



# CONSUMER CONCERNS

Information for Advocates  
Representing Older Adults

National Consumer Law Center®

## New Requirements for Electronic Payment of Social Security and Other Federal Benefits Kicks in March 1, 2013: *Most Paper Checks to Be Phased Out*

Most recipients of federal benefit payments will be required to receive the payments electronically instead of by paper check as of March 1, 2013. Those recipients still receiving a check will be asked to provide the Treasury Department with information about a bank account into which their federal payments can be directly deposited. If no information is provided regarding a bank account, recipients will be offered the Direct Express prepaid debit card as a way to receive their federal payments. Prepaid cards offered on the private market can also be used for direct deposit, with some conditions.

Recipients who first became eligible for benefits after May 1, 2011 have already been required to receive their payments electronically, unless they qualify for one of the remaining waivers.

Note – Despite these mandates, Treasury officials have publically stated that if no bank account information is provided, recipients will still be provided their funds by check. But for most recipients, direct deposit or the Direct Express Card will be a faster, safer, more convenient and cheaper method of receiving benefits than a paper check.

### Waivers

#### ***For Individuals Born Prior to May 1, 1921***

Recipients who are receiving their benefits by paper checks on March 1, 2013 and are over 92 years old as of that date will be permitted to continue receiving their benefits by check if they request a waiver (see phone number below).

#### ***Other Waivers***

Additionally, waivers will be permitted for mental impairment, or if the recipient lives in a remote geographic area which lacks the infrastructure to support the electronic financial transaction.

To request a waiver, call toll-free (800) 333-1795. Note: Persistence may be required to obtain a waiver. If needed, ask for a supervisor to assist you.

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## Rules Also Applicable to Representative Payees

The electronic payment rule applies to the “recipient” of federal payments, rather than to “beneficiary.” Thus, representative payees are required to receive payments electronically for their beneficiaries, unless the “rep payee” qualifies for a waiver.

## Electronic Deposit Protects Bank Accounts from Debt Collector Garnishments

Some beneficiaries have shied away from direct deposit to bank accounts out of fear of garnishment orders from debt collectors. Although federal benefits are exempt from garnishment, banks that received a garnishment order usually froze the account and required the account holder to go to court to get it unfrozen. However, rules from the Treasury Department now provide greater protections from debt collectors for accounts containing Social Security, Veterans Affairs, Social Supplemental Security, and other federal benefits.

The rule generally protects full access to all benefits deposited in a bank account in the previous 60 days. The key elements of the garnishment rule are:

- Federal benefits in the account are protected *if and only if they were electronically deposited into that account in the previous 60 days*. The rule does not protect older benefits or benefits that were deposited by check or transferred from another account.
- The protection against the freezing of the account is *lost* if the money is transferred from the account into which it was electronically deposited into another account.
- The federal benefits are protected even if they were comingled with other funds (such as a gift or other income) have been deposited into the account, or if the account is a joint account with a spouse or another relative. Those funds may be seized but not the benefits.
- The *only* debts that can still be garnished from federal benefits in bank accounts are debts owed to the federal government and past due child support owed to the state child support enforcement agency.

If the garnishment rule applies, the federal benefits are protected from being frozen or garnished without any action by the recipient. If the Treasury rule does not apply, the funds may still be protected from garnishment by state or federal law but the recipient may have to use the state court exemption procedure to protect the funds. Information is available from the court that issued the garnishment order.

## Direct Express Card Available for Those Without Bank Accounts

For recipients who do not have a bank account or who do not wish to set up direct deposit, benefits can be paid on the Direct Express Card, a prepaid card issued by Comerica Bank under a contract with the Treasury Department. The card generally has low fees and is a good alternative for receiving federal benefits. See the next page for information on the card and how to sign up.

## Some Private Prepaid Cards Eligible for Direct Deposit

The Treasury Department is recommending that recipients use either direct deposit to a bank account or the Direct Express Card to receive benefits. However, under certain conditions, some prepaid cards that can be obtained at banks, convenience stores and online can also be used for direct deposit of federal benefits. The card must comply with federal rules for deposit insurance and consumer protections and cannot be attached to a loan or other credit feature that is automatically repaid from the benefits.

### For More Information

- **Go Direct** (U.S. Treasury Department website with information about direct deposit and the Direct Express card): [www.godirect.gov](http://www.godirect.gov).
- **Direct Express card enrollment** (includes list of surcharge-free ATM locations): [www.usdirectexpress.com](http://www.usdirectexpress.com) or call toll-free (888) 544-6347
- **Request a Waiver to Continue Receiving Benefits by Paper Check:**  
Call toll-free (800) 333-1795
- **NCLC Issue Brief: Direct Express Prepaid Card:**  
[http://www.nclc.org/images/pdf/high\\_cost\\_small\\_loans/direct-express-2pager.pdf](http://www.nclc.org/images/pdf/high_cost_small_loans/direct-express-2pager.pdf)
- **NCLC e-Report: New Treasury Rule Protects Exempt Federal Benefits from Garnishment:**  
<http://www.nclc.org/images/pdf/preemption/nclc-rpts-repo-jan-feb-2011.pdf>



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