

SECRETARY OF LABOR
WASHINGTON, D.C. 20210

APR 21 2009

The Honorable Jim McDermott
Chairman
Subcommittee on Income Security and
Family Support
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515-0348

Dear Mr. Chairman:

Thank you for your letter regarding fees incurred by some unemployed workers who receive their weekly unemployment insurance (UI) benefit payments through debit cards. I share your view that these workers should be able to receive their benefits without incurring banking fees.

As your letter noted, there are advantages to both workers and states in using debit cards instead of checks. Of note, workers without bank accounts are not charged check cashing fees. Also, because most debit card "point-of-sale" purchases from merchants are free, workers are not required to carry excessive amounts of cash. Enclosure I outlines other considerations in a state's choosing debit cards instead of checks. Enclosure II shows the states that use debit cards and direct deposit for unemployment benefit payments. Many of the debit card programs used by state UI agencies are extensions of programs that were already in place to disburse benefits under programs such as Transitional Assistance to Needy Families and Food Stamps.

Although there are positive aspects to payment of UI benefits by debit cards, I want to ensure that adequate protections are in place to guarantee beneficiaries access to their full benefits without incurring debit card fees. In order to determine the extent to which UI beneficiaries may be subject to fees related to receiving their benefits by debit card, I directed the Department's Employment and Training Administration staff to examine debit card practices and fee structures in states that provide benefits through debit cards. Their review found that most states provide multiple free withdrawals through ATMs, "point-of-sale" transactions, and over-the-counter transactions at banks, or a combination of all three. It is clear from our review that some states have negotiated debit card arrangements that are more advantageous to UI beneficiaries than others. Enclosure III provides detailed information on state debit card practices. The Department requires that each state ensure that workers be able to access their UI benefits free of charge at least once per payment.

In order to promote "best practices" in use of debit cards for UI benefit payments, I have instructed the Employment and Training Administration to develop guidance to states to ensure that 1) UI beneficiaries are clearly informed about how to avoid costs associated with using a debit card; 2) those with bank accounts have the option for direct deposit of UI payments; and 3) states negotiate with debit card providers for fee schedules that are more favorable to workers. Finally, the Department itself will undertake a public education campaign to educate recipients on simple ways to avoid fees.

If you have any further questions, please have a member of your staff contact Mr. Douglas F. Small, Deputy Assistant Secretary for Employment and Training at (202) 693-2700.

Sincerely,

A handwritten signature in black ink, appearing to read "Hilda L. Solis", written in a cursive style.

HILDA L. SOLIS
Secretary of Labor

Enclosures

CHECKS VS. DEBIT CARDS		
ISSUE	CHECKS	DEBIT CARDS
Convenience	<p>Check must be taken to bank/check cashing agency to be deposited/cashed.</p> <p>Check must be mailed and delivered.</p>	<p>Immediate access through ATMs and point-of-sale.</p> <p>No mailing (after initial mailing of debit card) means access to benefits 1-2 days earlier.</p>
Cost to claimant	<p>If no bank account, check cashing fees imposed.</p>	<p>First withdrawal for each payment free (states may offer more); after that fees imposed. Most point-of-sale purchases free.</p> <p>No set-up fees or cost for debit card. (May be cost for lost cards.)</p>
Safety and security	<p>If no bank account, claimant will have excessive amounts of cash on hand.</p> <p>Checks can be stolen and cashed.</p> <p>Stolen cash not recoverable.</p>	<p>Point-of-sale use minimizes need to have cash on hand.</p> <p>Stolen debit card can't be used without PIN.</p> <p>Theft/loss limits (e.g., \$50 cap) on stolen cards.</p>
Balance information	<p>If no checking account, money is in cash.</p>	<p>Must look up balance; may be fees for repeat ATM look-ups or person-to-person contacts.</p>
Agency costs	<p>Check printing and mailing costs.</p>	<p>Cheaper than checks, due to savings in mail costs.</p>
Payment delays	<p>Check lost – reprocessing creates delays</p>	<p>After debit card is first activated, future payments loaded automatically.</p>

STATE ADOPTION OF DIRECT DEPOSIT AND DEBIT CARDS FOR PAYMENT OF BENEFITS			
STATE	DIRECT DEPOSIT	DEBIT CARD	COMMENTS
AL	X	X	
AK	X		Plans to implement debit cards in April or May
AZ	X	X	
AR	X	X	
CA			
CO	X	X	
CT			
DE			
DC	X		
FL	X		
GA	X		
HI			
ID	X		Plans to implement debit cards sometime this year
IL	X	X	
IN		X	
IA	X	X	
KS	X	X	
KY			
LA	X	X	
ME	X		
MD		X	
MA	X		
MI	X	X	
MN	X	X	
MS	X	X	
MO	X	X	
MT	X		
NE		X	
NV		X	94% are debit card, 6% by check
NH			
NJ	X		
NM		X	
NY	X	X	
NC	X	X	
ND	X	X	
OH	X	X	

STATES USING DIRECT DEPOSIT AND DEBIT CARDS FOR PAYMENT OF UI BENEFITS

STATE	DIRECT DEPOSIT	DEBIT CARD	COMMENTS
OK	X	X	
OR	X	X	
PA	X	X	
PR	X		
RI		X	
SC			
SD	X	X	
TN			
TX		X	
UT	X	X	
VT	X		
VA	X	X	
VI			
WA	X		
WV			
WI	X		
WY		X	Debit cards available for internet claims only
TOTAL	35	30	

Enclosure III

Debit Card Usage and Fees	
Point-of-Sale (POS) Transactions	<ul style="list-style-type: none"> • With one exception, all states for which information was available offer unlimited free point-of-sale (POS) transactions from branded (Visa or MasterCard) merchants, including cash back • Two states require that POS transactions be done with a signature • One state allows only two free POS signature transactions per month; all subsequent transactions are \$.10 each.
Automated Teller (ATM) Withdrawals	<ul style="list-style-type: none"> • 12 states offer unlimited free withdrawals at in-network ATMs • 15 states offer at least one free in-network ATM withdrawal per deposit • 3 states do not offer free ATM withdrawals, but do offer at least one free over-the-counter teller assisted withdrawal per deposit
Over-the-Counter In-Bank Teller Assistance	<ul style="list-style-type: none"> • 9 states offer unlimited free over-the-counter teller assisted withdrawals at a branded bank that accepts the debit card brand • 18 states offer at least one free over-the-counter withdrawal per deposit • 1 state does not permit free over-the-counter withdrawals, but does offer unlimited free in-network ATM withdrawals
Balance Inquiries	<ul style="list-style-type: none"> • 14 states offer unlimited free balance inquiries at in-network ATMs • 14 states offer at least one free balance inquiry per deposit at in network ATMs • 16 states offer unlimited free balance inquiries via telephone • 11 states offer at least one (and usually 5 to 8) free telephone inquiries per month • Every state for which information was available offers free online balance inquiries
Inactive Account Charges	<ul style="list-style-type: none"> • Every state for which information was available provides for a fee of \$1.50 to \$3.00 per month for inactive accounts • Accounts must be inactive for an extended period (ranging from 180 days to 18 months) before incurring a fee
Overdraft Charges	<ul style="list-style-type: none"> • 15 states do not allow overdrafts, but do charge denial fees when funds are insufficient. Denial fees average \$.50, and some states allow two free denials before charging the fee. • 7 states charge \$15-\$25 overdraft fees when account is overdrawn • 2 states do not charge a fee for overdrafts, but reconcile the negative balance upon the next deposit
Customer Service	<ul style="list-style-type: none"> • All states offer customer service through the card vendor via toll-free number, and online
Contractor	<ul style="list-style-type: none"> • 20 agencies procured debit card services through a vendor • 10 jointly contract with TANF/Food Stamp program. Child support payments also downloaded onto card.

Notes: Totals may not add up to 30, as information was not available from all 30 states for all categories. Information collected from state websites.