

November 19, 1997

Secretary Robert E. Rubin  
Department of the Treasury  
15th and Pennsylvania Avenue  
Washington, D.C. 20220

Dear Secretary Rubin:

The undersigned community, consumer, labor and faith-based organizations are writing to express our concerns about the fact that the voluntary account provided in the proposed rule on EFT 99 (31 CFR 208) does not provide even minimal protections for the unbanked recipients of federal benefits. By choosing to *not* regulate the voluntary accounts opened by recipients just for the purpose of complying with this new law, many of the poorest recipients of federal payments will be subjected to high costs and abusive practices. We are writing now to ask that you revise the regulations to require all accounts established for the purpose of receiving federal payments electronically be required to be accessible through financial institutions at a reasonable cost, with consumer protections. It is also essential that you ensure that Treasury's planned public education campaign fully notifies recipients of *all* their options.

Regulations Do Not Comply with the Law. Despite Congress' instruction to Treasury to "ensure that individuals required . . . to have an account at a financial institution . . . have access to such an account at a reasonable cost; and . . . are given the same consumer protections . . . as other account holders" Treasury has failed to specify even minimum standards for the voluntary accounts opened by recipients to comply with the law. The law does not require Treasury to regulate all depository accounts -- only those established by recipients in response to the requirement of EFT 99.

Only financial institutions -- banks, credit unions and savings associations -- should be permitted to be conduits for federal moneys. Partnering between a check casher and a bank should not be permitted (see attachments). The regulation must prohibit the deposit of federal payments into accounts which are effectively accessible only through fringe bankers. The recipient should be able to access the federal payment in his or her neighborhood through ATMs and POS devices made available by the financial institution.

In addition, we believe that it is essential that Treasury require that the fees charged for these new accounts be reasonable in relation to the federal payment and the features of the account, and that consumer protections apply to the transaction from the point the federal payment is deposited in the account until the recipient withdraws the funds.

The public education campaign should provide ALL the information. Treasury

is launching an ambitious public education campaign to encourage, cajole and scare federal recipients into voluntarily setting up accounts. People who are outside the financial mainstream will be vulnerable to the abusive practices of fringe bankers who may enter into partnerships with the banks to build up a captive customer base. Those recipients will have no assurance that they can access their money through a federally insured and regulated financial institution. Further, there are no limits on the costs of these accounts or related services, and no requirement that federally established consumer protections will apply to the electronic access to their benefits.

To be fair, the public education campaign must inform recipients that the U.S. Government will make the ETA account available to *all* federal recipients, and that, if electronic banking causes either a financial or other recognized hardship, recipients will be allowed to continue to receive their paper checks. It is folly for Treasury to assume that low income recipients will close an account into which their federal payments are made -- even if the account is too expensive or otherwise has abusive terms -- just for the purpose of qualifying for a waiver or the ETA account. That is a cumbersome and complex process for any of us, let alone those who are not comfortable with mainstream financial institutions. It is essential that Treasury allow the financial hardship waiver, as well as the ETA account to everyone who claims to need either, whenever they make the claim, and the public education campaign inform recipients of these rights.

We would like to meet with you at the earliest possible date to discuss these concerns in more detail. Thank you for your attention.

Sincerely,

ACORN  
AFL-CIO  
American Federation of State, County and Municipal Employees  
Center for Community Change  
Consumer Action  
Consumer Federation of America  
Greenlining Institute  
National Community Reinvestment Coalition  
National Consumer Law Center  
National Housing Law Project  
National People's Action  
Neighborhood Economic Development Advisory Project (NEDAP)  
Organization for A New Equality  
21st Century Group  
United Auto Workers  
Woodstock Institute  
U. S. PIRG  
Urban League

## Analysis of Costs Incurred With Bank One Electronic Account

Monthly on a \$500 payment:

Annual Fee (\$12) \$ 1.00

Deposit Fee 2.95

2% of \$500 fee to cash check 10.00

Total \$13.95