a Level 2 liability in the fair value hierarchy.

Fair Value of Financial Instruments

The carrying values and fair values of certain financial instruments that were not carried at fair value, excluding short-term financial instruments for which the carrying value approximates fair value, at September 30, 2020 and December 31, 2019 are presented in the table below.

Note 15—Fair Value of Financial Instruments (continued)

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Financial Assets				
Loans to bank customers, net of allowance	**$ 20,423**	**$ 19,277**	$ 21,417	$ 19,563
Financial Liabilities				
Deposits	**$ 2,282,674**	**$ 2,282,625**	$ 1,175,341	$ 1,175,298
Line of credit	**$ —**	**$ —**	$ 35,000	$ 35,000

Note 16—Leases

We enter into operating lease agreements principally related to our corporate office locations. Currently, we do not enter into any financing lease agreements. Our leases have remaining lease terms of less than 1 year to approximately 5 years, most of which include renewal options of varying terms. We made a policy election to adopt the short term lease exemption for all leases with an initial term of 12 months or less.

Significant Assumptions, Judgments and Policies

Under Topic 842, we determine if an arrangement is or contains a lease at inception. Right-of-use (ROU) assets and liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only fixed payments stated in the leases at the time of commencement. Variable lease payments that are not based on a specified rate or index are expensed when incurred. Since an implicit interest rate for our leases cannot be determined under our contracts, we use an incremental borrowing rate based on the information available to us at the commencement date in determining the present value of our lease payments. Our incremental borrowing rate is based on a variety of considerations, including borrowing rates currently available to us for loans with similar terms and market participant information based on credit spreads for issuers of similar risk and credit rating.

The ROU asset also reflects any lease payments made prior to commencement and is recorded net of any lease incentives received. Our ROU asset and liability reflects, as applicable, options to extend or terminate a lease when it is reasonably certain that we will exercise such options. We also made a policy election to combine our lease and non-lease components for each of our existing classes of leased assets. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease expense is recognized on a straight-line basis over the lease term.

Our total lease expense amounted to approximately $2.3 million and $3.5 million for the three months ended September 30, 2020 and 2019, respectively, and $6.9 million and $8.1 million for the nine months ended September 30, 2020 and 2019, respectively. Our lease expense is generally based on fixed payments stated within the agreements. Any variable payments for non-lease components and other short term lease expenses are not considered material.

Supplemental Information

Supplemental information related to our ROU assets and related lease liabilities is as follows:

	September 30, 2020
Cash paid for operating lease liabilities (in thousands)	**$ 7,455**
Weighted average remaining lease term (years)	**3.5**
Weighted average discount rate	**4.8 %**

Note 16—Leases (continued)

Maturities of our operating lease liabilities as of September 30, 2020 is as follows:

	Operating Leases
	(In thousands)
Remainder of 2020	$ 2,454
2021	9,715
2022	8,805
2023	3,500
2024	3,464
Thereafter	1,732
	29,670
Less: imputed interest	(2,961)
Total lease liabilities	$ 26,709

Note 17—Commitments and Contingencies

Litigation and Claims

In the ordinary course of business, we are a party to various legal proceedings, including, from time to time, actions which are asserted to be maintainable as class action suits. We review these actions on an ongoing basis to determine whether it is probable and estimable that a loss has occurred and use that information when making accrual and disclosure decisions. We have provided reserves where necessary for all claims and, based on current knowledge and in part upon the advice of legal counsel, all matters are believed to be adequately covered by insurance, or, if not covered, we do not expect the outcome in any legal proceedings, individually or collectively, to have a material adverse impact on our financial condition or results of operations.

On December 18, 2019, an alleged class action entitled Koffsmon v. Green Dot Corp., et al., No. 19-cv-10701-DDP-E, was filed in the United States District Court for the Central District of California, against us and two of our officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Exchange Act for allegedly misleading statements regarding our business strategy. Plaintiff alleges that defendants made statements that were misleading because they allegedly failed to disclose details regarding our customer acquisition strategy and its impact on our financial performance. The suit is purportedly brought on behalf of purchasers of our securities between May 9, 2018 and November 7, 2019, and seeks compensatory damages, fees and costs. On February 18, 2020, a shareholder derivative suit and securities class action entitled Hellman v. Streit, et al, No. 20-cv-01572-SVW-PVC was filed in United States District Court for the Central District of California, against us and certain of our officers and directors. The suit avers purported breach of fiduciary duty and unjust enrichment claims, as well as claims under Sections 10(b), 14(a) and 20(a) of the Exchange Act, on the basis of the same wrongdoing alleged in the first lawsuit described above. The suit does not define the purported class allegedly damaged. These cases have been related. The defendants have not yet responded to the complaints in these matters.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows.

Other Legal Matters

We monitor the laws of all 50 states to identify state laws or regulations that apply (or may apply) to our products and services. We have obtained money transmitter licenses (or similar such licenses) where applicable, based on advice of counsel or when we have been requested to do so. If we were found to be in violation of any laws and regulations governing banking, money transmitters, electronic fund transfers, or money laundering in the United States or abroad, we could be subject to penalties or could be forced to change our business practices.

From time to time we enter into contracts containing provisions that contingently require us to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) contracts with our card issuing banks, under which we are responsible to them for any unrecovered overdrafts on cardholders' accounts; (ii) certain real estate leases, under which we may be required to indemnify property owners for environmental and other liabilities, and other claims arising from our use of the premises; (iii) certain agreements with our officers, directors,

Note 17—Commitments and Contingencies (continued)

and employees, under which we may be required to indemnify these persons for liabilities arising out of their relationship with us; and (iv) contracts under which we may be required to indemnify our retail distributors, suppliers, vendors and other parties with whom we have contracts against claims arising from certain of our actions, omissions, violations of law and/or infringement of patents, trademarks, copyrights and/or other intellectual property rights.

Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. With the exception of overdrafts on cardholders' accounts, historically, we have not been required to make payments under these and similar contingent obligations, and no liabilities have been recorded for these obligations in our consolidated balance sheets.

For additional information regarding overdrafts on cardholders' accounts, refer to *Note 5 — Accounts Receivable.*

Financial Commitments

As discussed in *Note 7 — Equity Method Investment*, we are committed to make annual capital contributions in TailFin Labs, LLC of $35.0 million per year from January 2020 through January 2024.

On February 28, 2017, we completed our acquisition of all the membership interests of UniRush, an online direct-to-consumer GPR card and corporate payroll card provider. The transaction terms include an earn-out equal to the greater of (i) a specified percentage of the revenue generated by the online direct-to-consumer GPR card portfolio for the five-year period following the closing or (ii) $20 million, payable quarterly over five years.

Note 18—Significant Retailer Concentration

A credit concentration may exist if customers are involved in similar industries, economic sectors, and geographic regions. Our retail distributors operate in similar economic sectors but diverse domestic geographic regions. The loss of a significant retail distributor could have a material adverse effect upon our card sales, profitability, and revenue growth.

Revenues derived from our products sold at retail distributors constituting greater than 10% of our total operating revenues were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Walmart	**27%**	35%	**27%**	33%

Settlement assets derived from our products sold at retail distributors constituting greater than 10% of the settlement assets outstanding on our consolidated balance sheets were as follows:

	September 30, 2020	December 31, 2019
Walmart	*	13%

* Constitutes less than 10% for the period presented.

Note 19—Segment Information

Our operations are comprised of two reportable segments: 1) Account Services and 2) Processing and Settlement Services. We identified our reportable segments based on factors such as how we manage our operations and how our chief operating decision maker, who is our Chief Executive Officer, views results. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings and uses operating income to assess profitability.

The Account Services segment consists of revenues and expenses derived from our deposit account programs, such as prepaid cards, debit cards, consumer and small business checking accounts, secured credit cards, payroll debit cards and gift cards. These deposit account programs are marketed under several of our leading consumer brand names and under the brand names of our BaaS partners. The Processing and Settlement Services segment consists of revenues and expenses derived from our products and services that specialize in facilitating the movement of cash on behalf of consumers and businesses, such as consumer cash processing services, wage disbursements and tax refund processing services. The Corporate and Other segment primarily consists of eliminations of intersegment revenues and expenses, unallocated corporate expenses, depreciation and amortization, and other costs that are not considered when management evaluates segment performance. We do not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

The following tables present certain financial information for each of our reportable segments for the periods then ended:

	Three Months Ended September 30, 2020			
	Account Services	**Processing and Settlement Services**	**Corporate and Other**	**Total**
	(In thousands)			
Operating revenues	**$ 238,135**	**$ 59,382**	**$ (6,447)**	**$ 291,070**
Operating expenses	**211,216**	**52,613**	**29,891**	**293,720**
Operating income (loss)	**$ 26,919**	**$ 6,769**	**$ (36,338)**	**$ (2,650)**

	Three Months Ended September 30, 2019			
	Account Services	**Processing and Settlement Services**	**Corporate and Other**	**Total**
	(In thousands)			
Operating revenues	$ 191,273	$ 56,025	$ (6,850)	$ 240,448
Operating expenses	173,014	49,151	20,470	242,635
Operating income (loss)	$ 18,259	$ 6,874	$ (27,320)	$ (2,187)

	Nine Months Ended September 30, 2020			
	Account Services	**Processing and Settlement Services**	**Corporate and Other**	**Total**
	(In thousands)			
Operating revenues	**$ 739,251**	**$ 252,889**	**$ (22,661)**	**$ 969,479**
Operating expenses	**651,482**	**169,601**	**86,807**	**907,890**
Operating income	**$ 87,769**	**$ 83,288**	**$ (109,468)**	**$ 61,589**

	Nine Months Ended September 30, 2019			
	Account Services	**Processing and Settlement Services**	**Corporate and Other**	**Total**
	(In thousands)			
Operating revenues	$ 646,938	$ 236,714	$ (24,364)	$ 859,288
Operating expenses	515,375	149,533	71,219	736,127
Operating income	$ 131,563	$ 87,181	$ (95,583)	$ 123,161

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "endeavors," "strives," "may" and "assumes," variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict, including the impact of the coronavirus (COVID-19) pandemic on our business, results of operations and financial condition and our response to it, and those identified below, under "Part II, Item 1A. Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

In this Quarterly Report, unless otherwise specified or the context otherwise requires, "Green Dot," "we," "us," and "our" refer to Green Dot Corporation and its consolidated subsidiaries.

Overview

Green Dot Corporation is a financial technology leader and bank holding company with a mission to reinvent banking for the masses. Our company's long-term strategy is to create a unique, sustainable and highly valuable fintech ecosystem, in part through the continued evolution of Green Dot's innovative Banking as a Service ("BaaS") platform, that's intended to fuel the engine of innovation and growth for Green Dot and its business partners.

Enabled by proprietary technology, our commercial bank charter and our high-scale program management operating capability, our vertically integrated technology and banking platform is used by a growing list of America's most prominent consumer and technology companies to design and deploy their own bespoke financial services solutions to their customers and partners, while we use that same integrated platform for our own leading collection of banking and financial services products marketed directly to consumers through what we believe to be the most broadly distributed, omni-channel branchless banking platforms in the United States.

Our products and services are divided among our two reportable segments: 1) Account Services and 2) Processing and Settlement Services. We also consider our product and service offerings based on our market distribution strategies, which we refer to as our Consumer Business and Platform Services Business. Refer to our latest Annual Report on Form 10-K "*Part 1, Item 1. Business*" for more detailed information.

Financial Results and Trends

Our consolidated results of operations for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	%	2020	2019	Change	%
	(In thousands, except percentages)							
Total operating revenues	**$ 291,070**	$ 240,448	$ 50,622	21.1 %	**$ 969,479**	$ 859,288	$ 110,191	12.8 %
Total operating expenses	**293,720**	242,635	51,085	21.1 %	**907,890**	736,127	171,763	23.3 %
Net (loss) income	**(2,992)**	(531)	(2,461)	*	**47,147**	98,204	(51,057)	(52.0)%

* Not meaningful.

Impact of COVID-19

The unprecedented and rapid spread of the COVID-19 pandemic and the measures implemented to contain it have created a significant amount of economic volatility in our markets. We have taken steps to ensure the health and safety of our employees and continued service to our customers and partners, while at the same time seeking to mitigate the impact of the pandemic on our financial condition and results of operations.

Our employees and business continuity

In response to the pandemic, we enacted business continuity plans in Shanghai, China and across the U.S., mandated that our employees work from home, required contractors to work remotely and implemented strict travel restrictions. To date, our U.S. employees have been successful in maintaining our operations in a remote work environment and our offices in China have since reopened consistent with local guidelines. While we experienced disruption in staffing levels at our third-party call centers across the globe in the first half of 2020, staffing levels have been restored to appropriate levels and we continue to monitor the situation, as we evaluate future operating plans.

Demand for our products and services

Beginning in March 2020, the business and operations of our retail distributors, employers offering our PayCard programs and certain of our BaaS partners have been disrupted, with many experiencing reduced foot traffic or usage of their products and services. The conditions caused by the COVID-19 pandemic adversely affected our customers’ spending levels and the ability or willingness to purchase our products and services through our retail distributors, lowered the volume of transactions through our BaaS and PayCard programs and delayed the launching of new products and services.

Subsequently, governmental actions in the second quarter of 2020, such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) helped mitigate the effects of COVID-19 on our business. In particular, stimulus funds and incremental unemployment benefits provided under the CARES Act and a fundamental shift in consumer behavior towards electronic payments has created a higher demand and usage of our products and services. In the third quarter of 2020, our gross dollar volume, purchase volume and the number of active accounts grew year-over-year by 47%, 26% and 10%, respectively. While we believe we will continue to benefit from the accelerated adoption of digital payments, we expect our key performance indicators to normalize throughout the fourth quarter of 2020 as the effect of past governmental actions lessen.

Impact on interest income, cost structure and liquidity

Interest Income

The Federal Reserve recently announced reductions in short-term interest rates that have lowered the yields on our cash and investment balances and therefore, we expect a reduction in the amount of interest income we earn for the remainder of the year.

Cost Structure

We have experienced increased costs, including higher disputed transaction losses, which were exacerbated by the disruption in staffing levels at our third-party call centers in the first half of 2020. We have implemented cost-saving measures to offset increased costs and are otherwise working to mitigate the conditions driving our higher costs.

Liquidity

We have taken steps to strengthen our liquidity position and ensure we have ample flexibility to pursue strategic priorities, including utilizing our revolving credit facility, strictly managing our enterprise-wide employee headcount and delaying or reducing non-critical projects. We currently have the full $100 million available to us under our revolving credit facility should we need it to invest in strategic initiatives.

Additionally, the CARES Act provides for deferred payment of the employer portion of social security taxes through the end of 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. This is expected to provide us with approximately $6 million of additional liquidity during the current year.

The duration and magnitude of the effects of COVID-19 remains uncertain and dependent on various factors, including the continued severity and transmission rate of the virus, the nature of and duration for which the preventative measures remain in place, the extent and effectiveness of containment and mitigation actions, the type of stimulus measures and other policy responses that the U.S. government may further adopt, and the impact of these and other factors on our employees, customers, retail distributors, partners and vendors.

See *Part II, Item 1A, Risk Factors*, for an additional discussion of risk related to the COVID-19 pandemic.

Total operating revenues

Our total operating revenues for the three and nine months ended September 30, 2020 increased $50.6 million, or 21%, and $110.2 million, or 13%, respectively, over the prior year comparable periods, generating revenue growth from both our Account Services and Processing and Settlement Services segments.

Account Services

Within our Account Services segment, total operating revenues increased year-over-year for the three and nine months ended September 30, 2020 by 25% and 14%, respectively, primarily attributable to growth in our key metrics, such as gross dollar volume and purchase volume. The growth in gross dollar volume was driven, in part, by the extension of federal unemployment benefits and higher levels of tax refund payments due to the extension of the tax filing deadlines to July 2020. The growth in our key metrics resulted in year-over-year increases in BaaS program management service fee revenues earned from platform partners, monthly maintenance fees and interchange revenues, partially offset by an increase in estimated cash back rewards that we record as a reduction to card revenues and other fees. We also experienced a year-over-year decline in net interest income during the three and nine months ended September 30, 2020 due to lower yields on our cash and investment balances as a result of rate decreases by the Federal Reserve.

While we believe gross dollar volume is a strong indicator of our revenue for all our account programs and believe our long term strategy and unique collection of assets provide a competitive advantage to address the competitive pressures we face from new entrants, current economic conditions caused by the COVID-19 pandemic have created mixed trends in our business that make it difficult to forecast future results. We continue to monitor gross dollar volume to better understand its sources. We saw an increased proportion of ACH deposits coming from government benefits when account holders filed for unemployment benefits. While state and federal unemployment benefits afforded under the CARES Act helped offset erosion in payroll deposits, as we noted above, such benefits have since expired and it is unclear whether or how long such benefits will be extended or whether such benefits will be maintained, significantly reduced or replaced.

Processing and Settlement Services

Within our Processing and Settlement Services segment, total operating revenues increased year-over-year by 6% and 7% for the three and nine months ended September 30, 2020, respectively, primarily due to growth in the number of cash transfers and tax refund payments processed, as well as the introduction of new tax processing services compared with the prior year periods, partially offset by a year-over-year decline in Simply Paid disbursement transactions due to the effects of the COVID-19 pandemic.

During the fourth quarter of 2020, we anticipate a modest decline in the number of cash transfers and the related revenue, as compared to the same period in 2019, as a result of the non-renewal of a reload partner arrangement. We do not expect a corresponding impact to net income due to the lower profitability of this arrangement.

Total operating expenses

Our total operating expenses for the three and nine months ended September 30, 2020 increased $51.1 million, or 21%, and $171.8 million, or 23%, respectively, over the prior year comparable periods. This increase was primarily the result of several factors, including higher processing expenses associated with the growth of certain BaaS account programs and an increase in other general and administrative expenses primarily due to a year-over-year growth in dispute transaction losses and higher depreciation and amortization of property, plant and equipment as a result of growth in capital expenditures in recent years. We also experienced higher compensation and benefits expenses, principally due to accrued bonus compensation for non-executive employees and stock-based compensation expenses associated with performance-based equity awards as a result of our improving performance. During the three months ended September 30, 2020, sales and marketing expenses declined year-over-year, principally from lower marketing expenses. In 2019, the majority of our marketing expenses were concentrated in the second half of the year to support the launch of our Green Dot Unlimited product. For the nine months ended September 30, 2020, we experienced higher sales and marketing expenses attributable to the year-over-year increases in operating revenues generated from products and services that are subject to revenue-sharing arrangements with our distributors and partners.

While we continue to build operational efficiencies within our customer service operations, in the short-term, we continue to incur significantly higher dispute transaction losses year-over-year, primarily due to higher volumes of incoming customer disputes and operational disruptions caused by the COVID-19 pandemic. While we do not anticipate these conditions to persist over a long duration, dispute transaction losses have negatively impacted other general and administrative expenses for the three and nine months ended September 30, 2020 and we expect will normalize beginning in 2021 as our improvement measures begin to take effect.

Additionally, under our new Walmart MoneyCard agreement, beginning January 1, 2020, the sales commission rate we pay to Walmart for the MoneyCard program increased from the prior agreement. Consequently, our sales and marketing expenses throughout 2020 has been negatively impacted by the increased commission rate.

Income taxes

We recorded an income tax benefit of $1.3 million for the three months ended September 30, 2020, a decrease $0.5 million, or 27%, from the prior year comparable period. The decrease was primarily due to the effect of certain limitations on our income tax deductions on compensation. Income tax expense for the nine months ended September 30, 2020 decreased $8.8 million, or 38%, from the prior year comparable period primarily due to a decline in operating income generated, offset by a higher effective tax rate year-over-year.

Key Metrics

We review a number of metrics to help us monitor the performance of, and identify trends affecting, our business. We believe the following measures are the primary indicators of our quarterly and annual revenues:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	%	2020	2019	Change	%
	(In millions, except percentages)							
Gross Dollar Volume	**$ 14,453**	$ 9,827	$ 4,626	47.1 %	**$ 43,854**	$ 32,823	$ 11,031	33.6 %
GDV from Direct Deposit Sources	**$ 9,493**	$ 6,843	$ 2,650	38.7 %	**$ 30,715**	$ 24,268	$ 6,447	26.6 %
Number of Active Accounts*	**5.72**	5.18	0.54	10.4 %	**n/a**	n/a	n/a	n/a
Direct Deposit Active Accounts*	**2.37**	2.14	0.23	10.7 %	**n/a**	n/a	n/a	n/a
Purchase Volume	**$ 7,600**	$ 6,047	$ 1,553	25.7 %	**$ 24,359**	$ 20,717	$ 3,642	17.6 %
Cash Transfers	**12.81**	11.73	1.08	9.2 %	**37.42**	33.96	3.46	10.2 %
Tax Refunds Processed	**0.75**	0.11	0.64	**	**12.35**	12.02	0.33	2.7 %

* Represents number of active and direct deposit active accounts as of September 30, 2020 and 2019, respectively.

** Not meaningful.

Gross Dollar Volume — represents the total dollar volume of funds loaded to our account products from direct deposit and non-direct deposit sources. A substantial portion of our gross dollar volume is generated from direct deposit sources. We use these metrics to analyze the total amount of money moving onto our account programs, determine the overall engagement and usage patterns of our account holder base. This metric also serves as a leading indicator of revenue generated through our Account Services segment products, inclusive of interest income generated on deposits held at Green Dot Bank, fees charged to account holders and interchange revenues generated through the spending of account balances. The increases in total dollar volume of 47% and 34% during the three and nine months ended September 30, 2020, respectively, and the increases in gross dollar volume from direct deposit sources of 39% and 27% during the three and nine months ended September 30, 2020, respectively, from the comparable prior year periods were principally driven by an increase in the number of direct deposit active accounts and federal benefits received under the CARES Act, as well as uncharacteristically higher levels of tax refund payments in the third quarter of 2020 due to the extension of the tax filing deadlines to July 2020.

Number of Active Accounts — represents any bank account within our Account Services segment that is subject to United States Patriot Act compliance and, therefore, requires customer identity verification prior to use and is intended to accept ongoing customer cash or ACH deposits. This metric includes general purpose reloadable prepaid card accounts, demand deposit or checking accounts, and credit card accounts in our portfolio that had a purchase, deposit or ATM withdrawal transaction during the applicable quarter. We use this metric to analyze the overall size of our active customer base and to analyze multiple metrics expressed as an average across this active account base. Within our active accounts, we monitor the mix of direct deposit accounts and non-direct deposit accounts. Our direct deposit active accounts, on average, have the longest tenure and generate the majority of our gross dollar volume in any period and thus, generate more revenue over their lifetime than other active accounts. We experienced an increase in the number of active accounts and direct deposit active accounts of 10% and 11%, respectively, as of September 30, 2020 on a year-over-year basis, primarily driven by new and existing customers utilizing our platform to receive stimulus funds and unemployment benefits provided for under the CARES Act and the extension of tax filing deadlines to July 2020.

Purchase Volume — represents the total dollar volume of purchase transactions made by our account holders. This metric excludes the dollar volume of ATM withdrawals and in 2020, excludes volume generated by certain BaaS programs where the BaaS partner earns interchange and we earn a platform fee. We use this metric to analyze interchange revenue, which is a key component of our financial performance. Purchase volume increased approximately 26% and 18% during the three and nine months ended September 30, 2020, respectively, from the comparable prior year periods, in line with the increase in Gross Dollar Volume as described above.

Number of Cash Transfers — represents the total number of cash transfer transactions conducted by consumers, such as a point-of-sale swipe reload transaction, the purchase of a MoneyPak or an e-cash mobile remittance transaction marketed under various brand names, that we conducted through our retail distributors in a specified period. This metric excludes disbursements made through our Simply Paid wage disbursement platform. We review this metric as a measure of the size and scale of our retail cash processing network, as an indicator of customer engagement and usage of our products and services, and to analyze cash transfer revenue, which is a key component of our financial performance. Our cash transfers increased 9% and 10% during the three and nine months ended September 30, 2020, respectively, over the prior year comparable periods primarily due to an increase in transactions driven by the number of third-party account programs that utilize the Green Dot Network to accept funds through our cash processing network. As discussed above, during the fourth quarter of 2020, we anticipate a modest decline in the number of cash transfers and the related revenue, as compared to the same period in 2019, as a result of the non-renewal of a reload partner arrangement.

Number of Tax Refunds Processed — represents the total number of tax refunds processed in a specified period. Due to seasonality, the number of tax refunds processed is most concentrated during the first half of each year and is minimal during the second half of each year. We review this metric as a measure of the size and scale of our tax refund processing platform and as an indicator of customer engagement and usage of its products and services. The overall increase in the number of tax refunds processed of 3% during the nine months ended September 30, 2020 was primarily due to an increase in refunds processed through online consumer tax filing software platforms, compared to the prior year period.

Key components of our results of operations

Operating Revenues

We classify our operating revenues into the following four categories:

Card Revenues and Other Fees — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on GPR cards, checking accounts and certain cash transfer products, such as MoneyPak, pursuant to the terms and conditions in our customer agreements. We charge ATM fees to cardholders when they withdraw money at certain ATMs in accordance with the terms and conditions in our cardholder agreements. We charge new card fees, if applicable, when a consumer purchases a GPR card, gift card, or a checking account product. Other revenues consist primarily of revenue associated with our gift card program, annual fees associated with our secured credit card portfolio, transaction-based fees, fees associated with optional products or services, and cash-back rewards we offer to cardholders. Our cash-back rewards are recorded as a reduction to card revenues and other fees. Also included in card revenues and other fees are program management fees earned from our BaaS partners for programs we manage on their behalf.

Our aggregate monthly maintenance fee revenues vary primarily based upon the number of active accounts in our portfolio and the average fee assessed per account. Our average monthly maintenance fee per active account depends upon the mix of products in our portfolio at any given point in time and upon the extent to which fees are waived based on various incentives provided to customers in an effort to encourage higher usage and retention. Our aggregate ATM fee revenues vary based upon the number of cardholder ATM transactions and the average fee per ATM transaction. The average fee per ATM transaction depends upon the mix of products in our portfolio at any given point in time and the extent to which cardholders use ATMs within our free network that carry no fee for cash withdrawal transactions. Our aggregate new card fee revenues vary based upon the number of GPR cards and checking accounts activated and the average new card fee. The average new card fee depends primarily upon the mix of products that we sell since there are variations in new account fees based on the product and/or the location or source where our products are purchased. The revenue we earn from each of these fees may also vary depending upon the channel in which the active accounts were acquired. For example, certain BaaS programs may not assess monthly maintenance fees and as a result, these accounts may generate lower fee revenue than other active accounts. Our aggregate other fees vary primarily based upon account sales of all types, gift card sales, purchase transactions and the number of active accounts in our portfolio.

Processing and Settlement Service Revenues — Processing and settlement service revenues consist of cash transfer revenues, tax refund processing service revenues, Simply Paid disbursement revenues and other tax processing service revenues. We earn cash transfer revenues when consumers fund their cards through a reload transaction at a Green Dot Network retail location. Our aggregate cash transfer revenues vary based upon the mix of locations where reload transactions occur, since reload fees vary by location. We earn tax refund processing service revenues at the point in time when a customer of a third-party tax preparation company chooses to pay his or her tax preparation fee through the use of our tax refund processing services. We earn Simply Paid disbursement fees from our business partners at the point in time payment disbursements are made.

Interchange Revenues — We earn interchange revenues from fees remitted by the merchant's bank, which are based on rates established by the payment networks, at the point in time when customers make purchase transactions using our products. Our aggregate interchange revenues vary based primarily on the number of active accounts in our portfolio, the average transactional volume of the active accounts in our portfolio and on the mix of cardholder purchases between those using signature identification technologies and those using personal identification numbers and the corresponding rates.

Interest Income, net — Net interest income represents the difference between the interest income earned on our interest-earning assets and the interest expense on our interest-bearing liabilities held at Green Dot Bank. Interest-earning assets include customer deposits, loans, and investment securities. Our interest-bearing liabilities held at Green Dot Bank include interest-bearing deposits. Our net interest income and our net interest margin fluctuate based on changes in the federal funds interest rates and changes in the amount and composition of our interest-bearing assets and liabilities.

Operating Expenses

We classify our operating expenses into the following four categories:

Sales and Marketing Expenses — Sales and marketing expenses consist primarily of the commissions we pay to our retail distributors, brokers and platform partners, advertising and marketing expenses, and the costs of manufacturing and distributing card packages, placards and promotional materials to our retail distributors and personalized GPR and GoBank cards to consumers who have activated their cards. We generally establish commission percentages in long-term distribution agreements with our retail distributors and platform partners. Aggregate commissions with our retail distributors are determined by the number of account products and cash transfers sold at their respective retail stores. Commissions with our platform partners and, in certain cases, our retail distributors are determined by the revenue generated from the ongoing use of the associated card programs. We incur advertising and marketing expenses for television, sponsorships, online and in-store promotions. Advertising and marketing expenses are recognized as incurred and typically deliver a benefit over an extended period of time. For this reason, these expenses do not always track changes in our operating revenues. Our manufacturing and distribution costs vary primarily based on the number of GPR and GoBank accounts activated by consumers.

Compensation and Benefits Expenses — Compensation and benefits expenses represent the compensation and benefits that we provide to our employees and the payments we make to third-party contractors. While we have an in-house customer service function, we employ third-party contractors to conduct call center operations, handle routine customer service inquiries and provide consulting support in the area of IT operations and elsewhere. Compensation and benefits expenses associated with our customer service and loss management functions generally vary in line with the size of our active account portfolio, while the expenses associated with other functions do not.

Processing Expenses — Processing expenses consist primarily of the fees charged to us by the payment networks, which process transactions for us, the third-party card processors that maintain the records of our customers' accounts and process transaction authorizations and postings for us and the third-party banks that issue our accounts. These costs generally vary based on the total number of active accounts in our portfolio and gross dollar volume transacted by those accounts. Also included in processing expenses are bank fees associated with our tax refund processing services and gateway and network fees associated with our Simply Paid disbursement services. Bank fees generally vary based on the total number of tax refund transfers processed and gateway and network fees vary based on the numbers of disbursements made.

Other General and Administrative Expenses — Other general and administrative expenses consist primarily of professional service fees, telephone and communication costs, depreciation and amortization of our property and equipment and intangible assets, changes in contingent consideration, transaction losses (losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud), rent and utilities, and insurance. We incur telephone and communication costs primarily from customers contacting us through our toll-free telephone numbers. These costs vary with the total number of active accounts in our portfolio, as do losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud. Costs associated with professional services, depreciation and amortization of our property and equipment, amortization of our acquired intangible assets, rent and utilities vary based upon our investment in infrastructure, business development, risk management and internal controls and are generally not correlated with our operating revenues or other transaction metrics.

Income Tax Expense

Our income tax expense consists of the federal and state corporate income taxes accrued on income resulting from the sale of our products and services. On March 27, 2020, the CARES Act was signed into law, which among other things, includes certain income tax provisions for individuals and corporations; however, these benefits do not impact our current tax provision.

Critical Accounting Policies and Estimates

Reference is made to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2019. Except as disclosed in *Note 2 — Summary of Significant Accounting Policies* under *Recently Adopted Accounting Pronouncements* to the Consolidated Financial Statements included herein, there have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2020.

Recent Accounting Pronouncements

Reference is made to the recent accounting pronouncements disclosed in *Note 2 — Summary of Significant Accounting Policies* to the Consolidated Financial Statements included herein.

Comparison of Three-Month Periods Ended September 30, 2020 and 2019

Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, processing and settlement service revenues, interchange revenues and net interest income:

	Three Months Ended September 30,			
	2020		2019	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	**$ 146,648**	**50.3 %**	$ 102,231	42.5 %
Processing and settlement service revenues	**57,526**	**19.8**	54,620	22.7
Interchange revenues	**84,876**	**29.2**	77,080	32.1
Interest income, net	**2,020**	**0.7**	6,517	2.7
Total operating revenues	**$ 291,070**	**100.0 %**	$ 240,448	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled $146.6 million for the three months ended September 30, 2020, an increase of $44.4 million, or 43.4%, from the comparable prior year period. Our card revenues and other fees increased principally as a result of BaaS program management service fee revenues earned from platform partners and to a lesser extent, an increase in monthly maintenance fee assessments as a result of higher account balances. The deposit liability on our balance sheet has increased substantially year-over-year as a result of the increase in gross dollar volume. These increases were offset partially by an increase in estimated cash back rewards that we record as a reduction to card revenues and other fees. Our estimate of cash rewards varies based on multiple factors including the terms and conditions of the cash back program, customer activity and customer redemption rates. Cash rewards have increased steadily year-over-year as our cash-back programs have grown, principally from those programs launched in the second half of 2019.

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled $57.5 million for the three months ended September 30, 2020, an increase of $2.9 million, or 5%, from the comparable prior year period. The increase is attributable in part to a shift in the timing of tax refunds processed from the second quarter to the third quarter of 2020 as a result of the extension of the tax filing deadline to July 2020, as well as growth in the number of cash transfers processed. These increases were offset by a decline in the number of Simply Paid disbursement transactions due to the effects of the COVID-19 pandemic.

Interchange Revenues — Interchange revenues totaled $84.9 million for the three months ended September 30, 2020, an increase of $7.8 million, or 10%, from the comparable prior year period. The increase was primarily due to an increase in the amount of purchase volume during the three months ended September 30, 2020 compared to the prior year period, which we attribute primarily to stimulus funds and unemployment benefits made available under the CARES Act, partially offset by a decline in the interchange rate earned as a result of an increase in the average dollar amount purchased per transaction.

Interest Income, net — Net interest income totaled $2.0 million for the three months ended September 30, 2020, a decrease of $4.5 million, or 69%, from the comparable prior year period. The decrease was principally the result of lower yields on our investment securities portfolio and customer funds on deposit as a result of rate decreases by the Federal Reserve during the first quarter of 2020.

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Three Months Ended September 30,					
	2020			2019		
		Amount	% of Total Operating Revenues		Amount	% of Total Operating Revenues
	(In thousands, except percentages)					
Operating expenses:						
Sales and marketing expenses	**$**	**96,189**	**33.0 %**	$	98,352	40.9 %
Compensation and benefits expenses		**61,077**	**21.0**		46,678	19.4
Processing expenses		**74,158**	**25.5**		49,010	20.4
Other general and administrative expenses		**62,296**	**21.4**		48,595	20.2
Total operating expenses	**$**	**293,720**	**100.9 %**	$	242,635	100.9 %

Sales and Marketing Expenses — Sales and marketing expenses totaled $96.2 million for the three months ended September 30, 2020, a decrease of $2.2 million, or 2% from the comparable prior year period. This decrease was primarily driven by lower marketing expenses. In 2019, the majority of our marketing expenses were concentrated in the second half of the year to support the launch of our Green Dot Unlimited product. This decrease was partially offset by an increase in sales commissions associated with higher revenues generated from products that are subject to revenue-sharing agreements. Under our current agreement with Walmart, beginning on January 1, 2020, the sales commission rate we pay for the MoneyCard program increased from the prior agreement. As such, our sales and marketing expenses in 2020 continue to be negatively impacted by the increased commission rate.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $61.1 million for the three months ended September 30, 2020, an increase of $14.4 million or 31% from the comparable prior year period. The increase was primarily due to higher salaries and wages of $11.5 million, a portion of which was attributable to accrued bonus compensation for non-executive employees, and an increase in stock-based compensation expense of approximately $4.9 million associated with certain performance-based awards. These increases were partially offset by lower third-party contractor and employee travel expenses due to COVID-19 related travel restrictions.

Processing Expenses — Processing expenses totaled $74.2 million for the three months ended September 30, 2020, an increase of $25.2 million or 51% from the comparable prior year period. This increase was principally due to growth in BaaS account programs within our Account Services segment and overall volume of transactions processed through our platform.

Other General and Administrative Expenses — Other general and administrative expenses totaled $62.3 million for the three months ended September 30, 2020, an increase of $13.7 million or 28%, from the comparable prior year period. This increase was primarily due to a year-over-year growth in dispute transaction losses, as discussed above, and higher depreciation and amortization of property, plant and equipment as a result of growth in capital expenditures in recent years.

Income Taxes

Our income tax benefit totaled $1.3 million for the three months ended September 30, 2020 compared to a $1.8 million income tax benefit for the prior year comparable period, resulting in an effective tax rate of 31.1% and 76.9%, respectively.

We have not included an effective tax rate reconciliation for the three months ended September 30, 2020 and 2019, because the effective tax rate calculation for each period is not meaningful to our consolidated financial statements on a year-over-year basis. Our income tax benefit decreased by $0.5 million for the three months ended

September 30, 2020 from the prior year comparable period primarily due to the IRC 162(m) limitation on the deduction of certain executive compensation and a decrease in the excess tax benefits deduction for stock-based compensation.

Comparison of Nine-Month Periods Ended September 30, 2020 and 2019

Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, processing and settlement service revenues, interchange revenues and net interest income:

	Nine Months Ended September 30,			
	2020		2019	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	**$ 440,723**	**45.5 %**	$ 353,421	41.1 %
Processing and settlement service revenues	**246,042**	**25.4**	229,272	26.7
Interchange revenues	**271,712**	**28.0**	250,955	29.2
Interest income, net	**11,002**	**1.1**	25,640	3.0
Total operating revenues	**$ 969,479**	**100.0 %**	$ 859,288	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled $440.7 million for the nine months ended September 30, 2020, an increase of $87.3 million, or 25%, from the comparable prior year period. This increase was driven by the same factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2020 and 2019—Operating Revenues—Card Revenues and Other Fees."

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled $246.0 million for the nine months ended September 30, 2020, an increase of $16.7 million, or 7%, from the comparable prior year period. This increase was driven primarily by year-over-year growth in transaction volume associated with cash transfers, expanded adoption of our taxpayer advance programs and the introduction of new tax processing services for the nine months ended September 30, 2020 compared to the prior year period, partially offset by lower Simply Paid disbursement transactions due to the effects of the COVID-19 pandemic.

Interchange Revenues — Interchange revenues totaled $271.7 million for the nine months ended September 30, 2020, an increase of $20.7 million, or 8%, from the comparable prior year period. This increase was driven by the same factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2020 and 2019—Operating Revenues—Interchange Revenues."

Interest Income, net — Net interest income totaled $11.0 million for the nine months ended September 30, 2020, a decrease of $14.6 million, or 57%, from the comparable prior year period. This decrease was driven by the same factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2020 and 2019 Operating Revenues—Interest Income, net."

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Nine Months Ended September 30,			
	2020		2019	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating expenses:				
Sales and marketing expenses	**$ 319,738**	**33.0 %**	$ 284,485	33.1 %
Compensation and benefits expenses	**173,009**	**17.8**	156,451	18.2
Processing expenses	**216,624**	**22.3**	149,864	17.4
Other general and administrative expenses	**198,519**	**20.5**	145,327	17.0
Total operating expenses	**$ 907,890**	**93.6 %**	$ 736,127	85.7 %

Sales and Marketing Expenses — Sales and marketing expenses totaled $319.7 million for the nine months ended September 30, 2020, an increase of $35.2 million, or 12% from the comparable prior year period. This increase was driven by an increase in sales commissions associated with higher revenues generated from products that are subject to revenue-sharing agreements.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $173.0 million for the nine months ended September 30, 2020, an increase of $16.5 million or 11% from the comparable prior year period. This increase was driven by the same factors as discussed above under “Comparison of Three-Month Periods Ended September 30, 2020 and 2019—Operating Expenses—Compensation and Benefits Expenses."

Processing Expenses — Processing expenses totaled $216.6 million for the nine months ended September 30, 2020, an increase of $66.7 million or 44% from the comparable prior year period. This increase was driven by the same factors as discussed above under “Comparison of Three-Month Periods Ended September 30, 2020 and 2019—Operating Expenses—Processing Expenses."

Other General and Administrative Expenses — Other general and administrative expenses totaled $198.5 million for the nine months ended September 30, 2020, an increase of $53.2 million or 37%, from the comparable prior year period. This increase was driven by the same factors as discussed above under “Comparison of Three-Month Periods Ended September 30, 2020 and 2019—Operating Expenses—Other General and Administrative Expenses."

Income Taxes

The following table presents a breakdown of our effective tax rate among federal, state and other:

	Nine Months Ended September 30,	
	2020	**2019**
U.S. federal statutory tax rate	**21.0 %**	21.0 %
State income taxes, net of federal tax benefit	**1.3**	1.5
General business credits	**(2.6)**	(2.0)
Employee stock-based compensation	**(0.7)**	(3.7)
IRC 162(m) limitation	**4.5**	1.9
Nondeductible expenses	**0.4**	0.2
Other	**(0.5)**	0.2
Effective tax rate	**23.4 %**	19.1 %

Our income tax expense totaled $14.4 million for the nine months ended September 30, 2020, representing a decrease of $8.8 million from the prior year comparable period, and primarily driven by the decline in our operating income. The increase in the effective tax rate for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily due to an increase of $0.5 million in taxable income resulting from the IRC 162(m) limitation on the deductibility of certain executive compensation and a $3.9 million decline in excess tax benefits from stock-based compensation. We recognized an excess tax benefit on stock compensation of $0.5 million for the nine months ended September 30, 2020, compared to a $4.4 million excess tax benefit for the prior year comparable period. These increases were partially offset by the impact of general business credits.

The "Other" category in our effective tax rate consists of a variety of permanent differences, none of which were individually significant.

Liquidity and Capital Resources

The following table summarizes our major sources and uses of cash for the periods presented:

	Nine Months Ended September 30,	
	2020	**2019**
	(In thousands)	
Total cash provided by (used in)		
Operating activities	**$ 198,851**	$ 204,661
Investing activities	**(105,938)**	(100,127)
Financing activities	**983,001**	(335,374)
Increase (decrease) in unrestricted cash, cash equivalents and restricted cash	**$ 1,075,914**	$ (230,840)

For the nine months ended September 30, 2020 and 2019, we financed our operations primarily through our cash flows generated from operations and customer funds held on deposit. As of September 30, 2020, our primary source of liquidity was unrestricted cash and cash equivalents totaling $2.1 billion. We also consider our $309.4 million of available-for-sale investment securities to be highly-liquid instruments.

We use trend and variance analysis as well as our detailed budgets and forecasts to project future cash needs, making adjustments to the projections when needed. We believe our current unrestricted cash and cash equivalents, cash flows from operations and financing from our revolving credit facility will be sufficient to meet our working capital, capital expenditure and other commitments for at least the next 12 months, as discussed below. We continue to monitor the impact of COVID-19 on our business to ensure our liquidity and capital resources remain appropriate throughout this period of uncertainty.

Cash Flows from Operating Activities

Our $198.9 million of net cash provided by operating activities during the nine months ended September 30, 2020 was the result of $47.1 million of net income, adjusted for certain non-cash operating items of $108.8 million and increases in net changes in our working capital assets and liabilities of $42.9 million. Our $204.7 million of net cash provided by operating activities during the nine months ended September 30, 2019 was primarily the result of $98.2 million of net income, adjusted for certain non-cash operating items of $95.2 million and increases in net changes in our working capital assets and liabilities of $11.3 million.

Cash Flows from Investing Activities

Our $105.9 million of net cash used in investing activities during the nine months ended September 30, 2020 was primarily due to the acquisition of property and equipment of $43.9 million, capital contributions related to our investment in TailFin Labs, LLC of $35.0 million, and purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of $26.6 million. Our $100.1 million of net cash used in investing activities during the nine months ended September 30, 2019 was primarily due to the purchase of available-for-sale investment securities, net of proceeds from sales and maturities, of $40.5 million and the acquisition of property and equipment of $58.2 million.

Cash Flows from Financing Activities

Our $983.0 million of net cash provided from financing activities during the nine months ended September 30, 2020 was principally the result of a net increase in customer deposits of $1.1 billion, offset by a net decrease of $84.3 million in obligations to customers and net repayments on our revolving credit facility of $35.0 million. Total customer deposit balances have increased substantially as compared to December 31, 2019, principally as a result of stimulus funds and other government benefits received by our cardholders under the CARES Act. Our $335.4 million of net cash used in financing activities during the nine months ended September 30, 2019 was principally the result of $100 million used for stock repurchases under our stock repurchase program, our $60.0 million repayment of our note payable, and net decreases in customer deposits and obligations to customers of $133.1 million and $25.3 million, respectively.

Commitments

While the effect of COVID-19 has created economic uncertainty and impacted how we manage our liquidity and capital resources, we anticipate we will continue to purchase property and equipment we consider necessary to support our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors, including the extent and timing of hiring new employees, the rate of change of computer hardware and software used in our business and our business outlook as a result of the COVID-19 pandemic. We intend to continue to invest in new products and programs we believe are critical, new features for our existing products and IT infrastructure to scale and operate effectively to meet our strategic objectives. However, we do not expect these capital expenditures will exceed the amount of our capital expenditures in the previous year.

We have used cash to acquire businesses and technologies and we anticipate that we may continue to do so in the future. The nature of these transactions makes it difficult to predict the amount and timing of such cash requirements. We may also be required to raise additional financing to complete future acquisitions.

See *Note 17—Commitments and Contingencies* of the Notes to our Consolidated Financial Statements for additional financial commitments. We may also make periodic cash contributions to our subsidiary bank, Green Dot Bank, to maintain its capital, leverage and other financial commitments at levels we have agreed to with our regulators.

2019 Revolving Facility

In October 2019, we entered into a revolving credit agreement with Wells Fargo Bank, National Association, and other lenders party thereto. The credit agreement provides for a $100 million five-year revolving facility and matures in October 2024. At our election, loans made under the credit agreement bear interest at 1) a LIBOR rate (the "LIBOR Rate") or 2) a base rate determined by reference to the highest of (a) the United States federal funds rate plus 0.50%, (b) the Wells Fargo prime rate, and (c) one-month LIBOR rate plus 1.0% (the "Base Rate"), plus in either case an applicable margin. The applicable margin for borrowings depends on our total leverage ratio and varies from 1.25% to 2.00% for LIBOR Rate loans and 0.25% to 1.00% for Base Rate loans. During the first quarter of 2020, we drew the maximum amount available of $100 million as a precautionary measure due to the uncertainty associated with the COVID-19 pandemic, but have since repaid the entire balance resulting in there being no borrowings outstanding as of September 30, 2020.

We are also subject to certain financial covenants, which include maintaining a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as defined in the agreement. At September 30, 2020, we were in compliance with all such covenants.

Stock Repurchase Program

In previous years, we have repurchased shares of our Class A Common Stock under an authorized stock repurchase program. In May 2017, our Board of Directors authorized, subject to regulatory approval, expansion of our stock repurchase program by an additional $150 million. We sought and received regulatory approval during the second quarter of 2019, at which point we made an up-front payment of $100 million to enter into an accelerated share repurchase agreement. In August 2019, we completed final settlement of shares purchased under this agreement, receiving in total approximately 2.1 million shares at an average repurchase price of $48.26. We have an authorized $50 million remaining under our current stock repurchase program for any additional repurchases.

Contractual Obligations

There have been no material changes in our contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Off-Balance Sheet Arrangements

On January 2, 2020, we effectuated our agreement with Walmart to jointly establish a new fintech accelerator under the name TailFin Labs, LLC, with a mission to develop innovative products, services and technologies that sit at the intersection of retail shopping and consumer financial services. See *Note 7—Equity Method Investment* of the Notes to our Consolidated Financial Statements for additional information.

As of and for the nine months ended September 30, 2019, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Capital Requirements for Bank Holding Companies

Our subsidiary bank, Green Dot Bank, is a member bank of the Federal Reserve System and our primary regulators are the Federal Reserve Board and the Utah Department of Financial Institutions. We are subject to various regulatory capital requirements administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines, we must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Basel III rules, which were promulgated by the Federal Reserve and other U.S. banking regulators, provide for risk-based capital, leverage and liquidity standards. The U.S. Basel III rules contain capital standards that change the composition of capital, increase minimum capital ratios and strengthen counter-party credit risk capital requirements. The Basel III rules also include a new definition of common equity Tier 1 capital and require that certain levels of such common equity Tier 1 capital be maintained. The rules also include a new capital conservation buffer, which imposes a common equity requirement above the new minimum that can be depleted under stress and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances, as well as a new standardized approach for calculating risk-weighted assets. Under the Basel III rules, we must maintain a ratio of common equity Tier 1 capital to risk-weighted assets of at least 4.5%, a ratio of Tier 1 capital to risk-weighted assets of at least 6%, a ratio of total capital to risk-weighted assets of at least 8% and a minimum Tier 1 leverage ratio of 4.0%.

As of September 30, 2020 and December 31, 2019, we were categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," we must maintain specific total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since September 30, 2020 which management believes would have changed our category as "well capitalized."

As a result of the economic disruption caused by the COVID-19 pandemic, in March 2020 the joint federal bank regulatory agencies issued an interim final rule (the "Interim Rule") that allows banking organizations that were required to implement the Current Expected Credit Loss ("CECL") accounting standard in 2020 optional relief that delays an estimate of the impact of CECL on its regulatory capital for two years. This two-year delay is in addition to the three-year transition period that the agencies had already made available. We did not adopt the option provided by the Interim Rule because the impact of adopting CECL was not material to our financial statements and regulatory capital.

The definitions associated with the amounts and ratios below are as follows:

Ratio	**Definition**
Tier 1 leverage ratio	Tier 1 capital divided by average total assets
Common equity Tier 1 capital ratio	Common equity Tier 1 capital divided by risk-weighted assets
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets
Total risk-based capital ratio	Total capital divided by risk-weighted assets

Terms	**Definition**
Tier 1 capital and Common equity Tier 1 capital	Primarily includes common stock, retained earnings and accumulated OCI, net of deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles. Under the regulatory capital rules, certain deductions and adjustments to these capital figures are phased in through January 1, 2018.
Total capital	Tier 1 capital plus supplemental capital items such as the allowance for loan losses, subject to certain limits
Average total assets	Average total consolidated assets during the period less deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles assets
Risk-weighted assets	Represents the amount of assets or exposure multiplied by the standardized risk weight (%) associated with that type of asset or exposure. The standardized risk weights are prescribed in the bank capital rules and reflect regulatory judgment regarding the riskiness of a type of asset or exposure

The actual amounts and ratios, and required "well capitalized" minimum capital amounts and ratios at September 30, 2020 and December 31, 2019 were as follows:

	September 30, 2020				
		Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum
	(In thousands, except ratios)				
Green Dot Corporation:					
Tier 1 leverage	**$**	**505,212**	**16.1 %**	**4.0 %**	**n/a**
Common equity Tier 1 capital	**$**	**505,212**	**83.0 %**	**4.5 %**	**n/a**
Tier 1 capital	**$**	**505,212**	**83.0 %**	**6.0 %**	**6.0 %**
Total risk-based capital	**$**	**508,337**	**83.5 %**	**8.0 %**	**10.0 %**
Green Dot Bank:					
Tier 1 leverage	**$**	**243,540**	**8.9 %**	**4.0 %**	**5.0 %**
Common equity Tier 1 capital	**$**	**243,540**	**86.5 %**	**4.5 %**	**6.5 %**
Tier 1 capital	**$**	**243,540**	**86.5 %**	**6.0 %**	**8.0 %**
Total risk-based capital	**$**	**244,312**	**86.7 %**	**8.0 %**	**10.0 %**

	December 31, 2019				
		Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum
	(In thousands, except ratios)				
Green Dot Corporation:					
Tier 1 leverage	$	400,445	22.2 %	4.0 %	n/a
Common equity Tier 1 capital	$	400,445	70.5 %	4.5 %	n/a
Tier 1 capital	$	400,445	70.5 %	6.0 %	6.0 %
Total risk-based capital	$	404,469	71.2 %	8.0 %	10.0 %
Green Dot Bank:					
Tier 1 leverage	$	204,141	13.9 %	4.0 %	5.0 %
Common equity Tier 1 capital	$	204,141	82.8 %	4.5 %	6.5 %
Tier 1 capital	$	204,141	82.8 %	6.0 %	8.0 %
Total risk-based capital	$	205,548	83.4 %	8.0 %	10.0 %

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential for economic losses from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. We believe that we have limited exposure to risks associated with changes in foreign currency exchange rates, interest rates and equity prices. We have no significant foreign operations. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Interest rates

While operating net interest income has become a more meaningful component to our consolidated operating results, we do not consider our cash and cash equivalents or our investment securities to be subject to material interest rate risk due to their short duration. However, the Federal Open Market Committee (FOMC) decreased the federal funds target rate in March 2020 to a range of 0%-0.25%. An extended duration of near zero short-term interest rates could adversely impact the amount of net interest income we earn in the future.

Our revolving credit facility is, and is expected to be, at variable rates of interest and expose us to interest rate risk. Although any short-term borrowings under our revolving credit facility would likely be insensitive to interest rate changes, interest expense on short-term borrowings will increase and decrease with changes in the underlying short-term interest rates. For example, assuming our revolving facility is drawn up to its maximum borrowing capacity of $100.0 million, based on the applicable LIBOR and margin in effect as of September 30, 2020, each quarter point of change in interest rates would result in a $0.3 million change in our annual interest expense.

We actively monitor our interest rate exposure and our objective is to reduce, where we deem appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates. In order to accomplish this objective, we may enter into derivative financial instruments, such as forward contracts and interest rate hedge contracts to the extent necessary to manage our exposure. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Credit and liquidity risk

We do have exposure to credit and liquidity risk associated with the financial institutions that hold our cash and cash equivalents, restricted cash, available-for-sale investment securities, settlement assets due from our Simply Paid distribution partners and retail distributors that collect funds and fees from our customers and amounts due from our issuing banks for fees collected on our behalf.

We manage the credit and liquidity risk associated with our cash and cash equivalents, available-for-sale investment securities and amounts due from issuing banks by maintaining an investment policy that restricts our correspondent banking relationships to approved, well capitalized institutions and restricts investments to highly liquid, low credit risk assets. Our policy has limits related to liquidity ratios, the concentration that we may have with a single institution or issuer and effective maturity dates as well as restrictions on the type of assets that we may invest in. The management Asset Liability Committee is responsible for monitoring compliance with our Capital Asset Liability Management policy, and related limits on an ongoing basis and reports regularly to the risk committee of our Board of Directors.

Our exposure to credit risk associated with our retail distributors and Simply Paid distribution partners is mitigated due to the short time period, currently an average of two days, that retailer settlement assets are outstanding. We perform an initial credit review and assign a credit limit to each new retail distributor and Simply Paid distribution partner. We monitor each retail distributor’s and Simply Paid distribution partner's settlement asset exposure and its compliance with its specified contractual settlement terms on a daily basis and assess their credit limit and financial condition on a periodic basis. Our management's Enterprise Risk Management Committee is responsible for monitoring our retail distributor and Simply Paid distribution partner exposure and assigning credit limits, and reports regularly to the risk committee of our Board of Directors. We continue to monitor our exposure to credit risk with our retail distributors and other business partners in light of the COVID-19 pandemic.

ITEM 4. Controls and Procedures

Disclosure controls and procedures — Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 13d-15(e)) at the end of the period covered by this report. Based on such evaluation of our disclosure controls and procedures, our Chief Executive Officer and Interim Chief Financial Officer have concluded that, at the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Change in internal control over financial reporting — There was no material change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. The design of our processes and controls allow for remote execution with accessibility to secure data. We are continually monitoring and assessing the COVID-19 situation to minimize the impact, if any, on the design and operating effectiveness on our internal controls.

Limitations on Effectiveness of Controls — Our management, including our Chief Executive Officer and Interim Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

PART II

ITEM 1. Legal Proceedings

Refer to *Note 17 — Commitments and Contingencies* to the Consolidated Financial Statements included herein for information regarding our legal proceedings.

ITEM 1A. Risk Factors

Risks Related to Our Business

The effects of the COVID-19 pandemic have significantly affected how we and our retail distributors are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.

The COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods, and services worldwide and has reduced consumer spending in the markets in which we operate and across the global economy. Our operations have and may continue to be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. As a result of the COVID-19 pandemic, in the first quarter, we closed our offices in both China and the United States, and required our employees and certain of our contractors to work remotely and implemented certain travel restrictions. While we did not experience a significant decline in productivity during this period and our offices in China have since reopened consistent with local guidelines, our personnel in China and the United States continue to be subject to certain restrictions, which could increase our costs, lower productivity or otherwise impact our business, results of operations and financial condition while these conditions persist. In addition, many of the third-party call centers we rely on to provide customer support were closed during portions of the first and second quarter due to the pandemic, which resulted in delayed responses to customers and a higher usage of automated services, and contributed to higher transaction losses in the first and second quarters as compared to prior periods. While such staffing issues have been largely resolved, it is possible that we may continue to experience similar issues in the future due to the pandemic. The business and operations of our retail distributors and our BaaS and other partners have likewise been disrupted, with many experiencing reduced foot traffic or usage of their services. If the COVID-19 pandemic has a substantial and prolonged impact on our employees, partners or distributors' attendance or productivity, our results of operations and overall financial performance may be adversely harmed.

The duration and magnitude of the effects of COVID-19 remain uncertain and dependent on various factors, including the continued severity and transmission rate of the virus, the nature of and duration for which the preventative measures remain in place, the extent and effectiveness of containment and mitigation actions, the type of stimulus measures and other policy responses that the U.S. government may further adopt, and the impact of these and other factors on our employees, customers, retail distributors, partners and vendors. The COVID-19 pandemic has already had an adverse effect on the global economy, and the ultimate business and economic impact of the COVID-19 pandemic remains unknown. The conditions caused by the COVID-19 pandemic adversely affected our customers' spending levels and ability or willingness to purchase our products and services through our retail distributors, lowered the volume of transactions through our BaaS and PayCard programs and delayed the launching of new products and services, although governmental actions such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) helped mitigate the effects of COVID-19 on our business during the second quarter of 2020. However, the incremental federal unemployment benefits from the CARES Act expired on July 31, 2020 and unless the government extends the duration of these additional unemployment benefits and does not significantly reduce these benefits, or offers comparable or better benefits, our customers' spending levels and usage of our products may be impacted, resulting in additional uncertainty on our revenue results for the remainder of the year.

As a result of these conditions since the beginning of this pandemic, we have experienced and may continue to experience increased costs, including higher call center costs and disputed transaction losses, which could continue to adversely affect our business, results of operations, and financial condition in future periods. Furthermore, in March 2020, the Federal Reserve announced reductions in short-term interest rates, which have lowered the yields on our cash and investment balances and therefore, we expect a reduction in the amount of interest income we earn for the remainder of the year. Additionally, concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and other capital markets, which may adversely affect our stock price and our ability to access capital markets in the future.

We have taken steps to strengthen our liquidity position and to ensure we have ample flexibility to pursue strategic priorities, including utilizing our revolving credit facility, instituting an enterprise-wide headcount freeze and delaying or reducing non-critical projects. Should we require additional credit at levels we are unable to access, the cost of credit is greater than expected, or the cost-savings measures we have implemented are ineffective or result in us incurring greater costs, our operating results could be adversely affected. Further, additional borrowings on our revolving line of credit have and will cause us to incur additional interest expense, which will negatively affect our earnings.

Please see “Management’s Discussion and Analysis of Financial Position and Results of Operations” for a more detailed discussion of the potential impact of the COVID-19 pandemic and associated economic disruptions.

Our operating results may fluctuate in the future, which could cause our stock price to decline.

Our quarterly and annual results of operations may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of investors or any securities analysts who follow our Class A common stock, the trading price of our Class A common stock could decline substantially. Fluctuations in our quarterly or annual results of operations might result from a number of factors, including, but not limited to:

- the timing and volume of purchases and use of our products and services;
- the timing and volume of tax refunds or other government payments (including stimulus payments related to the COVID-19 pandemic) processed by us, including the impact of any general delays in disbursements from the U.S. and State Treasuries;
- the timing and success of new product or service introductions by us or our competitors;
- seasonality in the purchase or use of our products and services;
- changes in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;
- changes in the mix of retail distributors through which we sell our products and services;
- the timing of commencement, renegotiation or termination of relationships with significant retail distributors and BaaS platform partners;
- the timing of commencement of new product development and initiatives, the timing of costs of existing product roll-outs and the length of time we must invest in those new products, channels or retail distributors before they generate material operating revenues;
- our ability to effectively sell our products through direct-to-consumer initiatives;
- changes in our or our competitors’ pricing policies or sales terms;
- new product offerings from our competitors;
- costs associated with significant changes in our risk policies and controls;
- the amount and timing of costs related to fraud losses;
- the amount and timing of commencement and termination of major advertising campaigns, including sponsorships;
- the amount and timing of costs related to the acquisition of complementary businesses;
- the amount and timing of costs of any major litigation to which we are a party;
- disruptions in the performance of our products and services, including interruptions in the services we provide to other businesses, and the associated financial impact thereof;
- the amount and timing of capital expenditures and operating costs related to the maintenance and expansion of our business, operations and infrastructure;
- interest rate volatility;
- changes in our executive leadership team;
- accounting charges related to impairment of goodwill and other intangible assets;
- our ability to control costs, including third-party service provider costs and sales and marketing expenses in an increasingly competitive market;

- volatility in the trading price of our Class A common stock, which may lead to higher or lower stock-based compensation expenses;
- changes in the political or regulatory environment affecting the banking, electronic payments or tax refund processing industries;
- economic recessions or uncertainty in financial markets, including those recently caused by the COVID-19 pandemic; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics, including the COVID-19 pandemic.

The loss of operating revenues from Walmart or any of our largest retail distributors would adversely affect our business.

A significant portion of our operating revenues are derived from the products and services sold at our four largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart was approximately 27% for each of the three and nine months ended September 30, 2020. We expect that Walmart will continue to have a significant impact on our operating revenues in future periods, particularly in our Account Services segment. It would be difficult to replace Walmart and the operating revenues derived from products and services sold at their stores. Accordingly, the loss of Walmart or any significant decrease in customers' spending levels and ability or willingness to purchase our account products through Walmart, for any reason, including due to the COVID-19 pandemic, would have a material adverse effect on our business and results of operations. In addition, any publicity associated with the loss of any of our large retail distributors could harm our reputation, making it more difficult to attract and retain consumers and other retail distributors, and could lessen our negotiating power with our remaining and prospective retail distributors.

The term of our Walmart Money Card agreement (which governs the MoneyCard program) expires on January 31, 2027, unless renewed under its automatic renewal provision which provides for a one-year extension. Our contracts with our three other largest retail distributors have terms that are set to expire at various dates through 2022, with some subject to automatic renewal provisions. Our contracts with Walmart and our three other largest retail distributors can in limited circumstances, such as our material breach or insolvency or, in the case of Walmart, our failure to meet agreed-upon service levels, certain changes in control, and our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. There can be no assurance that we will be able to continue our relationships with our largest retail distributors on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. Our operating revenues and results of operations could suffer if, among other things, any of our retail distributors renegotiates, terminates or fails to renew, or to renew on similar or favorable terms, its agreement with us or otherwise chooses to modify the level of support it provides for our products.

Our base of tax preparation partners is concentrated and the performance of our Processing and Settlement Services segment depends in part on our ability to retain existing partners.

If one or more of our major tax preparation partners were to substantially reduce or stop offering our services to their customers, our tax refund processing services business, a component of our Processing and Settlement Services segment, results of operations and financial condition would be harmed. Substantially all the revenues we generate from our tax refund processing services business have come from sales through a relatively small number of tax preparation firms. We do not have long-term contractual commitments from any of our current tax preparation partners and our tax preparation partners may elect to not renew their contracts with us with little or no advance notice. As a result, we cannot be assured that any of our current tax preparation partners will continue to partner with us past the terms in their current agreements. A termination of our relationships with certain tax preparation partners that provide commercial tax preparation software would result in lost revenue and the loss of the ability to secure future relationships with new or existing tax preparation firms that use such tax software.

Our future success depends upon the active and effective promotion of our products and services by retail distributors and tax preparation partners, but their interests and operational decisions might not always align with our interests.

Most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. In addition, a large portion of our Processing and Settlement Services revenues is dependent on tax preparation partners as the revenues we generate from our tax refund processing services are largely derived from products and services sold through retail tax preparation businesses and income tax software providers. Revenues from our retail distributors and tax preparation partners depend on a number of factors outside our control and may vary from period to period. Because we compete with many other providers of products and services, including competing account programs and tax refund processing services, for placement and promotion of products in the stores of our retail distributors or in conjunction with the delivery of tax preparation services by our tax preparation providers, our success depends on our retail distributors and tax preparation partners and their willingness to promote our products and services successfully. In general, our contracts with these third parties allow them to exercise significant discretion over the placement and promotion of our products and services; they could give higher priority to the products and services of other companies for a variety of reasons. Accordingly, losing the support of our retail distributors and tax preparation partners might limit or reduce the sales of our products and services. Our operating revenues and operating expenses may also be negatively affected by operational decisions by our retail distributors and tax preparation partners. For example, if a retail distributor reduces shelf space for our products or implements changes in its systems that disrupt the integration between its systems and ours, our product sales could be reduced or decline and we may incur additional merchandising costs to ensure our products are appropriately stocked. Similarly, for a variety of reasons, many of our tax preparation partners that provide commercial income tax preparation software offer their customers several types for tax refund processing services, including those of our competitors. Even if our retail distributors and tax preparation partners actively and effectively promote our products and services, there can be no assurance that their efforts will maintain or result in growth of our operating revenues.

We make significant investments in products and services that may not be successful.

Our prospects for growth depend on our ability to innovate by offering new, and adding value to our existing, product and service offerings and on our ability to effectively commercialize such innovations. We will continue to make investments in research, development, and marketing for new products and services. Investments in new products and services are speculative. Commercial success depends on many factors, including innovativeness, price, the competitive environment and effective distribution and marketing. If customers do not perceive our new offerings as providing significant value, they may fail to accept our new products and services, which would negatively impact our operating revenues. We may not achieve significant operating revenues from new product and service investments for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as high as the margins we have experienced in the past.

Future revenue growth depends on our ability to retain and attract new long-term users of our products.

Our ability to increase account usage and account holder retention and to attract new long-term users of our products can have a significant impact on our operating revenues. We may be unable to generate increases in account usage, account holder retention or attract new long-term users of our products for a number of reasons, including if we are unable to maintain our existing distribution channels, predict accurately consumer preferences or industry changes and modify our products and services on a timely basis in response thereto, produce new features and services that appeal to existing and prospective customers, and influence account holder behavior through cardholder retention and usage incentives. Our results of operations could vary materially from period to period based on the degree to which we are successful in increasing usage and retention and attracting long-term users of our products. Additionally, while the impact on our total operating revenues from the decline in total number of active accounts in our Account Services segment in recent periods has been limited, if this trend persists over a long period or deteriorates more rapidly in the short term, our financial results would be materially impacted.

Seasonal fluctuations in the use of our products and services impact our results of operations and cash flows.

Our results of operations and cash flows vary from quarter to quarter, and periodically decline, due to the seasonal nature of the use of our products and services. For example, our results of operations for the first half of each year have been favorably affected by large numbers of taxpayers electing to receive their tax refunds via direct deposit on our accounts, which caused our operating revenues to be typically higher in the first half of those years than they were in the corresponding second half of those years. Our tax refund processing services business is also highly seasonal as it generates the substantial majority of its revenue in the first quarter, and substantially all of its revenue in the first half of each calendar year. To the extent that seasonal fluctuations become more pronounced, or are not offset by other factors, our results of operations and cash flows from operating activities could fluctuate materially from period to period.

The industries in which we compete are highly competitive, which could adversely affect our results of operations.

The industries in which we compete are highly competitive and subject to rapid and significant changes. We compete against companies and financial institutions across the retail banking, financial services, transaction processing, consumer technology and financial technology services industries and may compete with others in the market who may in the future provide offerings similar to ours, particularly vendors who may provide program management and other services though a platform similar to our BaaS platform. These and other competitors in the banking and electronic payments industries are introducing innovative products and services that may compete with ours. We expect that this competition will continue as banking and electronic payments industries continue to evolve, particularly if non-traditional payments processors and other parties gain greater market share in these industries. If we are unable to differentiate our products and platform from and successfully compete with those of our competitors, our business, results of operations and financial condition will be materially and adversely affected.

Many existing and potential competitors are entities substantially larger in size, more highly diversified in revenue and substantially more established with significantly more broadly known brand awareness than ours. As such, many of our competitors can leverage their size, robust networks, financial wherewithal, brand awareness, pricing power and technological assets to compete with us. Additionally, some of our current and potential competitors are subject to fewer regulations and restrictions than we are, and thus may be able to respond more quickly in the face of regulatory and technological changes. We are also experiencing increased price competition as a result of new entrants offering free or low-cost alternatives to our products and services. To the extent these new entrants gain market share, we expect that the purchase and use of our products and services would decline. If price competition materially intensifies, we may have to increase the incentives that we offer to our retail distributors and our tax preparation partners and decrease the prices of our products and services, any of which would likely adversely affect our results of operations.

Our long-term success depends on our ability to compete effectively against existing and potential competitors that seek to provide banking and electronic payment products and services or tax refund processing services. If we fail to compete effectively against these competitors, our revenues, results of operations, prospects for future growth and overall business could be materially and adversely affected.

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers, including third party systems, and any disruption in the operations of these systems and data centers could materially and adversely affect our business.

Our ability to provide reliable service to customers and other network participants depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our retail distributors, network acceptance members and third-party processors. Our business involves the movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success in our account programs, including our BaaS programs, as well as our processing and settlement services, depends upon the efficient and error-free handling of the money that is collected, remitted or deposited in connection with the provision of our products and services. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our retail distributors, tax refund preparation partners, other business partners and third-party processors to process and facilitate these transactions in an efficient, uninterrupted and error-free manner. Their failure to do so could materially and adversely impact our operating revenues and results of operations, particularly during the tax season, when we derive substantially all of our operating revenues for our tax refund processing services and a significant portion of our other operating revenues.

Our systems and the systems of third-party processors are susceptible to outages and interruptions due to fire, natural disaster, power loss, telecommunications failures, software or hardware defects, terrorist attacks, pandemics such as the COVID-19 pandemic and similar events. We use both internally developed and third-party systems, including cloud computing and storage systems, for our services and certain aspects of transaction processing. Interruptions in our service may result for a number of reasons. For example, the data center hosting facilities that we use could be closed without adequate notice or suffer unanticipated problems resulting in lengthy interruptions in our service. Moreover, as we continue to add data centers and add capacity in our existing data centers, we could experience problems transferring customer accounts and data, impairing the delivery of our service.

Any damage to, or failure of, or delay in our processes or systems generally, or those of our vendors (including as a result of disruptions at our third-party data center hosting facilities and cloud providers), or an improper action by our employees, agents or third-party vendors, could result in interruptions in our service, causing customers, retail distributors and other partners to become dissatisfied with our products and services or obligate us to issue credits or pay fines or other penalties to them. Sustained or repeated process or system failures could reduce the attractiveness of our products and services, including our BaaS platform, and result in contract terminations, thereby reducing operating revenue and harming our results of operations. Further, negative publicity arising from these types of disruptions could be damaging to our reputation and may adversely impact use of our products and services, including our BaaS platform, and adversely affect our ability to attract new customers and business partners. Additionally, some of our contracts with retail distributors, including our contract with Walmart, contain service level standards pertaining to the operation of our systems, and provide the retail distributor with the right to collect damages and potentially to terminate its contract with us for system downtime exceeding stated limits. If we face system interruptions or failures, our business interruption insurance may not be adequate to cover the losses or damages that we incur. In addition, our insurance costs may also increase substantially in the future to cover the costs our insurance carriers may incur.

If we are unable to keep pace with the rapid technological developments in our industry and the larger electronic payments industry necessary to continue providing our BaaS platform partners and cardholders with new and innovative products and services, the use of our cards and other products and services could decline.

The electronic payments industry is subject to rapid and significant technological changes. We cannot predict the effect of technological changes on our business. We rely in part on third parties for the development of, and access to, new technologies. We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. Additionally, we may make future investments in, or enter into strategic alliances to develop, new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. However, our ability to transition to new services and technologies that we develop may be inhibited by a lack of industry-wide standards, by resistance from our retail distributors, BaaS platform partners, third-party processors or consumers to these changes, or by the intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful or may have an adverse effect on our business, financial condition and results of operations.

Fraudulent and other illegal activity involving our products and services could lead to reputational damage to us, reduce the use and acceptance of our cards and reload network, reduce the use of our tax refund processing services, and may adversely affect our financial position and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities using deposit account products (including prepaid cards), reload products, or customer information. Illegal activities involving our products and services often include malicious social engineering schemes. Illegal activities may also include fraudulent payment or refund schemes and identity theft. We rely upon third parties for transaction processing services, which subjects us and our customers to risks related to the vulnerabilities of those third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, have in the past and could in the future, result in reputational damage to us. Such damage could reduce the use and acceptance of our cards and other products and services, cause retail distributors to cease doing business with us, or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, results of operations and financial condition.

In addition, to address the challenges we face with respect to fraudulent activity, we have implemented risk control mechanisms that have made it more difficult for all customers, including legitimate customers, to obtain and use our products and services. We believe it is likely that our risk control mechanisms may continue to adversely affect our new card activations for the foreseeable future and that our operating revenues will be negatively impacted as a result.

As a bank holding company, we are subject to extensive and potentially changing regulation and may be required to serve as a source of strength for Green Dot Bank, which may adversely affect our business, financial position and results of operations.

As a bank holding company, we are subject to comprehensive supervision and examination by the Federal Reserve Board and the State of Utah Department of Financial Institutions and must comply with applicable regulations and other commitments we have agreed to, including financial commitments with respect to minimum capital and leverage requirements. If we fail to comply with any of these requirements, we may become subject to formal or informal enforcement actions, proceedings, or investigations, which could result in regulatory orders, restrictions on our business operations or requirements to take corrective actions, which may, individually or in the aggregate, affect our results of operations and restrict our ability to grow. If we fail to comply with the applicable capital and leverage requirements, or if our subsidiary bank fails to comply with its applicable capital and leverage commitments, the Federal Reserve Board may limit our ability to pay dividends or fund stock repurchases, or if we become less than adequately capitalized, require us to raise additional capital. In addition, as a bank holding company and a financial holding company, we are generally prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies and financial holding companies. This restriction might limit our ability to pursue future business opportunities which we might otherwise consider but which might fall outside the scope of permissible activities.

A substantial portion of Green Dot Bank's deposit liabilities are currently classified as brokered deposits, and the failure by Green Dot Bank to maintain its status as a "well-capitalized" institution could have a serious adverse effect on Green Dot Bank's ability to conduct key portions of its current deposit-taking activity.

A vast majority of Green Dot Bank's deposits are currently classified as brokered. If Green Dot Bank ceases to be categorized as "well capitalized" under banking regulations, it could be prohibited from accepting, renewing or rolling over brokered deposits without the consent of the FDIC. In such a case, the FDIC's refusal to grant consent to our accepting, renewing or rolling over brokered deposits could materially adversely affect the financial condition and operations of Green Dot Bank and the Company and could effectively restrict the ability of Green Dot Bank to operate its business lines as presently conducted.

In February 2020, the FDIC released a notice of proposed rulemaking seeking comment on proposed revisions to its regulations relating to the brokered deposits restrictions that apply to less than well capitalized insured depository institutions. The FDIC states in the notice of proposed rulemaking that through the proposed changes, it intends to modernize its brokered deposit regulations to reflect recent technological changes and innovations. The proposed rule would create a new framework for analyzing certain provisions of the "deposit broker" definition, which will affect the classification of deposits as "brokered". We cannot predict whether or when the proposed rule will be implemented and whether it will result in a change in the way our deposits are classified.

We operate in a highly regulated environment, and failure by us, the banks that issue our cards, the businesses that participate in our reload network, the banks that assist with our tax refund processing services, and our tax preparation partners to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.

We operate in a highly regulated environment, and failure by us, the banks that issue our cards or the businesses that participate in our reload network or other business partners to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements and a wide range of federal and other state laws and regulations. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities. For example, we are subject to the anti-money laundering reporting and recordkeeping requirements of the Bank Secrecy Act ("BSA"), as amended by the PATRIOT Act. In addition, legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to increase, along with enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations.

Many of these laws and regulations are evolving, can be unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. Failure by us or those businesses to comply with the laws and regulations to which we are or may become subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation with consumers, banks that issue our cards and regulators, and could materially and adversely affect our business, operating results and financial condition.

Changes in laws and regulations to which we are subject, or to which we may become subject, may increase our costs of operation, decrease our operating revenues and disrupt our business.

The banking, financial technology, transaction processing and tax refund processing services industries are highly regulated and, from time to time, the federal and state laws and regulations affecting these industries, and the manner in which they are interpreted, are subject to change and legal action. Accordingly, changes in laws and regulations or the interpretation or enforcement thereof may occur that could increase our compliance and other costs of doing business, require significant systems redevelopment, or render our products or services less profitable or obsolete, any of which could have an adverse effect on our results of operations. For example, we could face more stringent anti-money laundering rules and regulations, as well as more stringent licensing rules and regulations, compliance with which could be expensive and time consuming. In addition, adverse rulings relating to the industries in which we participate could cause our products and services to be subject to additional laws and regulations, which could make our products and services less profitable.

If additional regulatory requirements were imposed on the sale of our products and services and our bank, the requirements could lead to a loss of retail distributors, tax preparation partners or other business partners, which, in turn, could materially and adversely impact our operations. Moreover, if our products are adversely impacted by the interpretation or enforcement of these regulations or if we or any of our retail distributors or tax preparation partners were unwilling or unable to make any such operational changes to comply with the interpretation or enforcement thereof, we would no longer be able to sell our products and services through that noncompliant retail distributor or tax preparation partner, which could have a material adverse effect on our business, financial position and results of operations.

From time to time, federal and state legislators and regulatory authorities, including state attorney generals, increase their focus on the banking, consumer financial services and tax preparation industries and may propose and adopt new legislation that could result in significant adverse changes in the regulatory landscape for financial institutions and financial services companies.

If new regulations or laws result in changes in the way we are regulated, these regulations could expose us to increased regulatory oversight, more burdensome regulation of our business, and increased litigation risk, each of which could increase our costs and decrease our operating revenues. Furthermore, limitations placed on the fees we charge or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues.

Changes in rules or standards set by the payment networks, such as Visa and MasterCard, or changes in debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations.

We are subject to association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as MasterCard PTS. The termination of the card association registrations held by us or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card associations may increase the fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, results of operations and financial condition.

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the three months ended September 30, 2020, interchange revenues represented 29.2% of our total operating revenues, and we expect interchange revenues to continue to represent a significant percentage of our total operating revenues. The amount of interchange revenues that we earn is highly dependent on the interchange rates that the payment networks set and adjust from time to time.

The enactment of the Dodd-Frank Act required the Federal Reserve Board to implement regulations that have substantially limited interchange fees for many issuers. While the interchange rates that may be earned by us and our subsidiary bank are exempt from the limitations imposed by the Dodd-Frank Act, there can be no assurance that future regulation or changes by the payment networks will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by the payment networks or future regulation, we would likely need to change our fee structure to offset the loss of interchange revenues. However, our ability to make these changes is limited by the terms of our contracts and other commercial factors, such as price competition. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention, and we could suffer reputational damage and become subject to greater regulatory scrutiny. We also might have to discontinue certain products or services. As a result, our total operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

Our actual operating results may differ significantly from our guidance.

From time to time, we issue guidance in our quarterly earnings conference calls, or otherwise, regarding our future performance that represents our management’s estimates as of the date of release. This guidance, which constitutes forward-looking statements, is based upon a number of management's assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic, consumer and competitive uncertainties and contingencies, as well other factors, many of which are beyond our control (such as the COVID-19 pandemic), and are based upon specific assumptions with respect to future business decisions, some of which will change. While we have stated and we intend to continue to state possible outcomes as high and low ranges that are intended to provide a sensitivity analysis as variables are changed, we can provide no assurances that actual results will not fall outside of the suggested ranges.

The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any of these persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will prove to be incorrect or will vary significantly from actual results. For example, on a number of occasions over the last several years we adjusted our revenue guidance when actual results varied from our assumptions. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from our guidance and the variations may be material, especially in times of economic uncertainty. In addition, any failure to implement our operating strategy successfully or the occurrence of any of the events or circumstances set forth in this Item 1A could result in our actual operating results being different from our guidance, and such differences may be adverse and material.

We receive important services from third-party vendors. Replacing them would be difficult and disruptive to our business.

Some services relating to our business, including fraud management and other customer verification services, transaction processing and settlement, card production, and customer service, are outsourced to third-party vendors. We also depend on third-party banks to assist with our tax refund processing services. It would be difficult to replace some of our third-party vendors in a timely manner if they were unwilling or unable to provide us with these services during the term of their agreements with us and our business and operations could be adversely affected. In particular, due to the seasonality in our business, any material service interruptions or service delays with key vendors during the tax season could result in losses that have an even greater adverse effect on that business than would be the case with our overall business.

Further, we have in the past and may in the future experience operational issues with the third-party call centers that we rely on to provide customer support. For example, recently, many of our U.S. third-party call centers were closed during portions of the first and second quarters due to the COVID-19 pandemic, which resulted in delayed responses to customers and a higher usage of automated services. While such issues have largely been resolved, these conditions contributed to transaction losses as compared to prior periods. Any prolonged closure or disruption in the services provided by such call centers could have an adverse effect on our business.

Our business could suffer if there is a decline in the use of prepaid cards as a payment mechanism or there are adverse developments with respect to the prepaid financial services industry in general.

As the prepaid financial services industry evolves, consumers may find prepaid financial services to be less attractive than traditional or other financial services. Consumers might not use prepaid financial services for any number of reasons, including the general perception of our industry, new technologies, a decrease in our distribution partners' willingness to sell these products as a result of a more challenging regulatory environment or other factors outside of our control such as the current economic recession due to the COVID-19 pandemic. If consumers do not continue or increase their usage of prepaid cards, including making changes in the way prepaid cards are loaded, our operating revenues may decline. Any projected growth for the industry may not occur or may occur more slowly than estimated. If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected or if there is a shift in the mix of payment forms, such as cash, credit cards, traditional debit cards and prepaid cards, away from our products and services, it could have a material adverse effect on our financial position and results of operations.

A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

We and our retail distributors, tax preparation partners, network acceptance members, third-party processors and the merchants that accept our cards receive, transmit and store confidential customer and other information in connection with the sale and use of our products and services. Our encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches by third parties. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. Our retail distributors, tax preparation partners, network acceptance members, other business partners, third-party processors and the merchants that accept our cards also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties' systems or databases could result in the theft, publication, deletion or modification of confidential customer and other information.

A data security breach of the systems on which sensitive cardholder or other customer or end-customer data and account information are stored could lead to fraudulent activity involving our products and services, reputational damage and claims or regulatory actions against us. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices, any of which could have a material adverse effect on our operating revenues and profitability. We would also likely have to pay (or indemnify the banks that issue our cards for) fines, penalties and/or other assessments imposed by Visa or MasterCard as a result of any data security breach. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. In addition, a data security breach at one of the third-party banks that issue our cards or at our retail distributors, tax preparation partners, network acceptance members, other business partners, third-party processors or the merchants that accept our cards could result in significant reputational harm to us and cause the use and acceptance of our cards or other products and services to decline, either of which could have a significant adverse impact on our operating revenues and future growth prospects. Moreover, it may require substantial financial resources to address and remediate any such breach, including additional costs for replacement cards, manufacturing, distribution, re-stocking fees, fraud monitoring and other added security measures, among others, which could have a significant adverse impact on our operating results.

Litigation or investigations could result in significant settlements, fines or penalties.

We are subject to regulatory oversight in the normal course of our business and have been and from time to time may be subject to securities class actions and other litigation or regulatory or judicial proceedings or investigations. The outcome of litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, seek to have aspects of our business suspended or modified or seek to impose sanctions, including significant monetary fines. The monetary and other impact of these actions, litigations, proceedings or investigations may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant. Further, an unfavorable resolution of litigation, proceedings or investigations against us could have a material adverse effect on our business, operating results, or financial condition. In this regard, such costs could make it more difficult to maintain the capital, leverage and other financial commitments at levels we have agreed to with the Federal Reserve Board and the Utah Department of Financial Institutions. If regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, adverse publicity that may be associated with these proceedings or investigations could negatively impact our relationships with retail distributors, tax preparation partners, network acceptance members, other business partners and card processors and decrease acceptance and use of, and loyalty to, our products and related services, and could impact the price of our Class A common stock. In addition, such proceedings or investigations could increase the risk that we will be involved in litigation. The outcome of any such litigation is difficult to predict and the cost to defend, settle or otherwise resolve these matters may be significant. For the foregoing reasons, if regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, our business, results of operations and financial condition could be adversely affected or our stock price could decline.

We may be unable to adequately protect our brand and our intellectual property rights related to our products and services or third parties may allege that we are infringing their intellectual property rights.

The Green Dot, GoBank, MoneyPak, TPG and other brands and marks are important to our business, and we utilize trademark registrations and other means to protect them. Our business would be harmed if we were unable to protect our brand against infringement and its value was to decrease as a result.

We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We currently have 12 issued patents and 5 patent applications pending. Although we generally seek patent protection for inventions and improvements that we anticipate will be incorporated into our products and services, there is always a chance that our patents or patent applications could be challenged, invalidated or circumvented, or that an issued patent will not adequately cover the scope of our inventions or improvements incorporated into our products or services. Additionally, our patents could be circumvented by third-parties.

We may unknowingly violate the intellectual property or other proprietary rights of others and, thus, may be subject to claims by third parties. These assertions may increase over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the mobile technology field, the secrecy of some pending patents, and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its elements infringes or will infringe on the patent rights of others. Regardless of the merit of these claims, we may be required to devote significant time and resources to defending against these claims or to protecting and enforcing our own rights. We might also be required to develop a non-infringing technology or enter into license agreements and there can be no assurance that licenses will be available on acceptable terms and conditions, if at all. Some of our intellectual property rights may not be protected by intellectual property laws, particularly in foreign jurisdictions. The loss of our intellectual property or the inability to secure or enforce our intellectual property rights or to defend successfully against an infringement action could harm our business, results of operations, financial condition and prospects.

We are exposed to losses from customer accounts.

Fraudulent activity involving our products may lead to customer disputed transactions, for which we may be liable under banking regulations and payment network rules. Our fraud detection and risk control mechanisms may not prevent all fraudulent or illegal activity. To the extent we incur losses from disputed transactions, our business, results of operations and financial condition could be materially and adversely affected.

Additionally, our cardholders can incur charges in excess of the funds available in their accounts, and we may become liable for these overdrafts. While we decline authorization attempts for amounts that exceed the available balance in a cardholder's account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card's monthly maintenance fee, among other things, can result in overdrawn accounts.

Maintenance fee assessment overdrafts occur as a result of our charging a cardholder, pursuant to the card's terms and conditions, the monthly maintenance fee at a time when he or she does not have sufficient funds in his or her account. Our remaining overdraft exposure arises primarily from late-posting. A late-post occurs when a merchant posts a transaction within a payment network-permitted timeframe but subsequent to our release of the authorization for that transaction, as permitted by card association rules. Under card association rules, we may be liable for the amount of the transaction even if the cardholder has made additional purchases in the intervening period and funds are no longer available on the card at the time the transaction is posted.

We consider overdrawn account balances to be our receivables due from cardholders. We maintain reserves to cover the risk that we may not recover these receivables due from our cardholders, but our exposure may increase above these reserves for a variety of reasons, including our failure to predict the actual recovery rate accurately. To the extent we incur losses from overdrafts above our reserves or we determine that it is necessary to increase our reserves substantially, our business, results of operations and financial condition could be materially and adversely affected.

Acquisitions or investments could disrupt our business and harm our financial condition.

We have in the past acquired, and we expect to acquire in the future, other businesses and technologies. The process of integrating an acquired business, product, service or technology can involve a number of special risks and challenges, including:

- increased regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business;
- integration and coordination of product, sales, marketing, program and systems management functions;
- transition of the acquired company's users and customers onto our systems;
- integration of the acquired company's accounting, information management, human resource and other administrative systems and operations generally with ours;
- integration of employees from the acquired company into our organization;
- loss or termination of employees, including costs associated with the termination or replacement of those employees;
- liability for activities of the acquired company prior to the acquisition, including violations of law, commercial disputes, and tax and other known and unknown liabilities; and
- increased litigation or other claims in connection with the acquired company, including claims brought by terminated employees, customers, former stockholders or other third parties.

If we are unable to successfully integrate an acquired business or technology or otherwise address these special risks and challenges or other problems encountered in connection with an acquisition, we might not realize the anticipated benefits of that acquisition, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally. Unanticipated costs, delays or other operational or financial problems related to integrating the acquired company and business with our company may result in the diversion of our management's attention from other business issues and opportunities. To integrate acquired businesses, we must implement our technology systems in the acquired operations and integrate and manage the personnel of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests and may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions. Failures or difficulties in integrating the operations of the businesses that we acquire, including their personnel, technology, compliance programs, risk management systems, financial systems, distribution and general business operations and procedures, marketing, promotion and other relationships, may affect our ability to grow and may result in us incurring asset impairment or restructuring charges. Furthermore, acquisitions and investments are often speculative in nature and the actual benefits we derive from them could be lower or take longer to materialize than we expect.

To the extent we pay the consideration for any future acquisitions or investments in cash, it would reduce the amount of cash available to us for other purposes. Future acquisitions or investments could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, or goodwill impairment charges, any of which could harm our financial condition and negatively impact our stockholders.

An impairment charge of goodwill or other intangible assets could have a material adverse impact on our financial condition and results of operations.

Because we have grown in part through acquisitions, our net goodwill and intangible assets represent a significant portion of our consolidated assets. Our net goodwill and intangible assets were $499.0 million as of September 30, 2020. Under accounting principles generally accepted in the United States, or U.S. GAAP, we are required to test the carrying value of goodwill and intangible assets at least annually or sooner if events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit’s fair value, legal and regulatory factors, operating performance indicators, competition and other factors.

U.S. GAAP requires us to assign and then test goodwill at the reporting unit level. If over a sustained period of time we experience a decrease in our stock price and market capitalization, which may serve as an estimate of the fair value of our reporting unit, this may be an indication of impairment. If the fair value of our reporting unit is less than its net book value, we may be required to record goodwill impairment charges in the future. In addition, if the revenue and cash flows generated from any of our other intangible assets is not sufficient to support its net book value, we may be required to record an impairment charge. The amount of any impairment charge could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

We face settlement risks from our distributors and banking partners, which may increase during an economic recession.

The majority of our business is conducted through retail distributors that sell our products and services to consumers at their store locations. Our retail distributors collect funds from the consumers who purchase our products and services and then must remit these funds directly to accounts established for the benefit of these consumers at the banks that issue our cards. The remittance of these funds by the retail distributor takes on average two business days. If a retail distributor becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to our card issuing bank from the sales of our products and services, we are liable for any amounts owed to our customers. As of September 30, 2020, we had assets subject to settlement risk of $344.3 million. Given the possibility of recurring volatility in global financial markets, the approaches we use to assess and monitor the creditworthiness of our retail distributors may be inadequate, and we may be unable to detect and take steps to mitigate an increased credit risk in a timely manner.

Economic recessions, such as the current recession due to the COVID-19 pandemic, could result in settlement losses, whether or not directly related to our business. We are not insured against these risks. Significant settlement losses could have a material adverse effect on our business, results of operations and financial condition.

Economic, political and other conditions may adversely affect trends in consumer spending.

The electronic payments industry, including the prepaid financial services segment within that industry, depends heavily upon the overall level of consumer spending. On June 8, 2020, the National Bureau of Economic Research announced that the United States was in an economic recession. A prolonged recession may result in us experiencing a reduction in the number of our accounts that are purchased or reloaded, the number of transactions involving our cards and the use of our reload network and related services. A sustained reduction in the use of our products and related services, either as a result of a general reduction in consumer spending or as a result of a disproportionate reduction in the use of card-based payment systems, would materially harm our business, results of operations and financial condition.

We must be able to operate and scale our technology effectively.

Our ability to continue to provide our products and services to network participants, as well as to enhance our existing products and services and offer new products and services, is dependent on our information technology systems. If we are unable to manage and scale the technology associated with our business effectively, we could experience increased costs, reductions in system availability and losses of our network participants. Any failure of our systems in scalability and functionality would adversely impact our business, financial condition and results of operations.

Our future success depends on our ability to attract, integrate, retain and incentivize key personnel.

Our future success will depend, to a significant extent, on our ability to attract, integrate, retain and recognize key personnel, namely our management team and experienced sales, marketing and program and technology development personnel. Replacing departing key personnel can involve organizational disruption and uncertainty. We have recently experienced transitions among our executive officers. We appointed a new Chief Executive Officer in March 2020 and are in the process of appointing a permanent Chief Financial Officer. If we fail to manage these transitions successfully, we could experience significant delays or difficulty in the achievement of our development and strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty in managing transitions and assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and technology development personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. In order to attract and retain personnel in a competitive marketplace, we must provide competitive pay packages, including cash and equity-based compensation and the volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed. If we fail to manage any future transitions successfully, we could experience significant delays or difficulty in the achievement of our development and strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed.

We might require additional capital to support our business in the future, and this capital might not be available on acceptable terms, or at all.

If our unrestricted cash and cash equivalents balances and any cash generated from operations are not sufficient to meet our future cash requirements, we will need to access additional capital to fund our operations. We may also need to raise additional capital to take advantage of new business or acquisition opportunities. We may seek to raise capital by, among other things:

- issuing additional shares of our Class A common stock or other equity securities;
- issuing convertible or other debt securities; and
- borrowing funds under a new credit facility.

We may not be able to raise needed cash in a timely basis on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our Class A common stock. In addition, if we were to raise cash through a debt financing, the terms of the financing might impose additional conditions or restrictions on our operations that could adversely affect our business. If we require new sources of financing but they are insufficient or unavailable, we would be required to modify our operating plans to take into account the limitations of available funding, which would harm our ability to maintain or grow our business.

To maximize our liquidity and increase our available cash on hand in the event of a protracted COVID-19 pandemic, in March 2020 we drew down the full $100 million available under our revolving line of credit, instituted an enterprise-wide headcount freeze and delayed or reduced non-critical projects. We have since repaid the entire balance on our revolving line of credit as of June 30, 2020. Should we require additional credit at levels we are unable to access, the cost of credit is greater than expected, or the cost-savings measures we have implemented are ineffective or result in us incurring greater costs, our operating results could be adversely affected. Further, additional borrowings on our revolving line of credit have and will cause us to incur additional interest expense, which will negatively affect our earnings.

Some of our operations, including a significant portion of our software development operations, are located outside of the United States, which subjects us to additional risks, including increased complexity and costs of managing international operations and geopolitical instability.

We have significantly expanded our software development operations in Shanghai, China and we expect to continue to increase headcount and infrastructure as we scale our operations in this region. A prolonged disruption at our China facility for any reason due to natural- or man-made disasters, natural disasters, outbreaks of pandemic disease, such as the COVID-19 pandemic, climate change or other events outside of our control, such as equipment malfunction or large-scale outages or interruptions of service from utilities or telecommunications providers, could potentially delay our ability to launch new products or services, which could materially and adversely affect our business.

Additionally, as a result of our international operations, we face numerous other challenges and risks, including:

- increased complexity and costs of managing international operations;
- regional economic instability;
- geopolitical instability and military conflicts;
- limited protection of our intellectual property and other assets;
- compliance with local laws and regulations and unanticipated changes in local laws and regulations, including tax laws and regulations;
- foreign currency exchange fluctuations relating to our international operating activities;
- local business and cultural factors that differ from our normal standards and practices; and
- differing employment practices and labor relations.

The occurrence of catastrophic events could damage our facilities or the facilities of third parties on which we depend, which could force us to curtail our operations.

We and some of the third-party service providers on which we depend for various support functions, such as customer service and card processing, are vulnerable to damage from catastrophic events, such as power loss, natural disasters, terrorism, pandemics, such as COVID-19, and similar unforeseen events beyond our control. Our principal offices, for example, are situated in southern California near known earthquake fault zones and are currently subject to the state-wide shelter in place order. If any catastrophic event were to occur, our ability to operate our business could be seriously impaired. In addition, we might not have adequate insurance to cover our losses resulting from catastrophic events or other significant business interruptions. Our insurance costs may also increase substantially in the future to cover the costs our insurance carriers may incur related to such events. Any significant losses that are not recoverable under our insurance policies, as well as the damage to, or interruption of, our infrastructure and processes, could seriously impair our business and financial condition.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action, and could require us to restate our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements. Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC and banking regulators) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the need to revise and republish prior period financial statements.

Our debt agreements contain restrictive covenants and financial ratio tests that restrict or prohibit our ability to engage in or enter into a variety of transactions. If we fail to comply with these covenants or tests, our indebtedness under these agreements could become accelerated, which could adversely affect us.

Under our $100 million five-year revolving facility, we are subject to various covenants that may have the effect of limiting, among other things, our ability and the ability of certain of our subsidiaries to: merge with other entities, enter into a transaction resulting in a change in control, create new liens, incur additional indebtedness, sell assets outside of the ordinary course of business, enter into transactions with affiliates (other than subsidiaries) or substantially change the general nature of our and our subsidiaries' business, taken as a whole, make certain investments, enter into restrictive agreements, or make certain dividends or other distributions. These restrictions could limit our ability to take advantage of financing, merger, acquisition or other opportunities, to fund our business operations or to fully implement our current and future operating strategies.

Under the agreement, we have agreed to maintain compliance with a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio of 2.50 and 1.25, respectively, at the end of any fiscal quarter. Our ability to meet these financial ratios and tests will be dependent upon our future performance and may be affected by events beyond our control (including factors discussed in this "Risk Factors" section). If we fail to satisfy these requirements, our indebtedness under these agreements could become accelerated and payable at a time when we are unable to pay them. This would adversely affect our ability to implement our operating strategies and would have a material adverse effect on our financial condition.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on our future indebtedness and may otherwise adversely affect our financial condition and results of operations.

Certain of our indebtedness is made at variable interest rates that use the London Interbank Offered Rate, or LIBOR (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established, or alternative reference rates to be established. The potential consequences cannot be fully predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, any transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. This could materially and adversely affect our results of operations, cash flows, and liquidity. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks.

Risks Related to Ownership of Our Class A Common Stock

The price of our Class A common stock may be volatile.

In the recent past, stocks generally, and financial services company stocks in particular, have experienced high levels of volatility. The trading price of our Class A common stock has been highly volatile since our initial public offering and may continue to be subject to wide fluctuations. The trading price of our Class A common stock depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our Class A common stock;
- actual or anticipated developments in our business or our competitors’ businesses or the competitive landscape generally;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- business disruptions and costs related to shareholder activism;
- litigation and investigations or proceedings involving us, our industry or both or investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic conditions (including those caused by the COVID-19 pandemic);
- changes to the indices in which our Class A common stock is included;
- sales of shares of our Class A common stock by us or our stockholders; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics, including the COVID-19 pandemic.

In the past, many companies that have experienced volatility in the market price of their stock have become subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

Our business could be negatively affected by actions of stockholders.

The actions of stockholders could adversely affect our business. Specifically, certain actions of certain types of stockholders, including without limitation public proposals, requests to pursue a strategic combination or other transaction or special demands or requests, could disrupt our operations, be costly and time-consuming or divert the attention of our management and employees and increase the volatility of our stock. In addition, perceived uncertainties as to our future direction in relation to the actions of our stockholders may result in the loss of potential business opportunities or the perception that we are unstable and need to make changes, which may be exploited by our competitors and make it more difficult to attract and retain personnel as well as customers, service providers and partners. Actions by our stockholders may also cause fluctuations in our stock price based on speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Our charter documents, Delaware law and our status as bank holding company could discourage, delay or prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to nominate directors for election to our Board of Directors and take other corporate actions. These provisions, among other things:

- provide for non-cumulative voting in the election of directors;
- authorize our Board of Directors, without stockholder approval, to issue preferred stock with terms determined by our Board of Directors and to issue additional shares of our Class A common stock;
- limit the voting power of a holder, or group of affiliated holders, of more than 24.9% of our common stock to 14.9%;
- provide that only our Board of Directors may set the number of directors constituting our Board of Directors or fill vacant directorships;
- prohibit stockholder action by written consent and limit who may call a special meeting of stockholders; and
- require advance notification of stockholder nominations for election to our Board of Directors and of stockholder proposals.

These and other provisions in our certificate of incorporation and bylaws, as well as provisions under Delaware law, could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our Class A common stock, and result in the trading price of our Class A common stock being lower than it otherwise would be.

In addition to the foregoing, under the BHC Act and the Change in Bank Control Act, and their respective implementing regulations, Federal Reserve Board approval is necessary prior to any person or company acquiring control of a bank or bank holding company, subject to certain exceptions. Control, among other considerations, exists if an individual or company acquires 25% or more of any class of voting securities, and may be presumed to exist if a person acquires 10% or more of any class of voting securities. These restrictions could affect the willingness or ability of a third party to acquire control of us for so long as we are a bank holding company.

If securities analysts do not continue to publish research or reports about our business or if they publish negative evaluations of our Class A common stock, the trading price of our Class A common stock could decline.

We expect that the trading price for our Class A common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who currently cover us or our business downgrade their evaluations of our Class A common stock, the price of our Class A common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 5. Other Information

On August 25, 2020, the Compensation Committee (the "Committee") of our Board of Directors approved the Green Dot Corporation Executive Incentive Compensation Plan (the "Executive Incentive Plan") to be effective for 2021 and beyond. All executive officers including our named executive officers are eligible to participate in the Executive Incentive Plan. Participants in the Executive Incentive Plan will be eligible to earn cash incentive awards through the achievement of performance targets to be established by the Committee each year. The degree of performance achievement will determine the amount of each award earned relative to the participant's target amount, which generally will be a percentage of base salary. Participants in the Executive Incentive Plan generally must be employed on the date the cash incentive awards are actually paid in order to receive payment. We expect to adopt an annual cash incentive program under the Executive Incentive Plan for each fiscal year consistent with the terms of the Executive Incentive Plan as described above.

A copy of the Executive Incentive Plan is attached as Exhibit 10.1 hereto and is incorporated herein by reference. The foregoing description of the Executive Incentive Plan does not purport to be complete and is qualified in its entirety by reference to such exhibit.

ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
10.1	Green Dot Corporation Executive Incentive Plan
31.1	Certification of Dan Henry, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Jess Unruh, Interim Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Dan Henry, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Jess Unruh, Interim Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income and Loss, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished and not filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Green Dot Corporation

Date:	November 6, 2020	By:	/s/ Jess Unruh
		Name:	Jess Unruh
		Title:	Interim Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

GREEN DOT CORPORATION

EXECUTIVE INCENTIVE PLAN

Effective: August 25, 2020

1. Purposes of the Plan. The Plan is intended to increase stockholder value and the success of Green Dot Corporation and its affiliates (the "Company") or any successor thereto by motivating participating Employees to (a) perform to the best of their abilities and (b) achieve the Company's objectives.

2. Definitions.

(a) "Affiliate" means any corporation or other entity (including, but not limited to, subsidiaries, partnerships and joint ventures) controlled by the Company.

(b) "Actual Award" means as to any Performance Period, the actual award (if any) payable to a Participant for the Performance Period, subject to the Committee's authority under Section 3 to modify the award.

(c) "Board" means the Board of Directors of the Company.

(d) "Cash Incentive Pool" means the pool of funds available for distribution to Participants. Subject to the terms of the Plan, the Committee establishes the Cash Incentive Pool for each Performance Period.

(e) "Cause" means any of the following: (i) a Participant's conviction of or plea of nolo contendere to a felony; (ii) an act by a Participant which constitutes gross misconduct in the performance of the Participant's employment obligations and duties; (iii) a Participant's act of fraud against the Company or any of its Affiliates; (iv) a Participant's theft or misappropriation of property (including without limitation intellectual property) of the Company or its Affiliates; (v) a material breach by a Participant of any confidentiality agreement with, or duties of confidentiality to, the Company or any of its Affiliates that involves the Participant's wrongful disclosure of material confidential or proprietary information (including without limitation trade secrets or other intellectual property) of the Company or of any of its Affiliates; (vi) a Participant's public disparagement of the Company, its Affiliates, its business, its employees or board members; and (vii) a Participant's continued material violation of the Participant's employment obligations and duties to the Company or an Affiliate (other than due to the Participant's death or Disability) after the Company or the Affiliate has delivered to the Participant a written notice of such violation that describes the basis for the Company or Affiliate's belief that such violation has occurred and the Participant has not substantially cured such violation within thirty (30) calendar days after such written notice is given by the Company or Affiliate. The determination as to whether a Participant is being terminated for Cause will be made in good faith by the Company and will be final and binding on the Participant.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated thereunder, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(g) "Committee" means the committee administering the Plan. Unless and until the Board otherwise determines, the Board's Compensation Committee will administer the Plan.

(h) "Determination Date" means any time when the achievement of the performance goals associated with the applicable Performance Period remains substantially uncertain; provided, however, that if the Determination Date occurs on or before the date on which 25% of the Performance Period has elapsed, the achievement of such performance goals will be deemed to be substantially uncertain.

(i) "Employee" means any employee of the Company or of an Affiliate, including executive officers, or other key employees, whether such individual is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan.

(j) "Fiscal Year" means the fiscal year of the Company.

(k) "Participant" means as to any Performance Period, an Employee who has been selected by the Committee for participation in the Plan for that Performance Period.

(l) "Performance Period" means the period of time for the measurement of the performance criteria that must be met to receive an Actual Award, as determined by the Committee in its sole discretion. A Performance Period may be divided into one or more shorter periods if, for example, but not by way of limitation, the Committee desires to measure some performance criteria over 12 months and other criteria over 3 months.

(m) "Plan" means this Incentive Plan, as set forth in this instrument and as hereafter amended from time to time.

(n) "Target Award" means the target award, at 100% performance achievement, payable under the Plan to a Participant for the Performance Period, as determined by the Committee in accordance with Section 3(b).

3. Selection of Participants and Determination of Awards.

(a) Selection of Participants. The Committee, in its sole discretion, will select the Employees who will be Participants for any Performance Period. Participation in the Plan is in the sole discretion of the Committee, on a Performance Period by Performance Period basis. Accordingly, an Employee who is a Participant for a given Performance Period in no way is guaranteed or assured of being selected for participation in any subsequent Performance Period or Periods.

(b) Determination of Target Awards. The Committee, in its sole discretion, will establish a Target Award for each Participant, which generally will be a percentage of a Participant's average annual base salary for the Performance Period.

(c) Cash Incentive Pool. Each Performance Period, the Committee, in its sole discretion, will establish a Cash Incentive Pool, which may be established before, during or after the applicable Performance Period. Actual Awards will be paid from the Cash Incentive Pool.

(d) Discretion to Modify Awards and Cash Incentive Pool. Notwithstanding any contrary provision of the Plan, the Committee may, in its sole discretion and at any time, (i) increase, reduce or eliminate a Participant's Actual Award, (ii) increase, reduce or eliminate the amount allocated to the Cash Incentive Pool, and/or (iii) modify a Target Award or the performance goals necessary to achieve an Actual Award. The Actual Award may be below, at or above the Target Award, in the Committee's discretion. The Committee may determine the amount of any reduction on the basis of such factors as it deems relevant and will not be required to establish any allocation or weighting with respect to the factors it considers.

(e) Discretion to Determine Criteria. Notwithstanding any contrary provision of the Plan, the Committee will, in its sole discretion, determine the performance goals applicable to any Target Award on or prior to the Determination Date which may include, without limitation:

- Net revenue and/or net revenue growth;
- Earnings per share and/or earnings per share growth;
- Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;
- Operating income and/or operating income growth;
- Net income and/or net income growth;
- Total stockholder return and/or total stockholder return growth;
- Return on equity;
- Return on invested capital;
- Return on assets;
- Cash flow;
- Operating cash flow return on income;
- Adjusted operating cash flow return on income;
- Economic value added;
- Control of expenses;
- Cost of goods sold;
- Profit margin;
- Stock price;
- Debt or debt-to-equity;
- Gross dollar volume;
- Active accounts;
- Purchase volume;
- Cash transfers;
- Tax refunds;
- Liquidity;
- Intellectual property (e.g., patents)/product development;
- Mergers and acquisitions or divestitures;
- Individual business objectives;

- Company specific operational metrics or strategic goals; and

- Any other financial and/or non-financial objectives the Committee so designates.

As determined by the Committee, to the extent applicable, the performance goals may be based on GAAP or non-GAAP results, and may be on an individual, divisional, business unit or Company-wide basis. Prior to the Determination Date, the Committee will determine whether any significant elements will be included in or excluded from the calculation of any performance goal with respect to any Participants. The performance goals may differ from Participant to Participant and from award to award. Failure to meet the goals will result in a failure to earn the Target Award, except as provided in Section 3(d).

4. Payment of Awards.

(a) Determination and Certification. After the end of each Performance Period, the Committee will certify in writing (which may be by approval of the minutes in which the certification was made) the extent to which the performance goals applicable to each Participant for the Performance Period were achieved or exceeded.

(b) Right to Receive Payment. Each Actual Award will be paid solely from the general assets of the Company. Nothing in this Plan will be construed to create a trust or to establish or evidence any Participant's claim of any right other than as an unsecured general creditor with respect to any payment to which he or she may be entitled. Unless otherwise determined by the Committee, to earn an Actual Award a Participant must be employed by the Company or any Affiliate through the date the Committee determines the Actual Award for the applicable Performance Period, which generally will occur following the completion of the Performance Period, to receive a payment under the Plan.

(c) Timing of Payment. Payment of each Actual Award will be made as soon as practicable after the determination by the Committee of the Actual Award for a particular Performance Period, but in no event later than the later of (i) the fifteenth (15th) day of the third (3rd) month of the Fiscal Year immediately following the Fiscal Year in which the Participant's Actual Award has been earned and is no longer subject to a substantial risk of forfeiture, or (ii) March 15 of the calendar year following the calendar year in which the Actual Award has been earned and is no longer subject to a substantial risk of forfeiture.

It is the intent that this Plan comply with the requirements of Code Section 409A so that none of the payments to be provided hereunder will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted to so comply.

(d) Form of Payment. Each Actual Award will be paid in cash (or its equivalent).

5. Plan Administration.

(a) Committee is the Administrator. The Plan will be administered by the Committee.

(b) Committee Authority. It will be the duty of the Committee to administer the Plan in accordance with the Plan's provisions. The Committee will have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (i) determine which Employees will be granted awards, (ii) prescribe the terms and conditions of awards, (iii) interpret the Plan and the awards, (iv) adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by Employees who are foreign nationals or employed outside of the United States, (v) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (vi) interpret, amend or revoke any such rules.

(c) Decisions Binding. All determinations and decisions made by the Committee, and any delegate of the Committee pursuant to the provisions of the Plan will be final, conclusive, and binding on all persons, and will be given the maximum deference permitted by law.

(d) Delegation by Committee. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company.

(e) Indemnification. Each person who is or will have been a member of the Committee will be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any award, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she will give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

6. Recoupment. In the event of a restatement of incorrect financial results, the Committee will, if it determines appropriate in its sole discretion and to the extent permitted by governing law, require the Participant to repay to the Company an amount equal to all or any portion of any Actual Award that would not have been earned had the restatement not occurred. In addition, if a Participant's employment is terminated for Cause, the Committee may in its sole discretion and to the extent permitted by governing law, require such Participant to reimburse the Company for all or a portion of any Actual Award that was paid after the event giving rise to Cause first occurred. Notwithstanding the foregoing, the Company may, in its sole discretion, implement any recoupment or clawback policies or make any changes to any of its existing recoupment or clawback policies, as Green Dot deems necessary or advisable in order to comply with applicable law or regulatory guidance (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act).

7. General Provisions.

(a) Tax Withholding. The Company will withhold all applicable taxes from any Actual Award, including any federal, state and local taxes (including, but not limited to, the Participant's FICA, FUTA and SDI obligations).

(b) No Effect on Employment. Nothing in the Plan will interfere with or limit in any way the right of the Company or an Affiliate to terminate any Participant's employment at any time, with or without Cause, and If a Participant is a party to an employment contract with the Company or one of its Affiliates, in accordance with the terms and conditions of the Participant's employment agreement. For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Affiliates (or between Affiliates) will not be deemed a termination of employment. Employment with the Company and its Affiliates is on an at-will basis only. The Company and its Affiliates expressly reserve the right, which may be exercised at any time and without regard to when during a Performance Period such exercise occurs, to terminate any individual's employment with or without Cause, and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

(c) Participation. No Employee will have the right to be selected to receive an award under this Plan, or, having been so selected, to be selected to receive a future award.

(d) Successors. All obligations of the Company under the Plan, with respect to awards granted hereunder, will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

(e) Beneficiary Designations. If permitted by the Committee, a Participant under the Plan may name a beneficiary or beneficiaries to whom any earned but unpaid award will be paid in the event of the Participant's death. Each such designation will revoke all prior designations by the Participant and will be effective only if given in a form and manner acceptable to the Committee. In the absence of any such designation, any vested benefits remaining unpaid at the Participant's death will be paid to the Participant's estate.

(f) Nontransferability of Awards. No award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the limited extent provided in Section 6(e). All rights with respect to an award granted to a Participant will be available during his or her lifetime only to the Participant.

8. Amendment, Termination, and Duration.

(a) Amendment, Suspension, or Termination. The Committee, in its sole discretion, may amend or terminate the Plan, or any part thereof, at any time and for any reason. The amendment, suspension or termination of the Plan will not, without the consent of the Participant, alter or impair any rights or obligations under any Actual Award theretofore earned by such Participant. No award may be granted during any period of suspension or after termination of the Plan.

(b) Duration of Plan. The Plan will commence on the date specified herein, and subject to Section 7(a) (regarding the Board's right to amend or terminate the Plan), will remain in effect thereafter.

9. Legal Construction.

(a) Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also will include the feminine; the plural will include the singular and the singular will include the plural.

(b) Severability. In the event any provision of the Plan will be held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

(c) Requirements of Law. The granting of awards under the Plan will be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(d) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any cash incentive payment will be determined in accordance with the laws of the State of California (without giving effect to principles of conflicts of laws thereof) and applicable Federal law.

(e) Bonus Plan. Case incentive payments represent unfunded and unsecured obligations of the Company and a holder of any right hereunder in respect of any incentive payment will have no rights other than those of a general unsecured creditor to the Company. The Plan is intended to be a "bonus program" as defined under U.S. Department of Labor regulation 2510.3-2(c) and will be construed and administered in accordance with such intention.

(f) Captions. Captions are provided herein for convenience only, and will not serve as a basis for interpretation or construction of the Plan.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dan Henry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Green Dot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

By: /s/ Dan Henry

Name: Dan Henry
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jess Unruh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Green Dot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020		By:	/s/ Jess Unruh
		Name:	Jess Unruh Interim Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dan Henry, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of Green Dot Corporation for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Green Dot Corporation.

Date:	November 6, 2020	By:	/s/ Dan Henry
		Name:	Dan Henry Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jess Unruh, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of Green Dot Corporation for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Green Dot Corporation.

Date:	November 6, 2020	By:	/s/ Jess Unruh
		Name:	Jess Unruh Interim Chief Financial Officer (Principal Financial Officer)