



Kansas City Financial Center

Customer Advisory Board

All Electronic Treasury Initiative

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Early EFT Efforts

- 1996 – Debt Collection Improvement Act (DCIA) of 1996 requires that all Federal payments be made by EFT
- 1998 – FMS publishes final rule at 31 CFR Part 208 that implements provisions of DCIA to require that Federal payments be made electronically, with certain exceptions
 - Self certifying hardship waivers for individuals
- 1999 – FMS publishes requirements of Electronic Transfer Account (ETA) to ensure Federal recipients have access to a low cost account with consumer protections, as required by DCIA





EFT Challenges

- Despite 1998 EFT regulation, a significant number of payments continue to be made by check
 - Over 4 million benefit recipients unbanked
 - Electronic Transfer Account (ETASM) not offered in all areas
 - Individual hardship waivers were self-certifying
 - Many recipients do not understand the benefits of electronic payments
 - Safe
 - Secure
 - Convenient
 - Only 75% of vendor/miscellaneous payments made electronically, even though no waivers are available to them





EFT Challenges (Cont.)

- The Government's cost of delivering payments by check is substantially higher than delivering payments by direct deposit
 - Each check payment is \$.90 higher than an EFT payment
- The number of checks that Treasury prints and mails each year is expected to increase significantly over the coming years, primarily as a result of the aging of the baby boomer generation.
 - With the increase in retiring baby boomers, Treasury expects to issue approximately 60 million new payments each year to approximately 5 million newly enrolled recipients
 - Even as the more technologically-savvy baby boomers enter the rolls, the direct deposit rate for fiscal year 2010 through April remained at about 80%





Treasury Efforts to Increase EFT

- Go Direct[®] public education campaign for benefit recipients
 - Promote awareness of the benefits of Direct Deposit
 - Developed convenient enrollment options for recipients
 - Online at GoDirect.org
 - Toll-free number at Go Direct[®] Call Center
 - Over 6 million direct deposit enrollments have occurred since 2005 as a result of the campaign's activities
 - Help new and existing benefit recipients understand the provisions of the Treasury EFT rule





Treasury Efforts to Increase EFT (Cont.)

- Direct Express Debit MasterCard®
 - Low cost debit card developed exclusively for Federal recipients
 - No monthly fees and most services are free
 - Can be used to make purchases and/or get cash at retail locations, ATMs, and financial institutions
 - Provides an electronic payment solution for unbanked Federal benefit recipients
 - More than 1.8 million Federal recipients have signed up for the card since June 2008
 - High customer satisfaction rate





EFT Final Rule

- On June 17th, Treasury issued a Notice of Proposed Rulemaking (NPRM) to amend 31 CFR Part 208 to tighten provisions of the EFT requirement
 - Proposed to remove individual hardship waivers
 - 33 comments received
- On December 22nd, Treasury issued a final rule amending 31 CFR Part 208
- Key provisions
 - New recipients on or after May 1, 2011, will be required to receive payments electronically
 - Treasury delayed effective date from March to May to allow time for outreach/public education; address NPRM comments
 - Current check recipients on March 1, 2011 and individuals applying for benefits prior to March 1, 2011 that request payment by check would not be required to receive payments electronically until March 1, 2013
 - Limited waivers available to recipients
 - Based on comments received in response to the proposed rule
 - Refers public to interim prepaid card rule at 31 CFR Part 210 and Garnishment rule at 31 CFR Part 212 to address concerns expressed about payments to prepaid cards with high fees/"Pay Day" loans/lack of consumer protections and the improper garnishment of Federal funds





EFT Final Rule - Waivers

- Payment by EFT is not required under the following circumstances
 - Anyone over the age of 90 before May 1, 2011 and also receiving payment by check on March 1, 2013
 - Addresses NPRM comments/concerns about the elderly receiving payments by EFT
 - Where the Direct Express[®] card is not available
 - For individuals not eligible for the Direct Express card because the card has been suspended or cancelled
 - Hardship waivers (must submit notarized request in writing):
 - Geographic barrier
 - Mental Impairment
- Agency waiver for non-recurring payments where remittance data is not readily available
 - Primarily addresses issue of SSA disability fee payments to attorneys
 - Should only be used in limited circumstances
 - FMS will work with agencies and financial community to develop solutions to remittance data issues
- Agency-invoked waivers remain
 - Agencies should contact FMS if they experience impediments to making payments by EFT





Prepaid Card interim rule at 31 CFR Part 210

- In response to 208 NPRM, Consumer advocate groups commented that Treasury must regulate provisions of prepaid cards receiving Federal payments
 - Prevent “Pay Day” loans
 - Reasonable fees
 - Consumer protections added





Prepaid card interim rule at 31 CFR Part 210 (cont.)

- Issued on December 22, 2010 with request for comment
- Treasury permits Federal payments to prepaid cards if the following requirements are met:
 - Provide the cardholder with pass-through deposit or share insurance
 - Provide the cardholder with the same consumer protections afforded by Regulation E for Payroll Cards
 - Card accounts cannot have an attached line of credit or loan feature that triggers an automatic repayment from the card account
- Entities offering prepaid cards that accept Federal deposits must meet the above requirements
- FMS may refer any violations of this regulation to the appropriate State or Federal regulator, as FMS is not a Regulatory agency
- Comment period was extended until April 25th, 2011
 - Treasury currently reviewing comments received from the public
- Report any instances of non-compliance to FMS for review





Garnishment Interim Rule Background

- Many Federal benefits are protected under Federal law from garnishment, attachment, levy, or assignment
 - Protection continues after benefits are deposited to an individual's account at an financial institution (FI)
- To comply with garnishment orders, FIs often freeze an account and remit funds to creditor
- State laws provide account owners with an opportunity to assert any rights, exemptions and challenges to garnishment orders, including exemptions for Federal benefit payments
 - Despite these laws, the time it takes to file and process such a claim causes hardship to a Federal recipient





Interim Final Rule at 31 CFR Part 212

- NRPM issued on April 19, 2010
 - Over 600 comments received
- Treasury and the four benefit agencies (SSA, VA, RRB, OPM) issued an interim final rule at 31 CFR Part 212 on February 23, 2011
 - Requires financial institutions to follow specific procedures to protect exempt Federal funds when garnishment orders are received
- Effective date of the interim rule was May 1, 2011
- Detailed guidelines are published in FMS Green Book at <http://www.fms.treas.gov/greenbook>





Implementation of the EFT Rule

- Treasury/Federal agencies are in a position to mandate that all Federal payments be made electronically
 - 31 CFR Part 208 requires that Federal payments be made by EFT, with few exceptions under unique circumstances
 - No waivers for vendor payments
 - The Direct Express Card® provides an electronic payment solution for unbanked Federal benefit recipients
 - The Prepaid Card interim rule permits Federal payments to prepaid cards if certain Treasury requirements are met affording cardholders important protections
 - The Garnishment Interim Rule requires financial institutions to identify and protect exempt Federal funds from garnishment





Agency Implementation

- Agencies Making Benefit and/or other Individual Payments
 - Work with Treasury to ensure the Direct Express® card can be offered to their benefit recipients
 - Support card holder education efforts
 - Direct mailings
 - Make changes to forms/on-line processes/procedures associated with the benefit application process to reflect the EFT requirement
 - For example, agencies can no longer offer paper check as a payment option for new beneficiaries
 - Refer recipients requesting a waiver to Treasury
 - Data Gathering (Recipients over 90, Address Updates)
 - Cooperate and support Treasury's public education and outreach efforts
 - Includes payments to institutional representative payees
 - Measure success enrolling new applicants and current check recipients for EFT
 - Determine if alternative approaches are necessary
 - Use ITS.gov to make foreign benefit payments electronically
 - Salary payments – new employees must receive payment by EFT; current check recipients prior to May 1, 2011 must switch to an EFT method by March 1, 2013
 - Detailed guidance available in Treasury Financial Manual (<http://www.fms.treas.gov/tfm>)





Agency Implementation (Cont.)

- Vendor/Miscellaneous payments
 - Use contract clauses made available in FAR EFT rule at 48 CFR Parts 13, 16, 32, and 52 that require payment by EFT as a condition of awarding a contract
 - Prompt Payment rule also includes a provision that allows agencies to reject invoices if EFT information is not included
 - Use CCD and/or CTX formats to make remittance information available to recipients
 - FI's responsible to pass this information onto payments recipients, per NACHA rules since 1998
 - Agencies can also enroll in the Internet Payment Platform (<http://www.ipp.gov>) and use its Payments Reporting Module to allow vendors to access remittance data for free on a secure website
 - Enroll for ITS.gov (<http://www.its.gov>) to make foreign miscellaneous/vendor payments electronically
 - Review current payment flows to determine if the US Debit Card (<http://www.usdebitcard.gov>) can be used to replace certain check payments, such as travel reimbursements and/or alternatives to petty cash/Imprest Funds (one-time, instant issue payments)





Use of EFT for Medical Payments

- Federal agencies report difficulties making medical payments by EFT
 - Lack of availability of remittance data has caused resistance from many medical providers
 - Challenge contacting hundreds of thousands of medical providers to notify them of the Treasury EFT requirement
- Treasury formed an agency workgroup to increase the use of EFT for medical payments
 - Identified several agency best practices that were shared among the agency participants to increase EFT payments
 - Remittance systems
 - Currently researching opportunities for EFT pilots with large medical providers receiving payments from multiple
 - Coordination on outreach efforts to notify medical providers of their need to receive payments electronically
 - First notifications scheduled for later this month (Newsletter, Email Push, Tweet)
 - Work closely with NACHA, FRB, and the CAQH CORE group to stay abreast of private sector efforts and identify opportunities for coordination
 - Development of industry standards that agencies should comply with:
 - Remittance data/EFT payment standards (trace number)
 - Standards for the timeliness of remittance data availability





Additional Agency Support for EFT

- Promote confidence in EFT payments
 - Ensure that ACH files include valid account information to prevent misdirected payments
 - FIs not required to return misdirected payments
 - Develop internal processes to validate EFT information
 - Respond to Notification of Change (NOC) documents within 2 payment cycles
 - NACHA rules violation
 - Important for bank mergers
 - Prompt response will eliminate risk of erroneous payments/delay in receipt of payments
 - Use addendum records to pass along necessary remittance information to recipients
 - FMS supports CCD plus and CTX formats
 - Use of IPP's Payment Notification Service
 - Institutional Representative Payees
 - Helps your recipients account for their payments more easily





Contact

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