



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





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

- Consumer groups express concern over Federal benefit payments to prepaid cards in an Mandatory EFT environment
- Interim rule 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
 - ❖ Provides recipients with another electronic alternative
- 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
- Report any instances of non-compliance to FMS for review
- CFPB ANPRM appears consistent with Treasury rule but may address fees





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
 - Benefit agencies
 - 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
 - Use PPD plus for institutional representative payee (nursing home) payments
 - 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





Agency Implementation (Cont.)

- Other individual payments (non-benefit)
 - 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
 - Miscellaneous payments to individuals must be made by EFT
 - Agencies should contact Treasury if they experience high levels of non-compliance
- 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)
- Detailed guidance available in Treasury Financial Manual (<http://www.fms.treas.gov/tfm>)





Agency Implementation (Cont.)

- Vendor 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
 - Implement system changes and procedures to adhere to HHS rule developing standards for ACH medical payments
 - EFT required
 - NACHA rulemaking (Request for Comment)
 - Re-association trace number included in CCD plus addenda





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
 - Includes controls to prevent EFT enrollment fraud
 - Respond to Notification of Change (NOC) documents within 2 payment cycles (if making non-recurring payments)
 - 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





Progress of the All Electronic Treasury Initiative

- Over 6 million recipients have switched from check to EFT as a result of the Go Direct® campaign since 2005
- Almost 3 million federal benefit recipients have signed up for the Direct Express® card
 - SSA/SSI, RRB, VA, OPM, and Labor – Black Lung are set up to offer the Direct Express® card to their recipients
- Significant increase in EFT rates for SSA/SSI over the past year
 - SSA over 90% in May 2012
 - SSI over 80% in May 2012
 - DOL – Black Lung has improved by over 10% in one year's time
- Reduction of nearly 350,000 checks per month, on average, since Mandate went into effect
- Waiver call center established to work with benefit check recipients to convert them to EFT or process waiver requests
 - High success rate (over 60%) converting check recipients to EFT
 - Less than 500 individuals have applied for waivers





Contact

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