

## Federal payments go electronic Paper-check phase-out begins March 1

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The federal government will be making a significant change in how it administers non-tax federal payments to millions of families. As of March 1, most recipients of federal benefits will need to choose an electronic option for payment.

### What are the federal payment options?

The government will soon be requiring electronic payment for Social Security, Supplemental Security Income, veterans' compensation and pensions, wages for federal employees, civil service annuities, railroad retirement benefits, black lung payments and Indian Trust Fund payments. Federal tax refunds will not be affected.

#### Direct deposit

An electronic transfer by the U.S. Department of the Treasury to a checking or savings account at a financial institution is the fastest, most secure method of payment. Recipients provide Treasury with their account number, routing number, and account type to receive the free transfer. Many families receiving federal benefits already use this method, and they will experience no change.

#### Direct Express® Prepaid Debit Card

The Direct Express® is a prepaid debit card issued by Comerica Bank under a contract with the Treasury for delivery of federal payments. Rather than receiving a paper check, recipients' funds are continuously placed on the card. It functions like a regular debit card, allowing cardholders to swipe at retail and ATM locations, is part of a network of more than 50,000 surcharge-free ATMs, and is FDIC insured. Cardholders are allowed one free ATM transaction per deposit onto the card, provided the ATM is part of the network. Another positive aspect of the card is that there are no overdraft or loan features; Policy Matters Ohio and other consumer groups have raised concerns about these features on other government-issued cards. A free feature that may benefit cardholders provides texts, emails, or telephone messages when deposits are made or balances are low. Fees for paper statements, replacement cards, and out-of-network ATMs are the only notable extra costs. The fee structure for Direct Express®, shown in the table below, is much better than what is offered with other prepaid debit cards, many of which charge for monthly use, ATM transactions, and balance inquiries.

#### Direct deposit onto a consumer selected prepaid debit card

Treasury recommends payment by direct deposit to a bank account or the Direct Express® card. However, other prepaid debit cards are now eligible for federal payments. Some conditions apply; for example, the card cannot have overdraft fees or lines of credit. It also must have deposit insurance and comply with the Electronic Funds Transfer Act. As noted above, most prepaid debit cards are more costly than the government-issued card.

Fee schedule for Direct Express® card	
Service	Cost
Purchases at U.S. merchants	Free
Cash back with purchases	Free
Cash from bank tellers	Free
Customer service calls	Free
Web account services	Free
Low balance and deposit notification	Free
ATM balance inquiry or denial	Free
Card replacement	\$4 after one free replacement each year
ATM cash withdrawal	\$.90 each after one free withdrawal for each deposit to recipient account
Paper statement	Optional -- \$.75 per month if requested
Funds transfer to bank account	Optional -- \$1.50 for each transfer
Source: Adapted from Direct Express®, godirect.org.	

The March 1 deadline will not affect those already receiving direct deposit or using Direct Express®. Treasury will urge recipients who do not provide bank account information to sign up for the Direct Express® card, sending reminders with each paper check that is issued. Some recipients may receive a card in the mail, which they will need to activate before benefits can be loaded.

Paper checks will be available for individuals born before March 1, 1921, those who have a mental impairment, and people who live in remote areas lacking the infrastructure to support electronic financial transactions. A waiver form can be requested at (800) 333-1795. Consumers can expect long hold times, and should ask for a supervisor if the operator is unfamiliar with the waiver process.

## Recommendations

Families receiving federal benefits can take several steps to transition to electronic payments. Direct deposit into a checking or savings account at a bank or credit union is the safest option. If recipients prefer using prepaid debit cards, they should take advantage of the following options offered with the Direct Express® card:

- **Sign up for regular monthly paper statements.** It is worth 75 cents a month to protect the card from unauthorized charges and to have a complete record of transactions;
- **Access cash for free when possible.** One cash withdrawal is free per deposit at ATMs in the Direct Express® network. Withdrawals are also free at the teller window at any MasterCard member bank (most banks) or by asking for cash back from a purchase;
- **Get free account updates.** Families should sign-up for free deposit and low-balance alerts by telephone, email or text message.

## Resources

[Go Direct website](#) and 800-333-1795 to request a waiver or to sign up for direct deposit.

[U.S. Treasury Department's Direct Express® Information](#) or call toll-free (888) 544-6347 for surcharge-free ATM locations.