

# Direct Express ®

## An Electronic Alternative For the Federal Benefit Check Recipient

August 26, 2008



# What is the U.S. Debit Card Program?

- An electronic alternative disbursement option
- A flexible payment mechanism that can be used for miscellaneous, recurring or non-recurring payments to individuals, or to allow Government employees access to cash in their official duties.
- Simple and convenient way to issue single payments using debit card technology
  - Eliminates on-site petty cash & imprest balances
- A web-based tools enabling agencies to:
  - Issue cards instantly
  - Activate cards and fund activity
  - Track card usage (daily issuance report)

# What are the US Debit Card Key Features?

- A robust, proprietary host platform supports the US Debit Card
- Flexible support & card types to meet agency requirements:
  - Temporary/new employees
  - Stipends
  - Imprest funds, 3<sup>rd</sup> party draft replacement
  - Overseas access to foreign currency
  - Payment to foreign visitors
  - Petty cash
  - Vendor payments
  - Recurring federal benefit payments
- Web-enabled agency and cardholder management system

# Why Electronic Payments?

- Cost Effective for the Government
  - In FY 2007, FMS disbursed 214.7 million checks
  - It costs FMS \$0.88 more to issue a check than an EFT
  - If all of the check payments were converted to EFT, the annual savings to the taxpayer would be \$189 million
- Safe, Secure, and Reliable
  - When there is a problem with a payment, 9 times out of 10 it is with a paper check
  - No need to carry large amounts of cash, no risk of lost or stolen checks
  - Reliable delivery of payments in disasters & emergencies as Hurricane Katrina illustrated in 2005

# Why Direct Express?

- Solution for the unbanked federal benefit recipient.
- The Go Direct call center receives 7,000 to 14,000 calls each month from unbanked federal benefit recipients inquiring about alternatives to paper checks.
- According to a survey conducted by KRC research in the Fall 2007:
  - **28 percent** of SSA check recipients are unbanked.
    - Based on June 2008 SSA check payment data, this indicates there are approximately **2.1 million** unbanked SSA recipients.
  - **59 percent** of SSI check recipients are unbanked.
    - Based on June 2008 SSA check payment data, this indicates there are approximately **1.8 million** unbanked SSI recipients.

# Direct Express Card Features

- Comerica Bank issued MasterCard-branded prepaid debit card with a magnetic stripe supporting personal identification number (PIN) or signature-based transactions (POS)
  - May be used anywhere MasterCard is accepted to
    - make purchases at retail locations
    - get cash-back at retail locations
    - get cash at an automated teller machine (ATM)
    - get cash at MasterCard member banks and credit unions (at the teller window)
    - make online or telephone purchases
    - pay bills online or by telephone
    - transfer funds to a U.S. personal bank account
- FDIC-insured and Regulation E protected
  - Cardholders have 90 days to dispute charges with Comerica, rather than the 60 days required by Reg E.
- Reloadable with Federal benefits only
  - Funds are not be subject to freezing or garnishment, except as authorized by federal law, for example, when the cardholder owes delinquent federal taxes or delinquent child support.

# Direct Express Card Fees

SERVICE	FEE	SERVICE	FEE
Monthly maintenance	FREE	Denied transaction (ATM or POS)	FREE
First automated teller machine (ATM) cash withdrawal per deposit <sup>1</sup>	FREE	Toll-free telephone or online customer assistance (24/7)	FREE
Additional ATM withdrawals <sup>1</sup>	\$0.90	Replacement card (one free per year)	\$4.00
Point-of-sale (POS) transactions (including cash back)	FREE	Expedited replacement card	\$13.50
ATM withdrawal fee (international) - Currency Fee (3%) will be added	\$3.00	Monthly paper statement mailed	\$0.75
Bank teller cash withdrawal	FREE	Deposit/ Low Balance Notification	FREE
ATM balance inquiry	FREE	Overdraft fee	FREE
IVR funds transfer to personal U.S. bank account	\$1.50	Inactivity fee	FREE

<sup>1</sup>Additional fees may be charged to you at ATMs outside the Direct Express® Network. Direct Express® network to date includes Comerica Bank, MoneyPass, PNC, Alliance One, Charter One, Privilege Status, and MasterCard ATM Alliance, approximately 50,000 surcharge free ATMs.

# Nationwide Campaign

- The new Direct Express debit card program was launched in the Spring of 2008 to Social Security check recipients.
- Phased Marketing Approach
  - Media/Check Inserts
    - April/May - Texas, Oklahoma, Arkansas, and Louisiana
    - June - Hurricane States
    - July - Northeast Region
    - August – Midwest
    - September - West
- Comprehensive Education Campaign
  - Partner Outreach to “trusted sources”
  - Webinars
  - “How to Use Your Card” video
  - Printed Materials

# Highlights From Direct Express Research

- Most compelling benefits
  - Safety and security
  - Getting money on time, immediately on payment day
- Most compelling features
  - Immediate access to money on payment day Your money is protected if the card is lost or stolen
  - No bank account required, no credit check
  - No overdraft fees
  - No monthly fee
- Fees
  - Fees are perceived as **reasonable**
  - Fees are less than using check cashing services or money orders

# Accomplishments

- Cardholders in all 50 States
- Extensive positive media coverage including front page article in the USA Today
- Support from consumer and advocacy groups, such as the AARP.

# Next Steps

- The Social Security Administration will begin enrolling beneficiaries in Fall 2008
- Expand to Other Federal Benefit Paying Agencies:
  - The Department of Veteran Administration
  - Railroad Retirement Board
  - Office of Personnel Management
  - Department of Labor (Black Lung)

# Direct Express Contact

Sally Phillips, Director  
EFT Strategy Division  
401 14<sup>th</sup> Street SW  
Washington, DC  
[Sally.Phillips@FMS.Treas.gov](mailto:Sally.Phillips@FMS.Treas.gov)  
202.874.7106

Nevelyn Jones, Project Lead  
401 14<sup>th</sup> Street SW  
Washington, DC  
[Nevelyn.Jones@FMS.Treas.gov](mailto:Nevelyn.Jones@FMS.Treas.gov)  
202.874.7106