

October 2, 1997

Debbie Poffenroth
STCU
P.O. Box 5264
Spokane, Washington 99205

Re: Federal Electronic Benefit Transfers
Your letter dated August 25, 1997

Dear Ms. Poffenroth:

You have asked for information regarding the Debt Collection and Improvement Act of 1996, (DCIA), part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, Pub. L. 104-134, 31 U.S.C. 3332. Specifically, you have asked how individuals will be able to access their funds or benefits using magnetic strip cards or smart cards.

The electronic funds transfer (EFT) provisions of the DCIA mandate that by January 2, 1999, all federal payments, except tax refunds, must be made electronically, unless a waiver is available. Accordingly, recipients of federal payments must designate a financial institution or an authorized agent to receive payments and provide the appropriate agency with the information needed to make payments by EFT. The Financial Management Service of the Department of Treasury (Department) is responsible for overseeing the implementation of the EFT provisions of the DCIA.

The Department proposes that individuals who have not opened an account at a financial institution and have not submitted a waiver request by January 1, 1999, will receive payments electronically through an Electronic Transfer Account (ETA). The Department will establish an ETA in the name of the individual at a federally insured financial institution selected by the Department so that the individual without an account can receive payment. The individual will be provided a plastic card which can be used to withdraw his or her funds at an automatic teller machine (ATM) or point-of-sale terminals (POS) from the ETA.

ETAs will be provided at a reasonable cost and have the same consumer protections as other accounts at a financial institution. The exact structure of ETAs has not yet been determined. On September 17, 1997, the Department of Treasury issued a notice of proposed rulemaking soliciting comments on its proposed rule implementing the requirements of the DCIA, 62 Fed. Reg. 48713. A copy of this proposed rule and additional information on the EFT provisions of the DCIA may be obtained on the Financial Management Service's web site at www.fms.treas.gov, or by calling 202-874-6590.

In addition, enclosed is some reference information on EFTs that is available on the Department's Financial Management Service's web site. I hope this information is helpful.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/NSW:bhs
SSIC 3251
97-0824

Enclosure