



May 13, 2020

VIA ELECTRONIC MAIL

Mr. David Lebryk  
Fiscal Assistant Secretary  
U.S. Department of the Treasury

Re: CARES Act Payments & Lessons Learned

Dear Mr. Lebryk:

The Clearing House Association L.L.C. (TCH), the American Bankers Association (ABA), the Bank Policy Institute (BPI), the Consumer Bankers Association (CBA), the Credit Union National Association (CUNA), the Independent Community Bankers of America (ICBA), the Innovative Payments Association (IPA), and the National Association of Federally-Insured Credit Unions (NAFCU) would like to commend the United States Department of the Treasury for a monumental effort in facilitating the distribution of Economic Impact Payments (EIPs) authorized by the CARES Act and doing so in an unprecedented and challenging environment. In particular, the Bureau of Fiscal Service (Bureau) and IRS's work on rapidly scaling ACH disbursements where the IRS or Treasury had demand deposit account information led to the rapid deployment of EIPs to millions of Americans. Further, the speedy development of portals to allow Americans to register account information and to check on the status of payments encouraged further electronification of payments and provided helpful information to those awaiting payments.

We believe there are also valuable lessons learned from this experience that could, going forward, improve the process and positively impact payment recipients. The ultimate goal in payments is to provide access to funds safely and expeditiously. Our experience with the distribution of EIPs over the course of the last several weeks indicates that there are numerous ways that the industry, working in partnership with the Bureau, could improve the payments experience to the significant benefit of the individuals and entities to whom Treasury is disbursing funds, regardless of whether those funds are tied to EIPs or business as usual. It is with that thought in mind that we offer the following observations and recommendations. While all the recommendations could be incorporated into a long-term Treasury modernization program, we believe a number of these recommendations could be implemented quickly so as to be used for any future stimulus payments during this pandemic.

### **Increasing the Safety, Reliability and Velocity of Payments to Benefit Consumers and Other Treasury Payees**

We believe significant opportunities remain to improve the safety, reliability and velocity of payments. Specifically, we believe there are substantial opportunities to replace check payments with electronic alternatives and to reduce exceptions and returns for electronic payments. These steps would benefit consumers and other Treasury payees by ensuring that the fastest, most reliable payment method available is used and that exceptions and returns that would otherwise cause delays are reduced to absolute minimal levels. The following recommendations would help achieve this goal:

- Implement a tool that is readily available in the market today to prescreen payment files in order to identify and confirm open and valid accounts. The resulting information should be used to reduce reject rates for electronic payments. This can be achieved in collaboration with an industry service provider acting as a subcontractor/agent to either the IRS or Bureau.
- Provide ACH files to the Federal Reserve on Thursday for distribution to financial institutions on Friday with an effective date of Monday rather than Wednesday. A longer hold time (as was used with the most recent round of EIPs) is of no value to financial institutions and is confusing or otherwise makes it appear to consumers that the delivery of their funds is being unnecessarily delayed. Further, distributing ACH files on Friday with a Monday effective date affords financial institutions time to repair transactions over the weekend and post repaired transactions to the consumer's account on Monday, reducing exceptions and speeding the delivery of funds.
- Continue and enhance steps to drive to 100% electronic payments, which are faster and safer than checks.
  - o Continue the solicitation of routing and transit numbers (RTNs) and bank account information from the American public through the voluntary capture of such information on tax forms and through the continued operation of a portal. This will facilitate the safe and expedient receipt of government disbursements. Treasury should also consider expanding the collection of bank credentials to include social aliases/tokens.
  - o Leverage online banking websites and mobile apps to prompt consumers to agree to share account information with Treasury. These digital banking platforms experienced record usage from expectant EIP recipients checking on the status of their direct deposit payments. An option to add/update the electronic information on file with Treasury could be provided, and the corresponding tokenized account information shared with Treasury in real-time via a secure API.
  - o Increase the use of prepaid cards to reach the unbanked; in particular, the many existing prepaid card services with cards registered to individuals that have loadable features that could be entered via the IRS portal.
  - o Work with the industry to provide education on the benefits of electronic payments to encourage the submission of payee information.
  - o Utilize faster payment rails that are currently available in the US to instantly provide payments on a 24x7 basis with immediate confirmation to both sender and recipient that good funds were received and available.
- Enhance the payment status portal so that it includes real-time updates of transaction status (particularly when the method of payment has changed or the electronic payment has been returned) as well as the ability of users to update existing bank account information. In addition, the payment status portal and API should be synched to show the same information. As recommended above, industry tools can help Treasury and the IRS reduce fraudulent updates of this information by validating that the account is open and active and belongs to the named payee(s).

- Implement an account search tool that is readily available in the market today that can identify account routing information where Treasury and the IRS do not otherwise have that information. The resulting information can be used to replace checks with electronic payments. This can be achieved in collaboration with an industry service provider acting as a subcontractor/agent to either the IRS or Bureau.
- Leverage the Notification of Change (NOC) process currently used by financial institutions on the ACH network to alert Treasury of a change to account information to improve demand deposit account (DDA) accuracy. This will more easily allow Treasury and the IRS to maintain up-to-date beneficiary information.
- Refrain from post-dating checks as some consumers may hold them until the effective date, increasing the risk that they may be lost or stolen. In addition, post-dating may result in a Bank's delay in cashing the item.
- Make check issuance an option of last resort. In light of the threat posed by COVID-19, we believe it is vital for the health of financial institution customers and financial institution staff to do everything possible to eliminate the use of checks, which require physical handling by the public and, often, by bank tellers. Where the issuance of checks is absolutely necessary, however, Bureau check production capacity could be augmented with private sector check production capabilities to increase the speed at which checks can be issued.
- Collaborate with the industry to ensure best practice security standards are employed to authenticate portal users. Proper authentication is critical to enable account registration as well as updates to electronic account on file information. Increase security for the status tracking portal to mitigate the risks of brute force attacks.

### **Help Financial Institutions Support Consumers and Other Treasury Payees**

Financial Institutions and others need established processes to enable them to work effectively in partnership with Treasury on an end-to-end basis to ensure that the delivery of payments to the ultimate receivers is as smooth and efficient as possible. The following recommendations would assist financial institutions, check cashers and others in preparing more effectively for the handling of EIPs or other payments:

- Particularly with regard to EIPs, detailed volume forecasts and dollar value as well as information on the geographic dispersion of electronic and check payments should be provided. This will allow financial institutions and check cashing companies to adequately staff and prepare their customer-facing and back office operations and ensure adequate access to cash at branches and ATMs.
- Unique RTNs and payment descriptors should be used for ACH and checks distinguishing stimulus payments from other Treasury payments and tax refunds. A new & unique RTN should also be obtained for check processing of EIPs. This should include clarity on check symbols being used for any large *ad hoc* program like EIPs. Financial institutions can leverage this information in their processing systems, particularly for ACH entries, to clearly identify EIPs and can use automated processing rules for electronic and teller processing, allowing financial institutions to provide special consideration (i.e. no overdraft and/or debt offset) on EIPs vs. regular Treasury payments.

- Implement a real-time, fit for purpose, positive pay capability with payee information in order to reduce duplicate item check fraud and altered/forged check fraud. This should include providing real-time updates to the check status as checks are deposited or cashed. This could be facilitated via an interface with Early Warning Services and/or the augmentation of an API for banks to update the Treasury Check Verification Application with the status of an item.
- It may be useful for the Bureau in concert with the IRS and the industry to build a disaster relief playbook which would include pre-planned/pre-programmed items like check symbols, payment descriptors, portal capture information and industry utility API access that is pre-built and utilized and/or tested periodically to ensure preparedness. Many of these tools could be used in the regular execution of Treasury payments to improve the overall efficiency of disbursements while ensuring readiness for emergency disaster relief scenarios. The playbook should also address unique scenarios (e.g., deceased individuals, garnishments or bill collectors).

\*A list of additional operational issues for consideration is included as Appendix 1.

### **Treasury & Financial Services Industry Collaboration:**

Communication is critical, and while we understand the time constraints Treasury and the IRS have operated under, a collaborative approach with the financial services industry would provide additional technology, process and resources to improve efficiency and reduce fraud. It would also provide timely information so financial institutions and others could adjust downstream processes, improve customer support and inform decisions to avoid unintended consequences. This should be accomplished not only through direct engagement with key industry and trade association working groups, but also through more comprehensive Q&A responses on webinar's that allow for the adequate dissemination of Bureau and IRS plans.

Each day for several weeks. trade association, network operator, service provider and bank representatives met to understand, inform, plan and respond to the implications of CARES Act payments. Embedding subject matter experts from these teams alongside their IRS and Bureau counterparts with a single goal of facilitating safe and fast payments to Americans would significantly improve outcomes for all. We look forward to working with you to facilitate that process and enhance the country's payment system capability.

### **Next Steps**

The CARES Act presented enormous challenges and meeting those challenges under significant time constraints generated numerous lessons learned. Treasury and the industry now have a unique opportunity to apply those lessons learned to improve future disaster relief efforts as well as day-to-day operations. We understand that you are conducting your own lessons learned exercise and we remain eager to partner with the Bureau to provide input into that process and improve the payments experience for consumers, other Treasury payees, the Treasury and its fiscal partners, and financial

institutions. To that end, we would appreciate the opportunity to discuss with you the observations and recommendations noted in this letter as you look to reflect upon ways that we can all work together on improvements going forward. We will be reaching out in the near future in the hope that we can set up a time to discuss these issues in greater detail.

Sincerely,

The Clearing House Association

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President & CEO

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Appendix 1

**Additional operational items for consideration:**

| Operational Issue   | Rationale   |
|---|---|
| <ul style="list-style-type: none"> <li>- Use an appropriate transaction description</li> <li>- Provide early information on Company ID#s and Company Name being utilized in advance of payments being released</li> <li>- Remove or mask SSN in ACH files</li> </ul>  | <ul style="list-style-type: none"> <li>- Eliminate confusion for consumers</li> <li>- Improve customer service support of consumer inquiries for financial institutions</li> <li>- Minimize the exposure of PII</li> </ul>  |
| <ul style="list-style-type: none"> <li>- Provide check MICR line data elements to assist banks in identifying EIP's</li> <li>- Payee Name(s)</li> <li>- Use one unique check symbol to assist banks in identifying EIP's</li> <li>- Add a pre-printed restrictive indorsement "box" that can be checked by the depositor after using a remote deposit capture service (e.g., "[ ] CHECK HERE IF MOBILE/REMOTE DEPOSIT").</li> </ul> | <ul style="list-style-type: none"> <li>- Financial institutions need data elements that can be leveraged in their processing systems to identify and track EIP's</li> <li>- Assists financial institutions with effective communication to consumer and support of inquiries</li> <li>- Symbols or serial numbers financial institutions and check cashers can leverage to clearly identify EIPs</li> <li>- Assist in minimizing fraud</li> </ul> |
| <ul style="list-style-type: none"> <li>- Provide advance guidance on how check payments will be disbursed – i.e. geographic, recipient income, etc.</li> </ul>  | <ul style="list-style-type: none"> <li>- Helps minimize fraud</li> <li>- Assists financial institutions and check cashers to staff accordingly based on projected demand</li> <li>- Allows financial institutions and check cashers to project cash demand and plan cash flow management accordingly</li> </ul>   |