

REGULATORY ALERT

**NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314**

DATE: February 2000 **NO.:** 00-RA-03

TO: All Credit Unions

SUBJECT: The Personal Responsibility and Work Opportunity
Reconciliation Act of 1996 - Financial Institutions
Data Match

PURPOSE

The purpose of this Regulatory Alert is to bring to your attention the subject legislation that requires all financial institutions to comply with state-enforced child support enforcement programs.

BACKGROUND

Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), also known as the Welfare Reform Act, was signed into law on August 22, 1996. Its primary goal is to move families off public assistance by helping them become self-sufficient. To this end, PRWORA provides a much strengthened child support enforcement program.

One provision of PRWORA requires all states to enter into agreements with Financial Institutions conducting business within their state for the purpose of conducting a quarterly data match. This data match is intended to identify accounts belonging to parents who are delinquent in their child support obligations. When a match is identified, state child support programs may issue liens or levies on the accounts of that delinquent parent to collect the past-due child support.

The Federal Office of Child Support Enforcement (OCSE), working together with State and local child support programs, is responsible for implementing a nationwide child support enforcement strategy. OCSE has developed the Financial Institution Data Match (FIDM) as a tool to support this strategy.

Many states are already certified and have functioning data match agreements with their financial institutions, but there remain several states that have not yet implemented their programs. The law requires that each state meet all the title IV-D requirements enacted under the PRWORA by October 1, 2000.

What must my credit union do?

- ✓ When your state approaches you to comply with the FIDM you should understand your obligations under the program and provide the data match information as requested.

What are the goals of the FIDM?

- ✓ To increase the collection of delinquent child support.
- ✓ To maintain the integrity and security of both financial institution and child support data.
- ✓ To make use of technology to aid in the collection of child support.

Who decided how FIDM should work?

- ✓ The Financial Institution Work Group, comprised of representatives from Financial Institutions and their associations, third-party processors, software providers, and federal and state child support representatives, serves as an advisory group to OCSE for this purpose.
- ✓ The Work Group members provide advice on agreements, fees, operations, and outreach efforts.
- ✓ The Work Group developed uniform data specifications which are to be used by all states, territories, and financial institutions to conduct the data match.

What legislation established the FIDM program?

- ✓ Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), also known as the Welfare Reform Act, contains the provisions for the FIDM.
- ✓ Public Law 105-200, the Child Support Performance and Incentive Act of 1998, modified PRWORA to better facilitate the data match for multistate financial institutions (i.e., those financial institutions operating within two or more States).
- ✓ All states and territories have laws in place to meet the FIDM requirements of PRWORA.

What Financial Institutions must participate in the data match program?

- ✓ Banks, savings and loans, and thrifts.
- ✓ Federal and state credit unions.
- ✓ Benefit associations, insurance companies, safe deposit companies, money-market mutual funds, and similar institutions.

Who enforces the data match program and what penalties for noncompliance may apply?

- ✓ Each state structures and enforces its own data match program. Each state has the discretion to choose whether to impose penalties for failing to comply with its program.
- ✓ At present, there are just a few states which impose penalties.

What types of accounts are subject to the data match program?

- ✓ Demand accounts.
- ✓ Checking, share draft or negotiable withdrawal order accounts.
- ✓ Savings accounts.
- ✓ Time certificate accounts.
- ✓ Money-market mutual fund accounts.

How often must the data match be conducted?

- ✓ It must be performed each calendar quarter.

What data is returned to the child support program for use in collecting delinquent child support obligations?

- ✓ Financial Institutions are required to provide the name, record address, social security number or other taxpayer identification number, and other identifying information for each match. There are two methods that the state may choose to collect the data:

- (1) **All Accounts Method.** This method requires the production of a list of all open account holders and then subsequent reports that identify opened and closed accounts. Institutions choosing this method may elect to use the required form 1099 filing as a part of this obligation, making modifications to meet the datamatch requirements.

- (2) **Matched Account Method.** This method requires that you match against a state-supplied data file and provide a list of those matched account holders that have open accounts at the institution.

Where can I get a copy of the data specifications?

- ✓ For all data element specifications, refer to the Financial Data Match Specifications Handbook, dated June 8, 1998.
- ✓ The Financial Data Match Specifications Handbook is available from the Office of Child Support Enforcement (OCSE) website at <http://www.acf.dhhs.gov/programs/cse/index.html>.

Will a levy from the State Revenue Office supercede any liens on shares held by the credit union for a share secured loan?

- ✓ Federal law is silent with respect to the priority of competing liens and levies in this context.
- ✓ Generally, under most state laws, an existing properly perfected lien has priority over a subsequent lien. To the extent this varies from state to state, so will the priority of existing liens on member accounts.

Will credit unions be reimbursed for expenses incurred in complying with the data match programs?

- ✓ Federal law has left it to the states to determine whether to reimburse financial institutions for conducting a data match.
- ✓ If a state chooses to do so, federal law limits reimbursement to the financial institution's actual expenses.
- ✓ At present, some states reimburse these expenses and some do not.

Does compliance with the data match expose a credit union to suits brought under the Right to Financial Privacy Act?

- ✓ No.
- ✓ Under federal law, credit unions will not be liable under any federal or state law for the disclosure of information to the state agency as a part of the data match program.

We hope you find this information useful. You can obtain additional information from your State Revenue Office or from the Office of Child Support Enforcement website at <http://www.acf.dhhs.gov/programs/cse/>.

Sincerely,

Norman E. D'Amours
Chairman, National Credit Union Administration Board