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# Treasury Financial Manual

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Transmittal Letter No. 674

Volume I

To: Heads of Government Departments, Agencies, and Others Concerned

## 1. Purpose

This transmittal letter releases the revised chapter, TFM Volume I, Part 4, Chapter 1500: Treasury's Electronic Funds Transfer (EFT) Requirement. This Treasury Financial Manual (TFM) chapter pertains to agency implementation of the Department of the Treasury's (Treasury's) EFT rule.

## 2. Page Changes

### Remove

I TFM 4-1500 (T/L 664)

### Insert

I TFM 4-1500

## 3. Effective Date

This transmittal letter is effective immediately.

## 4. Inquiries

Direct questions concerning this transmittal letter to:

EFT Strategy Division  
401 14<sup>th</sup> Street, SW.  
Washington, DC 20002  
Telephone: 202-874-6619  
Email: [eft@fms.treas.gov](mailto:eft@fms.treas.gov)

Date: March 28, 2012

David A. Lebryk  
Commissioner

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## Part 4—Chapter 1500

# Treasury's Electronic Funds Transfer (EFT) Requirement

This Treasury Financial Manual (TFM) chapter pertains to agency implementation of the Department of the Treasury's (Treasury's) EFT rule.

### Section 1510—Disbursements – General Guidelines

All Federal nontax payments must be made by EFT, in accordance with 31 CFR Part 208. New individual recipients must receive payment by Direct Deposit or on the Direct Express® card. Current check recipients on May 1, 2011, and/or individuals who applied for benefits before May 1, 2011, are not required to receive payments electronically until March 1, 2013. Recipients receiving Federal payments electronically on or before May 1, 2011, will continue to do so after the implementation date.

Agencies must make all vendor payments by EFT. There are no waivers available for vendor recipients as a class of payments.

### Section 1515—Authority

31 U.S.C. 3332; 31 CFR Parts 208 and 210

### Section 1520—Agency Process – New Benefit Recipients

Agencies processing new benefit requests must inform recipients of the requirement to receive their benefit payment by either Direct Deposit or via the Direct Express® card. Agencies should refer the recipients to the EFT requirements prescribed in 31 CFR Part 208. For more information, see the Web site at

<http://www.fms.treas.gov/eft/regulations.html>.

Agencies must ensure their forms, online enrollment processes, and any appropriate procedures associated with the application of benefits reflect the EFT requirement for payments. Agencies must remove any references to checks in their processes, forms, and procedures related to receipt of benefit payments. They must ensure that all agency personnel processing benefit requests are adequately trained on the EFT requirements for benefit payments.

Agencies must work with Treasury and its financial agent to develop processes to offer the Direct Express® card to new and existing benefit recipients who are unable to receive payments by Direct Deposit. Agencies must ensure that any offices receiving and processing benefit requests have the appropriate systems, procedures, and accesses in place to enroll recipients for either Direct Deposit or the Direct Express® card.

Agencies that are not configured to enroll new beneficiaries for the Direct Express® card via batch or Web enrollment must direct the recipient to contact Treasury's call center to switch from check to the Direct Express® card within 3 months of the benefit award. Recipients who fail to do so will be contacted by Treasury within 3 to 6 months from the benefit award to enroll for Direct Express® or to apply for a waiver from the EFT requirement as outlined in subsection 1520.10b.

### 1520.10—Exceptions for New Benefit Recipients

Payment by check may be granted to a new benefit recipient only in the following circumstances, in accordance with 31 CFR Part 208.

#### 1520.10a—Automatic Waivers That Require No Further Action by the Recipient

These waivers include the following circumstances:

- Individuals who were 90 years of age or older before May 1, 2011, and who are receiving payment by check on March 1, 2013.
- Federal agencies that have not yet implemented the Direct Express® card for their benefit payments. In such cases, payments are not required by EFT unless and until these payments become eligible for deposit to a Direct Express® card account.
- Individuals whose Direct Express® card was suspended or closed.

#### 1520.10b—Hardship Waivers That Require the Individual To Contact Treasury for Review/Approval

These waivers include circumstances where payment by EFT would impose a hardship because of the individual's inability to manage an account at a

financial institution or a Direct Express® card account:

- Because of a mental impairment;
- Because the individual lives in a remote geographic location lacking the infrastructure to support electronic financial transactions.

Agencies may permit check payments temporarily to individuals who specifically request payment by check because of a mental impairment or geographic hardship. Under these circumstances, the agency informs recipients that they are permitted to receive payment by check for an interim period but that they must contact Treasury about continuing to receive payment by check in the future. *The agency is not responsible for managing the waiver process for new beneficiaries. FMS and its fiscal agent manage the waiver process.*

If a new benefit recipient specifically requests payment by check because of a mental impairment or geographic hardship, the agency must direct these individuals to contact Treasury to discuss how they will receive future benefit payments. Agencies can satisfy this requirement by including verbiage in their benefit award letters to these recipients stating that payment by EFT is required and directing them to contact Treasury about receiving their benefits by check. Agencies may use alternative means of communicating this information to recipients, provided the appropriate verbiage and Treasury phone number are shared with the recipient. Treasury will meet with each benefit agency to ensure that appropriate procedures are in place to inform new benefit check recipients of their responsibility to contact Treasury about how they will receive future benefit payments.

#### **1520.20—Temporary Delay in EFT Enrollment**

If an individual requests additional time to make an EFT decision (payment by Direct Deposit or on the Direct Express® card), or does not have the

banking information available at the time of the benefit application to enroll for Direct Deposit, the agency may permit payment temporarily by check. The agency must inform any individual who subsequently responds and requests payment by check on a permanent basis of the EFT requirement and the need to contact Treasury about continuing to receive future payments by check. Individuals who request additional time on the EFT decision and who fail to contact the agency within 3 months are contacted by Treasury and may be automatically enrolled in the Direct Express® program.

#### **1520.30—Recipient Compliance**

Benefit agencies should be aware that individual check recipients who fail to call Treasury as required under this section will be contacted by Treasury within 3 to 6 months of their initial benefit payment and may be automatically enrolled in the Direct Express® program to receive their benefit payments. Agencies must ensure that any offices processing benefit payments have the appropriate systems, procedures, and accesses in place to change the recipient's payment election from check to the Direct Express® card, upon request.

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#### **Section 1525—Agency Process – Existing Benefit Recipients**

Current check recipients on May 1, 2011, and/or individuals who applied for benefits before May 1, 2011, are not required to receive payments electronically until March 1, 2013. *Agencies are not responsible for managing the waiver process for existing benefit recipients. FMS manages this waiver process and will contact any existing check recipients about their need to receive payments electronically on or after March 1, 2013.*

Agencies must work with Treasury and its financial agent to develop processes to enroll current check recipients who do not wish to have their

benefit payments made by Direct Deposit for the Direct Express® card. Agencies must ensure that any offices processing benefit payments have the appropriate systems, procedures, and accesses in place to change, upon request, the recipient's payment election from check to either Direct Deposit or the Direct Express® card.

#### **1525.10—Changes from EFT to Check After May 1, 2011**

In certain circumstances, agencies may need to switch temporarily a recipient's payment election from EFT to check if the recipient's account is closed for various reasons, including but not limited to, the recipient's decision to close the account or because the account was closed because of fraud or misuse. Under these circumstances, the agency must inform the recipient of Treasury's EFT requirement and that the recipient must receive payments electronically. Individuals who, under these circumstances, refuse to receive payment by Direct Deposit or on the Direct Express® card are permitted to receive check payments on an interim basis. However, the agency must inform these recipients of their responsibility to contact Treasury about continuing to receive future payments by check, as outlined in subsection 1520.10b.

Payment by check also is permitted for one or two payment cycles in circumstances where payment by EFT cannot be made immediately after enrollment because of operational constraints. For example, agencies that cannot enroll new beneficiaries for the Direct Express® card via a batch or Web enrollment process at the time of application will require the recipient to contact Treasury's call center to enroll, during which time the agency may need to disburse an interim check.

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#### **Section 1530—Vendor Payments**

The Treasury EFT rule at 31 CFR Part 208, the Prompt Payment rule at 5 CFR Part 1315, and the Federal

Acquisition Regulation (FAR) EFT rule at 48 CFR Parts 13, 15, 32, and 52, provide a regulatory foundation on which Federal agencies can rely to implement the EFT requirement of the Debt Collection Improvement Act of 1996 (DCIA) for payments to Government vendors. The Treasury EFT rule at 31 CFR Part 208 requires that Federal payments be made electronically and does not provide waivers for vendor payments as a class of payments. Agencies may invoke waivers for a payment to a vendor under certain limited circumstances (see subsection 1540) but should consult with Treasury before doing so to determine if there are solutions available.

The FAR EFT rule at 48 CFR Parts 13, 15, 32, and 52, addresses the use of EFT for Federal contract payments and also provides for the collection of banking information from vendors. In particular, the FAR EFT rule provides EFT contract clauses that require Government vendors to receive payments electronically as a condition of awarding a contract. Agencies must use these EFT contract clauses in their contracts with Government vendors. The EFT contract clauses require vendors to submit their EFT information to the agency. The agency may require this information as a condition of awarding a contract or may require that the agency payment office, or other office, collect the information before the first request for payment.

The Prompt Payment rule at 5 CFR Part 1315 requires vendors to submit EFT information as part of a proper invoice, unless agency procedures provide otherwise. Agency procedures may require, for example, that EFT information be collected as a condition of awarding a contract and therefore may not require this information as part of a proper invoice. Late interest penalties do not apply to any late payment resulting from the vendor's failure to submit EFT information in a timely manner.

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### Section 1535—Miscellaneous and Salary Payments

Agencies must make all miscellaneous and salary payments by EFT, unless an individual waiver under subsections 1520.10a and 1520.10b, or an agency-invoked waiver in Section 1540 apply. Agencies that begin to receive individual waiver requests for miscellaneous or salary payments must contact Treasury at 202-874-6619 to discuss how these waiver requests will be directed to Treasury's waiver call center. Agencies that experience impediments to making miscellaneous or salary payments by EFT should contact Treasury to determine if alternative means are available to make payments electronically.

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### Section 1540—Agency Waivers

Agencies are not required to make payment by EFT in the following unique circumstances:

- Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT;
- Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area (this waiver is limited to payments made within 120 days after the disaster is declared);
- Where a military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy, or a call or order to, or retention on, active duty of members of the uniformed services is made during a war or national emergency declared by the President or Congress;
- Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law

enforcement action may be compromised;

- Where the agency does not expect to make payments to the same recipient within a 1-year period on a regular, recurring basis and remittance data explaining the purpose of the payment is not readily available from the recipient's financial institution receiving the payment by EFT;

OR

- Where an agency's need for goods and services is of such an unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than EFT, or where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than EFT.

Agencies should invoke these waivers only on a limited basis and must discuss them with Treasury to determine if alternative means are available to make payments electronically. Agencies that experience impediments to making payment by EFT should contact Treasury at 202-874-6619 for assistance.

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### Section 1545—Agency Compliance

Treasury monitors the percentage of agency payments made electronically on a monthly basis to ensure that agencies are implementing the provisions of 31 CFR Part 208 and this chapter. Treasury meets with agencies exhibiting low EFT rates to identify the impediments to EFT payments and to determine strategies to address these impediments. Agencies should document any impediments they experience making their payments by EFT to assist Treasury with this analysis.

## Section 1550—EFT Payment Mechanisms

Agencies should use the following EFT mechanisms, as prescribed below, to comply with the EFT provisions of 31 CFR Part 208:

- **Automated Standard Application for Payments (ASAP)**—ASAP is an all-electronic payment and information system through which grantee organizations receiving Federal funds can draw from accounts preauthorized by Federal agencies. ASAP also is used to make timely payments to financial agents who are performing financial services for FMS and other Federal agencies. Federal agencies establish and maintain accounts in ASAP to control the flow of funds to grantee organizations. Federal agencies enter spending authorizations into their ASAP accounts in accordance with their program needs and schedules, and grantee organizations initiate payment requests through ASAP to meet cash needs to administer these respective programs. ASAP can be used to deliver payments by ACH or Fedwire. For more information on ASAP, see the Web site at <http://www.fms.treas.gov/asap>.
- **Direct Deposit**—Direct Deposit is Treasury's preferred disbursement mechanism for all classes of Federal payments. Direct Deposit is an electronic payment alternative that uses the Automated Clearing House (ACH) network. Agencies can make payments to individuals or businesses. Payment types include Federal employee salary, vendor, travel advances and reimbursements, recurring benefits, and other miscellaneous expenses. Payments to businesses often include an addendum record that provides information about the payment. The recipient uses this information to update the

accounts receivable system and/or to reconcile outstanding invoices.

- **Direct Express® Debit MasterCard®**—The Direct Express® card is a prepaid debit card offered to Federal benefit recipients who wish to receive their benefits electronically. The debit card offers the convenience and security of using electronic transactions to spend and access money rather than using cash for purchases. Recipients do not need to have a bank account to sign up for the card. The Direct Express® card is available only to individual Federal benefit recipients. For more information on the Direct Express® card, see the Web site at <http://www.usdirectexpress.com>.
- **Fedwire**—Fedwire is an electronic transfer system developed and maintained by the Federal Reserve that allows an agency to make payments with a same-day settlement. This payment mechanism is intended for high-dollar, low-volume payments that must be paid the same day the payment is requested. Because Fedwire is a more costly payment mechanism for both FMS and the payment recipients, TFM Volume I, Part 6, Chapter 8000, Section 8040 states that agencies should use Fedwire only for payments of \$100,000 or greater and/or for emergency purposes.
- **International Treasury Services (ITS.gov)**—ITS.gov enables Federal agencies to issue foreign currency payments electronically using the ACH network, Wire, and SWIFT (Society for Worldwide Interbank Financial Telecommunication) to nearly 200 foreign countries. Additionally, ITS.gov enables agencies to issue international U.S. dollar wire transfer payments without a corresponding U.S. financial institution. Agencies can use ITS.gov to make foreign monthly, recurring benefit, payroll, vendor, and miscellaneous payments electronically. For more information on ITS.gov, see the Web site at <http://www.fms.treas.gov/itsgov>.
- **Stored Value Card**—Stored-value cards (SVCs) are smart cards with an embedded computer chip that contain electronic monetary value. The technology eliminates coin, currency, scrip, vouchers, money orders, and other labor-intensive payment mechanisms associated with closed Government locations, such as military bases and ships at sea. For more information on the SVC, see the Web site at <http://www.fms.treas.gov/storedvalue>.
- **U.S. Debit Card**—The U.S. Debit Card is a magnetic stripe bankcard that can be used by Federal agencies to make payments to individual recipients. Agencies can load the card with any amount of value before issuing it to a recipient. Once issued to the recipient, the recipient can use the card to access cash at Automated Teller Machines or to make purchases at point-of-sale locations. The card can be used as a disposable payment mechanism that can be discarded after a fixed amount is spent by the recipient. The card also can be used as a reloadable payment mechanism if the agency wishes to make multiple payments to the recipient on the card. Agencies can use the U.S. Debit Card to replace third-party drafts, for miscellaneous payments of a nonrecurring nature, and/or where instant issuance is necessary, such as payments for disaster relief. For more information on the U.S. Debit Card, see the Web site at <http://www.fms.treas.gov/debitcard>.

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**Section 1555—Payments to Prepaid Cards**

Treasury's prepaid card interim rule at 31 CFR Part 210 permits Federal Government payments to prepaid cards (other than the Direct Express® card) if certain conditions are met that provide for consumer protections to the cardholders. To be eligible to receive Federal payments, a prepaid card provider must meet the following requirements:

- Provide the cardholder with pass-through deposit or share insurance;

- Provide a card account that does not have an attached line of credit or loan feature that triggers automatic repayment from the card account;

AND

- Provide the cardholder with all of the consumer protections that apply to a payroll card under the Federal Reserve Board's Regulation E.

No person or entity may issue a prepaid card that accepts Federal payments in violation of these requirements. Any financial institution that holds an account for a prepaid card

issuer, where Federal payments are received, is responsible for ensuring these requirements are met. Agencies should be aware of these requirements and should promptly notify FMS if they become aware of any payments being made to a prepaid card provider that does not comply with these requirements. If FMS becomes aware that Federal payments are being deposited to prepaid cards that do not meet these requirements, it reviews the situation and takes appropriate action. FMS may, for example, refer any violations of the EFT rules' requirements to the appropriate regulatory bodies.

## **CONTACTS**

***Direct inquiries regarding this chapter to:***

EFT Strategy Division  
401 14<sup>th</sup> Street, SW.  
Washington, DC 20002  
Telephone: 202-874-6619  
Email: [eft@fms.treas.gov](mailto:eft@fms.treas.gov)