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The Department of Health, Education, and Welfare

Social Security Administration

Bureau of Retirement and Survivors Insurance

and

The Department of the Treasury

Fiscal Service

Operations Planning and Research Staff

Report

On the Method of Paying Social Security Beneficiaries  
by Credit to Accounts in Financial Organizations



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This report on the direct deposit of social security benefit payments was prepared by the joint Treasury Department - Social Security Administration Direct-Deposit Study Group.

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**Direct Deposit of Social Security  
Benefit Payments**

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## Direct Deposit of Social Security Benefit Payments

### Section 1

#### INTRODUCTION

##### 1.1 SYNOPSIS

THE STUDY GROUP RECOMMENDS THAT THE SOCIAL SECURITY ADMINISTRATION AND THE DEPARTMENT OF THE TREASURY INAUGURATE A DIRECT-DEPOSIT PROGRAM BY PROVIDING SOCIAL SECURITY BENEFICIARIES WITH FULL AWARENESS AND FREE EXERCISE OF THE OPTION TO BE PAID BY CREDIT TO AN ACCOUNT IN A FINANCIAL ORGANIZATION. SUCH A PROGRAM WILL IMPROVE SERVICE TO BENEFICIARIES AND REDUCE COSTS OF THE GOVERNMENT.

The current system of issuing approximately 26 million Social Security Administrat: (SSA) benefit payment checks each month strains the facilities of the SSA, the Department of the Treasury, the U. S. Postal Service, the Federal Reserve Banks, and financial organizations. As the social security rolls grow (there are approximately 1 million net additions per year) the need to develop an alternate method of payment becomes increasingly apparent. The direct-deposit method, which is compatible with the existing disbursing system, yet more secure and more efficient, has the potential to fulfill this need.

An exchange of correspondence between the Treasury Department and the Social Security Administration in November and December 1972 resulted in a joint study aimed at identifying, quantifying, and proposing solutions to problems associated with benefits paid by credit to accounts in financial organizations, with the expectation that the results of the study would form a sound basis for commencing a comprehensive direct-deposit program.

This report documents the results of the study. Of the eleven factors identified prior to the study as potentially significant problems (page 9), only one proved significant enough to warrant a recommendation for a specific solution. The one problem is encountered when the SSA addresses a communication to a beneficiary to advise him of suspension, termination, or reduction of his benefit payments (adverse actions), and the communication is mailed to the individual "in care of" his financial organization (the only address on file in the SSA). There is no assurance that the financial organization will forward such a communication to the beneficiary quickly enough to allow him to protest the action, if that is appropriate, or to even make him aware of it before the action takes place. The Study Group recommends that the usual mailing addresses of all beneficiaries who are being paid by credit to accounts in financial organizations be incorporated in the SSA Master Beneficiary Record, and that all adverse action notices be mailed directly to such addresses. It is significant to note that implementation of this recommendation will provide SSA with the capability to deal with all other problems which have been identified by the Study Group as potential future problems.

Solving the problems paves the way for a direct-deposit system but does not assure beneficiary utilization of it. By extrapolation of the interest expressed in direct deposit it was determined that about 3 million beneficiaries might elect the direct-deposit option at its inception. Once implemented, it is likely that financial organizations will persuade a significant portion of the 79% of current beneficiaries who already are account holders to use a direct-deposit system.

It is clear that there are no significant impediments to inaugurating a direct-deposit program. Such a program would be advantageous to social security beneficiaries and provide the Government and financial organizations the potential for certain economies. A further refinement of the direct-deposit concept could involve the electronic transfer of recurring benefit payments through the wire transmission facilities of the Federal Reserve Banks and other similar networks to financial organizations for credit to beneficiaries' accounts.

Figure 1.1 illustrates the advantages of a direct-deposit system.

#### DIRECT-DEPOSIT ADVANTAGES TO SOCIAL SECURITY BENEFICIARIES

1. Insures uninterrupted deposits even though the beneficiary changes his mailing address
2. Reduces the possibility of loss, destruction or theft and forgery of benefit check
3. Eliminates the inconvenience of check cashing
4. Offers the most direct method for those who deposit all of their payment to an account in a financial organization

#### DIRECT-DEPOSIT ADVANTAGES TO THE U. S. GOVERNMENT AND FINANCIAL ORGANIZATIONS

1. Reduces check thefts and forgeries (About 1/3 of current forged checks are cashed in financial organizations )
2. Reduces non-receipt claims and stop payment actions
3. Improves beneficiary/customer service
4. Provides greater efficiency in processing deposits

FIGURE 1.1

## Section 1

### 1.2 BACKGROUND AND PURPOSE

PRESENTLY OVER 200,000 SOCIAL SECURITY BENEFICIARIES ARE BEING PAID BY CREDIT TO ACCOUNTS IN FINANCIAL ORGANIZATIONS. AN EXCHANGE OF CORRESPONDENCE BETWEEN THE TREASURY DEPARTMENT (NOV. 9, 1972) AND THE SOCIAL SECURITY ADMINISTRATION (DEC. 13, 1972) RESULTED IN A JOINT STUDY AIMED AT IDENTIFYING, QUANTIFYING, AND PRESENTING SOLUTIONS TO PROBLEMS ASSOCIATED WITH THIS METHOD OF PAYMENT.

For many years, under Treasury regulations and SSA policy and procedures, beneficiaries have had the option of receiving their benefit payments by credit to their accounts in financial organizations. A beneficiary accomplishes this by giving his financial organization a power of attorney, and by request to the SSA. The power of attorney given to the financial organization, which is in force for up to twelve months and may be renewed for additional 12-month periods, authorizes the organization to receive, endorse, and collect checks which are drawn in favor of the beneficiary.

Upon SSA receipt of the beneficiary's request, the beneficiary's address on the SSA Master Beneficiary Record (which accommodates only one address) is changed to "in care of" the financial organization. Thereafter, benefit checks are drawn payable to the beneficiary and mailed to the financial organization. In this report, when the term "power of attorney" is used to describe a beneficiary or a method of payment, it refers to this method of receiving payment at a financial organization.

Currently, SSA certifies, the Treasury issues, and the Postal Service delivers on the 3rd of each month approximately 26 million social security benefit checks. Over 200 thousand of these checks are mailed directly to financial organizations for credit to beneficiaries' accounts under the power-of-attorney procedure. Historically, the SSA has been concerned about certain problems associated with paying beneficiaries at financial organizations which, briefly, are (1) the lack of ability to send communications directly to beneficiaries, (2) the failure of beneficiaries to notify the SSA of events which may affect their monthly benefits (since they do not personally receive the check), and (3) the potential for overpayment situations created when payments continue to be deposited to the account of a non-entitled beneficiary.

Because of concern about the problems that exist, and problems that were thought to exist, in the power-of-attorney method of payment (all of which have been considered in this study), the SSA has until recently restricted this optional payment method to beneficiaries who could demonstrate a significant need for it. In November 1970, SSA policy was liberalized to allow a beneficiary to be paid under the power-of-attorney method if he fears theft of his check, or to establish credit, or simply for his own convenience. Because of SSA concern about providing information to these beneficiaries, its district offices are required to caution a beneficiary that under this method of payment he may not receive all correspondence addressed to him by the SSA, and that he should request his financial organization to forward all such correspondence to his usual mailing address (SSA Claims Manual 5760 and 5761). Presently, there are no restrictions on the exercise of this

power-of-attorney payment method; however, since SSA does not publicize the method, it is doubtful if more than a very small percentage of social security beneficiaries are aware that the option is available to them.

On August 7, 1972, Public Law 92-366 was approved. This statute is Treasury-supported legislation which authorized the application of what is termed the direct-deposit procedure to all kinds of recurring Federal payments such as social security, veterans', and civil service retirement benefits, all at the option of the administrative agency. Under this procedure, when a recipient requests to be paid at a financial organization, his individual check is drawn payable to the financial organization for credit to his account therein, rather than in his name. This procedure, which has been applicable to Federal salary payments for a number of years, has these several significant advantages over the power-of-attorney method: (1) it eliminates the need for execution of a power-of-attorney and its renewal each 12 months; (2) it brings the payments under the purview of comprehensive Treasury regulations (Department Circular No. 1076, Second Revision - Exhibit 3) and the safeguards contained therein with respect to financial organizations acting as agents of the recipients (section 209.9) and acquittance to the United States (section 209.10), and (3) it causes all individual checks remitted to the same financial organization to be drawn in favor of a common payee (the financial organization). This latter advantage provides the Government the option, in the future, to supplant all individual checks to a financial organization with payments under an electronics funds transfer system. The Treasury holds the view that for these reasons, and considering the advantages set out in Figure 1.1, the direct-deposit payment method is the preferred method for paying recipients of all kinds of recurring Federal payments. In this report, when the term "direct deposit" is used to describe a beneficiary or a method of payment, it refers to this method of receiving payment at a financial organization.

Under the current system of issuing 26 million social security checks for delivery on a single payment date it is necessary to print and physically store checks throughout the month preceding the payment date. The Treasury maintains all payment records on magnetic tape. SSA furnishes record updating transactions on tape each month in accordance with established schedules. This update material is received by Treasury disbursing centers commencing about the 3rd and ending about the 22nd of the month. This schedule allows the Postal Service several days at month-end to assure delivery of the checks on the delivery date.

Each month, after the checks have been printed and while they are being held in storage, events occur which require retrieval of checks. In the month of May, 1973, Treasury disbursing center personnel manually searched for, retrieved, and took the necessary action on 276 thousand social security checks. A change of beneficiary address was responsible for 91 thousand of these retrieval actions. The remaining checks were held mostly due to death of payee. Other events, such as non-receipt, loss or destruction after receipt, and theft and forgery contribute to an ever-increasing disbursing workload. Most of this workload would be significantly reduced under a direct-deposit system. The frequency of loss or destruction after receipt and theft and forgery would

be sharply reduced as would the hold actions for changes of address (since a change of residence does not always involve a change of financial organization).

Supplanting large numbers of individual checks drawn in favor of and mailed to financial organizations with an electronic funds transfer system (EFTS) would offer further advantages. First, the receipt of every payment to a beneficiary by credit to his account in a financial organization, on a timely basis, would be a virtual certainty. Second, all entities involved in the issuance, delivery, and payment of Treasury checks would realize substantial economies and vastly superior operating procedures through elimination of the individual checks. (The Treasury has established for itself a long-range goal of paying at least 40% of all recurring Federal payments by credit to accounts in financial organizations under an EFT system

Figure 1.2 shows the May 1973 volume of social security payments processed by each disbursing center.

Social Security Payments Disbursing Activity (Partial) for May 1972

ACTIVITY	DISBURSING CENTER					Total
	Birmingham	Chicago	Kansas City	Philadelphia	San Francisco	
COMPUTER GENERATED CHECKS	5,598,949	4,442,572	4,700,313	10,429,094	2,810,750	36,102,153
SINGLE PAYMENT CHECKS	15,238	11,602	11,200	40,264	6,482	84,596
HELD CHECKS	21,270	33,739	33,769	59,634	26,571	135,195
*ADDRESS CHANGES	9,484	19,802	15,660	34,964	11,964	90,974
CHECKS RETURNED	19,952	25,037	22,940	70,302	14,302	152,234
STOP PAYMENTS	3,044	4,087	3,559	14,759	2,702	27,797
CHECK INQUIRIES	4,366	4,306	6,721	14,212	2,634	32,317

FIGURE 1.2

\*ADDRESS REDIRECTION LABELS

With an awareness of the potential for improvement of the payment system, and the attendant economies, and based upon an exchange of correspondence late in 1972 between the Treasury and the SSA, a joint study was initiated to identify, quantify, and propose solutions to problems associated with payments made by credit to accounts in financial organizations (all of which are now accomplished under the power-of-attorney procedure). It was expected that the results of the study would assist the SSA in determining if it will exercise its option under Treasury regulations of implementing a direct-deposit system.

The study group has used various approaches in gaining insights into problems experienced under the power-of-attorney procedure by beneficiaries and financial organizations, and the level of interest of both groups in a direct-deposit system. Throughout the study, the group has viewed all problems and other considerations in terms of both their direct-deposit (individual check) impact and their impact on a potential EFT system. In addition to surveys, the group made on-site visits to several SSA facilities and met with representatives of the various classes of financial organization

Figure 1.3 depicts the tasks undertaken by the study group.

Supplemental Security Income (SSI) will be administered by the SSA commencing January 1, 1974, as a separate and distinct program. It is estimated that this program will cover nearly 7 million recipients. Some of these recipient may request that their payments be received by credit to their accounts in financial organizations. Therefore, the study group also considered the direct-deposit system implications for the SSI program.

## TASKS OF STUDY GROUP

- 1.0 Sampling Requirements
  - 1.1 Sample Designs
    - 1.1.1 Power-of-Attorney Beneficiaries
    - 1.1.2 Other Beneficiaries
    - 1.1.3 Financial Organizations
  - 1.2 Sample Selections
    - 1.2.1 Power-of-Attorney Beneficiaries
    - 1.2.2 Other Beneficiaries
    - 1.2.3 Financial Organizations
- 2.0 Fact Finding Surveys
  - 2.1 Power-of-Attorney Beneficiary Survey
    - 2.1.1 Pilot
    - 2.1.2 Telephone Survey
    - 2.1.3 Terminations and Suspensions
  - 2.2 Other Beneficiary Surveys
    - 2.2.1 Wave 1 Survey
    - 2.2.2 Wave 2 Survey
  - 2.3 Financial Organization Survey
    - 2.3.1 Meeting with Representatives of Financial Organizations
    - 2.3.2 Mail Survey
    - 2.3.3 Follow-up
  - 2.4 Key Punch and Verify
    - 2.4.1 Preliminary
    - 2.4.2 Final
- 3.0 Output Table Specifications
  - 3.1 Master Beneficiary Record
  - 3.2 Questionnaires
- 4.0 Production of Output
  - 4.1 Preliminary
  - 4.2 Final
- 5.0 Analysis
  - 5.1 Preliminary
  - 5.2 Final
- 6.0 Report Problems and Recommend Solutions
  - 6.1 Preliminary
  - 6.2 Final

FIGURE 1.3



Section 2  
PROBLEMS AND FINDINGS

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THE CONCERNS EXPRESSED AND THE PROBLEMS THAT WERE THOUGHT TO EXIST WITH A DIRECT-DEPOSIT SYSTEM, AND THE FINDINGS WITH RESPECT TO THESE PROBLEMS AND CONCERNS, HAVE BEEN CONSOLIDATED INTO FIVE MAJOR PROBLEM CATEGORIES: (1) PROVIDING INFORMATION TO BENEFICIARIES, (2) OBTAINING INFORMATION FROM BENEFICIARIES, (3) CREATING OVERPAYMENT SITUATIONS, (4) DETERMINING BENEFICIARY INTEREST IN DIRECT DEPOSIT AND (5) COSTS. THE FIGURE BELOW DELINEATES ALL THE CONCERNS AND SUSPECTED PROBLEMS.

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Direct-Deposit Suspected Problems

Providing Information to Beneficiaries

Lack of prompt notification of change in payment status  
Lack of prompt advice of general program changes

Obtaining Information from Beneficiaries

Lack of beneficiary incentive to notify SSA of events that affect their payment

Creating Overpayment Situations

Loss of returned check as notice of termination or suspension event  
Loss of individual endorsement on check  
Deposits to joint accounts might create problems with overpayment recovery  
Loss of ability to withhold promptly the current month payment

Determining Beneficiary Interest in Direct-Deposit

Lack of massive beneficiary interest in a direct-deposit system could result in an uneconomical program.  
Premature publicity may lead to poorly timed implementation.

Costs

Costs for extensive system revisions could be prohibitive.

## 2.1 Providing Information to Beneficiaries

**PROBLEM:** Since the current SSA computer system accommodates only one address, paying social security beneficiaries at financial organizations results in financial organization receipt of correspondence intended for beneficiaries. The SSA directs two types of notices to beneficiaries. First, general notices (inserts) are included with checks about four times a year and relate to general program changes in benefit rate, health insurance premiums, program benefits, etc. Second, special notices are directed to individual beneficiaries, in a separate mailing, and usually relate to changes in the beneficiaries payment status (adverse action). It is particularly important that these latter notices reach the beneficiary as soon as possible since the time period during which the beneficiary may protest the action to be taken is based on the date of the letter. Under the current system, if a beneficiary is to receive this correspondence, it must be forwarded to him by his financial organization.

**FINDINGS:** Survey findings with respect to those banks which indicated that they were currently serving power-of-attorney beneficiaries indicate that 92% of the banks forward check inserts to beneficiaries, and 95% of such banks receiving adverse action notices forwarded the notices to beneficiaries. Regarding future practices, 83% of all banks indicated a willingness to forward material to beneficiaries within one week of its receipt. On the beneficiary side, general program information directed to beneficiaries in the form of check inserts is received by 89% of the power-of-attorney beneficiaries. However, of those power-of-attorney beneficiaries who were subject to an adverse action, 27% received notice of the action after the affected payment was due.

Figure 2.1 depicts these and other findings.

**CONCLUSION:** Based upon the extent to which (1) power-of-attorney beneficiaries are now receiving general program information in the form of check inserts, (2) financial organizations are now forwarding check inserts to beneficiaries, and (3) financial organizations would be willing to forward check inserts to beneficiaries in the future, communicating general program information to beneficiaries by means of check inserts under a direct-deposit program will be satisfactory. The survey results do disclose that bank willingness to forward material will decline from 92% to 83% if the volume of such material increases substantially; however, this declination, which is not significant enough to alter the foregoing conclusion, could be averted by timely implementation of an EFT system. An EFT system would require mailing of all informational material directly to beneficiaries by the Government and thus eliminate any dependence on financial organizations to do so. Although financial organizations do forward adverse action notices and will continue to do so in the future, the extent to which they will do so is not adequate (17% would not be willing to forward material) nor are the notices forwarded timely enough (27% were not received by recipients until after the affected payment was due). The capability to secure and maintain the current mailing address of beneficiaries, and to mail adverse action notices to these addresses must be developed.

## FINDINGS - CHECK RECEIPT AND PROVIDING INFORMATION TO BENEFICIARIES (BASED ON SAMPLE DATA)

### Power-of-Attorney Survey

98% of beneficiaries indicated check deposited on time  
96% are notified when check is deposited  
89% received stuffers  
70% received stuffers with deposit slip  
12% received stuffers in a separate mailing  
13% were subject to an adverse action  
  7% received notice of adverse action before check was due  
  4% received notice of adverse action after check was due (represents  
    27% of adverse action recipients)  
(Note 2% of adverse action receipt timing cannot be determined due to  
  "don't knows", "refusals" and "other" responses)

(Base of Percentages is 135,060 weighted completed interviews)

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### Bank Survey

49% have SSA power-of-attorney depositors  
41% send stuffers (92% of banks with power-of-attorney beneficiaries)  
36% send stuffers with deposit slip  
19% received adverse action notices and forwarded them to  
  beneficiaries - less than 1% do not forward them  
83% would be willing to forward material to beneficiaries  
  in the future

(Base of Percentages is 13,011 weighted completed questionnaires)

Figure 2.1

## 2.2 Obtaining Information From Beneficiaries

**PROBLEM:** Beneficiaries may tend to not report events which may affect their monthly benefits. Under the provisions of the Social Security Act, it is the responsibility of the beneficiary to notify the SSA of any event which may affect his monthly benefit. Since a beneficiary will not personally receive his monthly benefit payment if he is paid by credit to his account in a financial organization, he may forget this reporting requirement.

**FINDINGS:** An examination of suspended and terminated cases (described in Survey Techniques, page 29) disclosed that beneficiaries do report events which affect their payment status even though they are being paid at financial organizations. In at least 94% of the cases examined, the event involved had been reported on a timely basis. The survey of power-of-attorney beneficiaries disclosed a possible problem with beneficiaries whose payments are made at a financial organization but who are residing abroad. The Treasury is concerned since some of these beneficiaries may be residing in countries that are not authorized to receive U. S. dollars. Beneficiaries are required to, but do not always, advise the SSA of moves outside the U. S. A. The survey discloses that, overall, 35% of the beneficiaries who moved last year notified SSA.

Figure 2.2 depicts these and other findings.

**CONCLUSION:** The extent to which power-of-attorney beneficiaries are currently on their own initiative, advising the SSA of events which affect their monthly benefits is entirely adequate, and no special safeguards need be developed. Presently, beneficiaries are not required to report changes of address within the U. S., and the low frequency with which they advise the SSA of such change of home addresses is a concern. However, since it was concluded with respect to Problem 2.1, Providing Information to Beneficiaries, that the capability to secure and maintain the current mailing addresses of beneficiaries must be developed, it follows that under a direct-deposit system beneficiaries must be required to advise the SSA of changes of addresses. In addition, the capability to periodically verify address information will assure the fulfillment of maintenance requirements and will provide address information necessary to assure the propriety of payments made to beneficiaries now residing outside the U. S., or who make such moves in the future and do not voluntarily advise the SSA of such moves.

**Obtaining Information From Current Pay Power-of-Attorney Beneficiaries  
(BASED ON SAMPLE DATA)**

14% changed home address during last year

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21% contacted SSA for the following reasons:\*

- 5% change of home address (represents 35% of those who changed home address)
- 3% change of payment status
- 2% initiate direct deposit
- 8% Medicare inquiry
- 4% general benefit information
- 2% eligibility inquiry
- 2% amount of benefit inquiries
- 1% change of financial organizations

\*Detail does not add to total because of multiple responses.

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- 3% were purported to be in a foreign country at the time of the survey
  - 55% of these returned the mail questionnaires  
There were no "barred" or "restricted currency" countries represented.
- 

Base of percentages is 135,060 weighted completed interviews

**Figure 2.2**

## 2.3 Creating Overpayment Situations

**PROBLEM:** SSA may not know of death of beneficiaries. A check, drawn to the order of a beneficiary and mailed to him at his home address is an excellent communication. The endorsement of that check by the beneficiary is proof of his continued existence and, should he die, the check itself is usually returned by the Postal Service or, if delivery has been made, by a member of the deceased beneficiary's family. Since these safeguards are lost when a beneficiary receives his payments under the direct-deposit procedure, overpayments would, presumably, increase. Further, when a direct-deposit beneficiary dies, his benefits may continue to be credited to a joint account and may be withdrawn from that account by the other account holder. In these cases, recovery of overpayments may be difficult. On a long-range basis, concern has been expressed that an EFT system might impair the ability to accomplish "hold" actions, as is now done in Treasury disbursing centers after the checks have been printed and while they are being held for release in the mails, and thus create additional overpayment situations.

**FINDINGS:** Based on the examination of suspended and terminated cases, most suspension and termination notifications (of death and other occurrences) are timely. Most such notifications are received from the beneficiary himself or a member of his family. In cases where overpayments did occur due to untimely notification, refunds were obtained from the overpaid beneficiary or withheld from other benefits due on the account; and no change in this procedure is anticipated under a direct-deposit system.

**CONCLUSION:** The concern that a direct-deposit system might result in special overpayment situations is unfounded. Although overpayments are made to power-of-attorney beneficiaries, there is no distinction between them and overpayments made to the general population of social security beneficiaries. In fact, the burden of recovery of overpayments in some events appears eased. The absence of the returned check as notification of the death of the beneficiary does not result in overpayments. The absence of the beneficiary's endorsement on checks as proof of his continued existence is not a loss of a safeguard under the direct-deposit system since Treasury regulations in Department Circular 1076 state that a financial organization's endorsement of a check shall constitute a guarantee of the existence of the beneficiary for whom it receives payment. Considering the extent to which suspension and termination notifications are received, the overpayment recovery procedures in existence, and the legal obligations of financial organizations, the potential for Government losses due to overpayments is minimal. With respect to the long-range concern about "holds" under an EFT system, the transactions can be handled automatically under the computerized system.

Figure 2.3 shows various methods of recovering overpayments.

## Recovery Methods

### Death Terminations

Returned check

Deducted from lump sum payment

Deducted from other benefits due on account

Refund

### Susensions and Life Terminations

Returned check

Deducted from other benefits due on account

Refund

FIGURE 2.3

## 2.4 Determining Beneficiary Interest in Direct Deposit

PROBLEM: Concern was expressed that the degree to which beneficiaries would choose to elect to be paid under a direct-deposit system would not be sufficient to permit its economical use. Also expressed was the concern that premature publicity on the subject, engendered by the study itself, would bring pressure from beneficiaries and financial organizations for implementation of this method of payment before the Government could initiate a direct-deposit program. Should such pressure materialize, the beneficiaries would have to be accommodated under the power-of-attorney procedure.

FINDINGS: Beneficiary interest was probed in surveys of both the general beneficiary population and the newly entitled beneficiaries. In addition, potential utilization of direct deposit by aged, blind and disabled beneficiaries was examined. These surveys disclose that 9% of the general beneficiary population and 15% of the newly entitled beneficiaries would be interested in being paid by credit to their accounts in financial organizations. Further, the surveys disclose a vastly greater potential for such a method of payment since 79% of the general beneficiary population and 72% of the newly entitled beneficiaries now have accounts with financial organizations. The study has stimulated only a few actions by financial organizations to immediately promote, with their beneficiary-depositors, an exercise of the option to be paid at the financial organizations. Most of these actions were held in abeyance while still in the formative stage at Treasury's request. In any case, no significant problems have resulted from these actions.

As a result of asking power-of-attorney beneficiaries if they currently receive state or local assistance payments (welfare), which could be an indication of eligibility for SSI benefits, it was determined that less than 5% of current power-of-attorney beneficiaries might be eligible for these benefits.

Figures 2.4.1, 2.4.2, 2.4.3 and 2.4.4 depict these and other survey findings.

CONCLUSION: It appears that a few SSI beneficiaries would request that their benefit payments be deposited in their financial organization. The concerns expressed with respect to beneficiary interest in direct-deposit are unfounded. There is ample interest in the procedure and no problems have emerged due to stimulating interest prematurely.

#### 2.4.1 BENEFICIARY INTEREST DIRECT DEPOSIT

15% OF THE NEWLY ENTITLED BENEFICIARIES SURVEYED AND 9% OF THE GENERAL BENEFICIARIES SURVEYED INDICATED THEY WOULD BE INTERESTED IN HAVING THEIR CHECKS SENT TO A FINANCIAL ORGANIZATION. 72% OF THE NEWLY ENTITLED SURVEYED AND 79% OF THE GENERAL BENEFICIARIES SURVEYED NOW HAVE BANK ACCOUNTS.

##### Beneficiary Interest and Banking Relationships

###### Percentages Based on Weighted Sample Data

	Power-of-Attorney Survey	Newly Entitled	General Beneficiaries
Interested by Reason <sup>1/</sup>			
Total	100	15	9
Convenience	51	8	6
Fear	32	3	2
Travel	50	1	1
Other	21	3	2
Not Interested by Reason <sup>1/</sup>	Not Applicable	81	85
Inconvenient		21	28
Mistrust		8	4
Want Cash		18	11
Prefer to get cash themselves		22	34
Other		20	13
Having bank accounts by selected Type <sup>2/</sup>			
Total	100	72	79
Checking	27	14	28
Savings	7	24	17
Both	61	33	31
Percentage Base	135,060	94,509	17,159,250

/ Detail may not add to total because two reasons could be given for response  
 2/ Detail may not add to total because only selected Type shown

FIGURE 2.4.1

## 2.4.2 BENEFICIARY EDUCATION AND INCOME INDICATORS

CURRENT POWER-OF-ATTORNEY BENEFICIARIES ARE BETTER EDUCATED (49% HAVE ATTENDED COLLEGE) AND HAVE A HIGHER INCOME (55% REPORTED THAT THEY ARE COMFORTABLE FINANCIALLY) THAN THE GENERAL BENEFICIARY POPULATION.

Percentages Based on Weighted Sample Data			
	Power-of-Attorney Survey	Newly Entitled	General Beneficiaries
<b>Education</b>			
Total	100*	100*	100*
Less than high school	14	33	39
High School	33	50	37
College	49	14	16
Refused/Don't Know	3	2	9
<b>Income Indicator</b>			
Total	100*	100*	100*
Can't make ends meet	7	17	14
Just enough to get along on	36	53	43
Comfortable	55	28	41
Refused/Don't know	2	1	3
Base for percentages	135,060	94,509	17,159,250

\*Detail may not add to total due to rounding

FIGURE 2.4.2

## 2.4.3 BENEFICIARY AGE AND BENEFIT AMOUNT

AGE COMPARISONS SHOW NO DIFFERENCES. HOWEVER, POWER-OF-ATTORNEY BENEFICIARIES ARE ENTITLED TO HIGHER PAYMENTS THAN THE GENERAL BENEFICIARY POPULATION.

Amounts Based on Weighted Sample Data and SSA Statistical Tables for the Month of February 1973

	Power-of-Attorney Survey	Tot Popula
Average Monthly Benefit Amount Paid to:		
Workers and special age 72 beneficiaries	\$179.01	\$16
Wife	94.66	8
Widow/Widower	172.95	15

FIGURE 2.4.3

WHOLE NUMBER DATA PERTAINING TO  
POTENTIAL SSI BENEFICIARIES

83 of the power-of-attorney beneficiaries surveyed said they received Assistance Payments

Reasons Power-of-Attorney Method Used <sup>1/</sup>

Total	83
Convenience	41
Travel	34
All Others	14

<sup>1</sup>  
Detail does not add to total because two reasons could be given for response

Education Versus Financial Position

	A*	B*	C*	Total
Less than High School	1	11	8	20
High School	3	15	11	29
College	6	10	14	30
Don't Know	3	1	--	4
Total	13	37	33	83

\* A - Can't make ends meet  
B - Just enough to get along on  
C - Comfortable

10 of the 83 said they lived outside their normal State of residence more than 3 consecutive months during the last year

Figure 2.4.4

2.5      Costs

PROBLEM: Costs for extensive systems revisions could be significant and not warranted relative to benefits achieved under a direct-deposit system.

FINDINGS: No specific cost data was developed.

CONCLUSION: A direct cost/benefit relationship cannot be precisely determined with respect to the direct-deposit proposal, nor would it be appropriate to attempt to develop such a relationship. (Some of the benefits of the direct-deposit procedure are not quantifiable, others would not be quantifiable without experience.) Receiving payment at financial organizations under the power-of-attorney procedure is an option that has been available to beneficiaries for many years (over 200,000 beneficiaries are now being paid that way). If the alternative direct-deposit procedure is not adopted, presumably many more beneficiaries will in the future, without restriction, elect to be paid under the power-of-attorney procedure, conceivably up to the 15% of the (newly entitled) beneficiaries that have expressed interest in being paid at a financial organization. If so, over a period of time, nearly 4 million beneficiaries would be receiving payment that way. All of the procedural problems considered in this study are present whether beneficiaries are paid under the power-of-attorney method or the direct-deposit method. Under these circumstances, any systems changes (and related costs) are for the purpose of improving the administration of beneficiary accounts where payments are made under the historically acceptable method of payment at financial organizations, and are not directly attributable to the direct-deposit procedure, which is simply an alternative to the power-of-attorney procedure. Any costs that are applicable to a direct-deposit system are equally applicable to an efficient power-of-attorney system.

Treasury has projected an estimated gross savings to the Government of 11¢ per item handled under an electronic funds transfer direct-deposit system. This estimate includes cost reductions of 10¢ per item in postage and 1¢ per item in operating costs -- and allows for a retained cost of 1¢ per item under an electronic fund transfer system. Potential recurring annual savings to the Government could amount to:

3,000,000 participants (Immediate conversion)	
X 8 months = 24,000,000 X 11¢ =	\$2,640,000
10,800,000 participants (40% of total 27 million)	
X 8 months = 86,400,000 X 11¢ =	\$9,504,000
20,250,000 participants (75% of total 27 million)	
X 8 months = 162,000,000 X 11¢ =	\$17,820,000

Note: The above does not include any SSI volume and provides for 4 month mailings of "stuffer" advices. Also, the above does not take into account any costs and savings elements in the operations of the Social Security Administration attributable to our electronic funds transfer direct-deposit system.

## 2.6 Summary of Problems

Only one problem requiring a specific solution was disclosed under the power-of-attorney procedure; i.e., late notices to beneficiaries. It is particularly important that the transit time for adverse action notices directed to beneficiaries be minimal, since the time period during which a beneficiary may protest the action being taken is based on the date of the letter. The findings indicate that delays do occur in receipt of notifications of suspension, termination, or reduction of payments (adverse actions).

A potential problem was disclosed by the survey of power-of-attorney beneficiaries which indicates that 3% reside in foreign countries. This factor suggests what may be a current problem (and potentially a more significant future problem) with beneficiaries who have moved to a "barred" or "restricted currency" country without advising SSA.

It is also suspected that a future problem may exist since beneficiaries presently paid by credit to accounts in financial organizations are an atypical group when compared to the general beneficiary population. The characteristics of this group could change significantly if a large number of beneficiaries elected to be paid that way under the direct-deposit procedure. This raises the possibility that with the change in characteristics of the group there may be a corresponding change (decline) in the extent to which the beneficiaries voluntarily report events which may affect their payments.

Figure 2.6 depicts these problems.

Current Problem

Late adverse action notices to beneficiaries

Possible Current Problem

Beneficiary reporting of domestic to foreign moves

Possible Future Problem

Beneficiary nonreporting of suspension and termination events

Figure 2.6

## Section 3

### RECOMMENDATIONS

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THE JOINT TREASURY/SOCIAL SECURITY STUDY GROUP RECOMMENDS THAT THE DEPARTMENT OF THE TREASURY AND THE SOCIAL SECURITY ADMINISTRATION INAUGURATE A DIRECT-DEPOSIT PROGRAM BY PROVIDING SOCIAL SECURITY BENEFICIARIES WITH FULL AWARENESS AND FREE EXERCISE OF THE OPTION TO BE PAID BY CREDIT TO AN ACCOUNT IN A FINANCIAL ORGANIZATION. SUCH A PROGRAM WILL IMPROVE SERVICE TO BENEFICIARIES AND REDUCE COSTS TO THE GOVERNMENT. THE PROBLEMS WITH THE POWER-OF-ATTORNEY PROCEDURE ARE SOLVABLE AND A DIRECT-DEPOSIT SYSTEM APPEARS ATTAINABLE.

---

#### 3.1 PROBLEMS ARE SOLVABLE - LATE NOTICES

The findings show that 27% of the power-of-attorney beneficiaries subject to adverse actions received late notification. It is, therefore, recommended that these notices be mailed directly to direct-deposit beneficiaries. The basis for this recommendation is detailed in the following paragraphs.

The bank survey findings show there is a decreasing willingness in financial organizations to forward material as the volume of such material increases--and financial organizations have no legal obligation to forward material they might receive for a depositor. However, financial organizations are continuing to solicit beneficiaries to use the power-of-attorney procedure. These efforts will continue to swell the numbers of power-of-attorney cases and make the need for these direct communications more pressing.

Furthermore, the ultimate payment concept envisioned for direct-depositors is an Electronic Funds Transfer System. A major cost savings in such a system would be the elimination of the mailing of individual checks. This would eliminate the current method of including informational material in the check envelope. With this concept in mind, maintaining the beneficiary's mailing address would provide the capability for all communications to be sent directly to the beneficiary.

Several methods were examined to eliminate late notices while continuing to rely on financial organizations. These included: (1) today's system strengthened by recommendations from the American Bankers Association, the Federal Home Loan Bank Board and the Credit Union National Association that immediately upon receipt, financial organizations should forward notices to the beneficiaries; (2) lengthening the time period during which a beneficiary may protest the action; and (3) a postage paid envelope containing the notice, with the beneficiary's name imprinted on it, and a request that the address be annotated on the envelope by the financial organization and that it be forwarded to the beneficiary. None of these methods completely assures that notices would be received by the beneficiary and, if received, would be in time to allow protest of the action.

The recommended method to facilitate mailing notices directly entails incorporating the usual mailing address of the beneficiary on the MBR. The address would have to be obtained, verified, incorporated on the MBR and updated. In addition, computer programs would need to be modified to assure usual mailing address selection and printing for notices. This would solve the current problem of late notices and provide the capability to effectively administer a direct-deposit system. If the limited space available on the MBR makes the inclusion of two full address fields impractical, it would be possible to maintain only financial organization identifying data (numeric) in place of the full financial organization address. By maintaining a tape file of financial organization addresses, Treasury could generate the name legend and address to be printed on the check.

Figure 3.1 illustrates the data requirements for a form that would serve as the request and authorization to be paid by credit to an account in a financial organization, and as the source document for the usual mailing addresses of the beneficiaries.

### 3.2 PROBLEMS ARE SOLVABLE - UNREPORTED EVENTS

The survey of power-of-attorney beneficiaries indicates that 3% reside in foreign countries. A current and possible future problem may exist if a beneficiary moved to a foreign country without advising SSA.

If substantially more beneficiaries choose direct deposit as their method of payment, unreported events affecting payment could become a problem. This would be especially true if these additional beneficiaries did not have the same characteristics as the current power-of-attorney population.

To assure reporting of home address changes and of events which may affect payments, a recontact program is recommended. The recontact program would be feasible using the mailing address incorporated in the MBR for the purpose of mailing adverse action notices, and would include a request to the beneficiary for his current address and for information regarding any suspension or termination events which may have occurred. Figure 3.2 illustrates the type of information to be included in the recontact program.

## Direct-Deposit Data Requirements

### FROM BENEFICIARY(S)

Name of Beneficiary(s)

Social Security Account Number(s)

Financial Organization Name and Address

Name and Number of Account to which Deposits Are to be Made

Mailing Address (for notices)

Statement Advising of Requirement to Report a Change of Mailing Address

Signature of Beneficiary(s) or Authorized Representative

Date Submitted to SSA

### FROM FINANCIAL ORGANIZATION

Statement Certifying the Accuracy of Financial Organization Information Reported by the Beneficiary

Single Point of Deposit Address<sup>1</sup>

Employer Identification Number (EIN)<sup>1</sup>

Transit and Routing Number<sup>2</sup>

Signature of Authorizing Officer

<sup>1</sup>

In some cases, branch banking is state wide and a bank might need several regional points of deposit. To accommodate these types of systems a single digit might be added to the EIN to designate specified regions.

<sup>2</sup>Required for EFT only. At present neither credit unions nor savings and loans are assigned Transit and Routing Numbers.

Figure 3.1

INFORMATION TO BE INCLUDED ON RECONTACT QUESTIONNAIRE

1. Current address, if different from that shown on form.
2. Employment or self-employment (self or any person for whom receiving benefits)
3. Divorce/marriage - remarriage/annulment (self or any person for whom receiving benefits)
4. If representative payee for incapable adult or child, information related to custody of the beneficiary and child-in-care, if applicable.

ADDITIONAL INFORMATION FOR SSI RECIPIENTS

1. Change in living arrangement
2. Change in resources
3. Change in earned or unearned income

Figure 3.2

### 3.3 A DIRECT-DEPOSIT SYSTEM APPEARS ATTAINABLE

The survey of power-of-attorney beneficiaries illustrates that a few SSI beneficiaries will probably request direct deposit. The survey of general beneficiaries illustrates that 9% expressed interest in having their payments sent directly to a financial organization for deposit to their accounts. The survey of newly entitled beneficiaries illustrates an interest of 15%. Applying these percentages to the total beneficiary population results in a potential base of about 3 million beneficiaries who might use a direct-deposit system. The surveys also show that 79% of the general beneficiaries and 72% of the newly entitled beneficiaries have accounts with financial organizations. These account holders are looked upon by the financial organizations as the potential market for direct deposit. Although financial organizations are the marketers of direct deposit, it is recommended that the Government supplement their efforts by explaining the benefits of direct deposit to beneficiaries.

The inauguration of a program to make payment in favor of financial organizations requires extensive system coordination between SSA, Treasury, FRB, and the financial organization community to develop compatible system interfaces. It is recommended that such system coordination begin as soon as possible, with consideration of the ultimate goal of developing an Electronic Funds Transfer System.

Figure 3.3 summarizes the recommendations and enumerates some areas in which procedural and or system modifications will be required.



#### MAIL ADVERSE ACTION NOTICES DIRECTLY

- . Obtain and verify usual mailing address of beneficiary
- . Incorporate address on MBR
- . Process changes to usual mailing address
- . Establish a beneficiary recontact program

#### DRAW CHECKS IN FAVOR OF FINANCIAL ORGANIZATIONS

- . Explain direct deposit to beneficiaries
- . Obtain beneficiary authorization
- . Obtain financial organization information
- . Verify validity of account number and name
- . Incorporate financial organization identifying information on MBR (EIN)
- . Develop transaction tape format for direct deposit
- . Develop and maintain a financial organization address file
- . Develop payment name legend
- . Draw checks in favor of financial organizations

#### DEVELOP AN EFT SYSTEM

- . Determine direct-deposit payment master file requirements
- . Determine transaction tape format requirements
- . Determine microfilming requirements
- . Determine Federal Reserve interface requirements
- . Determine financial organization interface requirements
- . Develop method to guarantee payment
- . Design and pilot test payment system
- . Initiate mailing of informational materials as well as notices directly to beneficiaries
- . Implement system

Figure 3.3

Section 4  
SURVEY TECHNIQUES

#### 4.1 POWER-OF-ATTORNEY BENEFICIARIES

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TO DETERMINE THE PROBLEMS THAT ARE INHERENT IN THE POWER-OF-ATTORNEY PROCEDURE A SURVEY OF A REPRESENTATIVE SAMPLE OF ALL POWER-OF-ATTORNEY BENEFICIARIES WAS UNDERTAKEN. THE QUESTIONNAIRE WAS DESIGNED TO PROVIDE DATA ON PROBLEMS, BENEFICIARY CHARACTERISTICS, AND REASONS FOR AUTHORIZING THE POWER OF ATTORNEY.

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In order to get a feel about the suspected problems of direct deposit and how to solicit information from the beneficiaries about the concerns, two approaches were taken during the pilot stage of the survey. One, case folders of beneficiaries from two samples were examined for indications of suspected problems. Two, a mail questionnaire was sent to sampled beneficiaries in current payment status. Since the only address available for these beneficiaries was the address of the financial organization to which their checks are sent, the questionnaires were sent to the financial organizations with requests to forward them to the beneficiaries and, for possible follow-up, to send to the study team the address to which the questionnaire was forwarded, the date it was forwarded and the beneficiary's telephone number.

For beneficiaries in current payment status, the sampling frame comprised all beneficiaries with the address of a financial organization indicated on Treasury current payment tapes from the Chicago Disbursing Center. A random sample of 200 beneficiaries was selected from this file. For beneficiaries in terminated or suspended status the sampling frame was comprised of all power-of-attorney beneficiaries in that status whose claims folders were maintained in the Great Lakes Program Center. A random sample of 100 of these cases was extracted from the MBR. An additional survey was made for terminated and suspended power-of-attorney beneficiaries during the course of the study. This survey was necessary since the number of cases examined in the Great Lakes Program Center was insufficient to provide meaningful data about suspected problems of terminated and suspended power-of-attorney beneficiaries.

At the time the pilot was conducted, it was planned to conduct the regular power-of-attorney beneficiary survey by mail; however, after discussions with statisticians in SSA it was decided that the best method of collecting desired data would be via telephone interviews. Any follow-up necessary because a person could not be reached by telephone would be handled with mail questionnaire. The survey was contracted to Chilton Research Services in Radnor, Pennsylvania.

The sampling frame comprised all power-of-attorney beneficiaries in current payment status on the MBR. Based on the pilot selection experience that an address that might appear to be that of a bank, may not in fact be a bank,\* a selection of 2,700 cases was made to assure a sample of 2,400. The sample size was determined by SSA's Office of Research and Statistics. It is reliable at the 95% confidence level, with an error of plus or minus two percent.

\* For example, #1 ABC Bank Building would be picked up as a bank. Figure 4.1 shows the number of power-of-attorney beneficiaries surveyed.

Power-of-Attorney Beneficiaries Surveyed

CURRENT PAY

Pilot

Sample selected	200
Invalid cases	7
Completed Mail Questionnaires	137
Case folders and MBR	
Limit Printouts examined	193

Telephone Survey

Sample selected	2700
Invalid cases	168
Initial mail out to banks for beneficiary phone number and/ or address	2532
Beneficiaries eligible for interviewing based on initial mailing	2339
Completed interviews	
Unweighted	2251
Weighted	135060

TERMINATED AND SUSPENDED

	<u>Wave I</u>	<u>Wave II</u>
SAMPLE SELECTED	100	338
INVALID CASES	44	193
FOLDERS EXAMINED	56	145

Figure 4.1

#### **4.2 OTHER BENEFICIARIES**

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QUESTIONS TO DETERMINE THE EXTENT OF INTEREST IN DIRECT DEPOSIT WERE ADDED TO TWO BENEFICIARY TELEPHONE SURVEYS.

---

##### **4.2.1 THE NEWLY ENTITLED BENEFICIARY SURVEY**

The purpose of this survey was to evaluate the quality of service furnished newly entitled beneficiaries. The additional questions yielded data regarding the extent of beneficiary interest in direct deposit, and the banking experience and characteristics of newly entitled beneficiaries. Random samples of newly entitled beneficiaries were selected from the Mid-Atlantic Program Center records and the file of newly entitled disability beneficiaries maintained in Baltimore. A sample of 100 cases per program center was selected for each wave.

Note that this survey is limited in scope. It is not a nationwide survey and therefore, findings may not be representative of all newly entitled beneficiaries.

##### **4.2.2 GENERAL BENEFICIARY SURVEY**

This survey involved telephone interviews of a nationwide sample of 1000 beneficiaries in each wave. The selections were made from the Master Beneficiary Record File maintained by Social Security. The additional questions yielded data regarding the extent of beneficiary interest in direct deposit and the banking experience and characteristics of beneficiaries.

Figure 4.2 shows the number of cases used in this report.

Quality of Service Surveys

		Number Selected	NUMBER <u>Completed</u> Unweighted	Interviews Weighted
Newly Entitled				
Wave I:	Retired and Survivors	100	72	13,680
	Disability	100	83	40,504
Wave II:	Retired Survivors	100	71	8,804
	Disability	100	79	31,521
	Total	400	305	94,509
General Beneficiary				
Wave I:	Retired	600	432	12,277,400
	Survivor	200	150	2,929,200
	Disability	200	156	1,504,900
	Total	1000	738	16,711,500
Wave II:	Retired	600	406	11,702,100
	Survivor	200	218	4,194,500
	Disability	200	170	1,710,400
	Total	1000	794	17,607,000

Figure 4.2

4.3      BANKS

A MAIL SURVEY OF A RANDOM SAMPLE OF BANKS WAS MADE TO DETERMINE PROBLEMS WITH THE POWER-OF-ATTORNEY PROCEDURE, WILLINGNESS TO CONTINUE FORWARDING INFORMATIONAL MATERIAL TO BENEFICIARIES, AND PLANS FOR MARKETING A POTENTIAL DIRECT-DEPOSIT SYSTEM.

During meetings with representatives of 50 banks and the American Bankers Association, suspected problems and concerns were discussed so that a bank questionnaire could be developed.

The sampling frame for the regular survey of banks comprised a listing of banks by State in alphabetical order maintained by Polk & Co. A random selection of banks was purchased from them. The sample size was determined by ORS so that it would yield reliability at the 95% confidence level with an error of plus or minus four percent. The actual number of banks selected was 701.

Since the survey included banks which do not have power-of-attorney social security beneficiaries, the bank questionnaire was designed in two parts. The first part deals with current practices and was to be completed if social security payments are deposited under the power-of-attorney procedure. The second part was to be completed by all banks.

Figure 4.3 shows the cases used in the report.

Bank Survey

	Unweighted	Weighted
Total Number Selected	701	14,500
Total Number of Responses	629	13,011
Number certain they have Social Security Depositors	311	6,433

Figure 4.3

#### 4.4 OTHER FINANCIAL ORGANIZATIONS

SESSIONS HELD WITH REPRESENTATIVES OF THE FEDERAL HOME LOAN BANK BOARD, THE CREDIT UNION NATIONAL ASSOCIATION, AND THE U. S. SAVINGS AND LOAN LEAGUE HAVE SERVED AS THE SURVEY TECHNIQUE FOR THESE FINANCIAL ORGANIZATIONS.

The national organizations which represent credit unions and savings and loan associations establish policies, design systems, and provide direction to their membership. Since there are very few current power-of-attorney beneficiaries who authorize deposit of their checks in credit unions and savings and loan associations it was not necessary to survey representative samples of these organizations.

The survey technique consisted of a series of meetings with representatives of the national organizations to ascertain current and future direct-deposit procedures, marketing plans for direct deposit, and capability and willingness to mail correspondence to beneficiaries for an interim period.

Figure 4.4 shows the discussion items that were the subject of the meetings.

## DISCUSSION ITEMS

1. History and projection of future growth
2. Roles of National Association
3. Depositor characteristics
4. Extent of depositor protection (insurance)
5. Potential communication solutions under a direct-deposit system for social security beneficiaries
  - a. Forwarding check inserts to beneficiaries
  - b. Forwarding other correspondence to beneficiaries
  - c. Advising SSA of current home address of beneficiaries
  - d. Advising SSA of deaths of beneficiaries
  - e. Advising SSA annually of beneficiaries existence
6. Financial organization procedures; willingness to notify SSA
  - a. When a single account holder dies
  - b. When a joint account holder dies
  - c. When overpayments are made due to late death notification to SSA
7. Account number standard
8. Future marketing of direct deposit
9. Capability for accepting and processing direct deposits

FIGURE 4 .4

## Section 5

### Exhibits

- I. Bank Questionnaire and Related Material
- II. Power-of-Attorney Beneficiary Questionnaire
- III. Treasury Regulations 1076 for PL 92-366
- IV. Synopsis of Credit Union Findings
- V. Synopsis of Savings and Loan Findings



OFFICE OF  
FISCAL ASSISTANT SECRETARY

THE DEPARTMENT OF THE TREASURY  
FISCAL SERVICE  
WASHINGTON, D.C. 20220

EXHIBIT I

The Department of the Treasury and the Social Security Administration are engaged in a joint study of methods to pay social security beneficiaries by credit to their accounts in financial organizations. Your organization is one of the banks selected to provide information essential to the study. There is enclosed, for your information a statement setting forth the background and purpose of the study.

Our records show that we have not as yet received your response to our request of you to complete and return a copy of the enclosed questionnaire by July 6. Since the response has not met our minimum quantity requirements, we ask your assistance by completing and returning the enclosed duplicate questionnaire to us as soon as possible. No postage is necessary if you use the enclosed self-addressed envelope. The questionnaire was developed after consultations with representatives of the American Bankers Association.

Should you have any questions, please either write me or telephone Mr. Gratz (964-5464) or Mr. Betts (964-5357). The area code is 202.

Your cooperation and assistance will be very much appreciated.

Sincerely,

L. W. Plumly, Director  
Operations Planning and Research Staff

Enclosures

INFORMATION FOR FINANCIAL ORGANIZATIONS  
ON JOINT TREASURY/SOCIAL SECURITY ADMINISTRATION  
STUDY OF PAYMENTS AT FINANCIAL ORGANIZATIONS

Under authority of Public Law 92-366, approved August 7, 1972, Treasury checks covering recurring monthly benefit payments may be paid, upon the written request of the person to whom payment is to be made, by means of a check drawn in favor of a financial organization, with credit to the account of the individual. The address on the check would be that of the financial institution. The address inscription, however, would include the individual's name and financial institution account number.

The Department of the Treasury and the Social Security Administration are interested in implementing the procedures authorized by PL 92-366 and have joined in a study aimed at (1) clearly and comprehensively identifying all problems connected with the mailing of recurring benefit checks to financial organizations; (2) determining the levels of direct deposit interest in both the financial institution community and the beneficiaries; and (3) developing solutions to the problems. Today, about 180,000 of the 27 million Treasury checks being issued each month for social security benefits are mailed to financial organizations under the power of attorney procedure.

Implementing a direct deposit system will require special communication procedures. Paying social security beneficiaries at financial organizations results in financial organization receipt of correspondence intended for the beneficiaries. The address of record in the Treasury and Social Security Administration, at least initially, would be that of the financial institution. Most correspondence to beneficiaries is in the form of check inserts -- which are utilized about four times each year. In addition, when checks are mailed to home addresses, the Government is advised of the death of beneficiaries by the return of the checks by the Postal Service, or by a member of the deceased beneficiary's family. Paying individuals at financial organizations may impede the prompt, direct communication of this information.

The accompanying financial organization questionnaire evolved through a series of meetings conducted by Treasury and Social Security Administration officials with representatives of the ABA, commercial banks and mutual savings banks. The questionnaire is designed to capture data regarding current and future direct deposit procedures and your interest in the direct deposit system.

Information developed from this joint study will form the basis for a detailed analysis of the direct deposit system. If satisfactory solutions can be evolved to effectively report and control payee changes-of-address and notices of death, the Government can then proceed with the implementation of PL 92-366.

Return completed form to:

Social Security Administration  
Direct Deposit Study Group  
6401 Security Boulevard  
4R21 Operations Building  
Baltimore, Maryland 21235

FINANCIAL ORGANIZATION QUESTIONNAIRE

PLEASE READ BACKGROUND INFORMATION BEFORE  
ANSWERING QUESTIONS

Do you now receive Treasury checks for deposit under powers of attorney  
for social security beneficiaries?

If yes, please complete parts A and B

Yes (40-1)

If no, please complete part B

No (40-4)

If unknown, please complete part B

Unknown (40-8)

---

PART A (to be completed by banks receiving checks under powers of attorney  
for social security beneficiaries.)

---

1.a) Is it your current practice to forward to a depositor the social  
security informational material received as inserts with benefit  
checks?

Yes (41-1)

No (41-4)

b) If yes, how soon are these materials forwarded?

3 days or less (42-2) 8-15 days (42-5)

4-7 days (42-3) Over 15 days (42-6) Held for  
pick-up (42-7)

c) If yes, how are the materials forwarded?

With Credit Notice (43-2)

With Monthly Account Statement (43-3)

With Quarterly Account Statement (43-5)

In a Separate Mailing (43-6)

Held for Customers at Bank (43-7)

Other (please specify) \_\_\_\_\_ (43-9)

(Please turn page over and complete other side)

- 2 -  
PART A (CONTINUED)

- 2.a) Have you ever received informational material from social security for the beneficiary in a mailing separate from the monthly check?

Yes  
(44-1)

No  
(44-4)

(If you have answered "No" to question 2a please skip to question 3a.)

- b) Is it your current practice to forward to a depositor the social security informational material received in a mailing separate from the monthly check?

Yes  
(45-1)

No  
(45-4)

- c) If yes (2b), how soon are these materials forwarded?

3 days or less      (46-2) 8-15 days      (46-5)

4-7 days      (46-3)

Over 15 days      (46-6)

Held for  
pick-up      (46-7)

- d) If yes (2b), how are the materials forwarded?

With Credit Notice      (47-2)

With Monthly Account Statement      (47-3)

With Quarterly Account Statement      (47-5)

In a Separate Mailing      (47-6)

Held for Customers at Bank      (47-7)

Other (please specify)      (47-9)

- 3.a) If you now forward informational material, would you continue to do so if the number of social security payments directly deposited in your bank increased as much as 50 fold?

Yes  
(48-1)

Not Applicable  
(48-8)

No  
(48-4)

- b) If you have answered "No" to question 1a, 2b, or 3a, please explain why you do not, or would not continue to, forward material?

(49-4)

PART B(to be completed by all banks)

- 1.a) Would you be willing to forward to social security beneficiaries the informational material that you might receive for them within one week of your receipt of it?

Yes  
(50-1)

No  
(50-4)

- b) If no, please explain why not \_\_\_\_\_  
\_\_\_\_\_  
(51-4)

- 2.a) So that you might inform the Social Security Administration of the home address or death of a beneficiary would you distinctly identify social security depositors in your records?

Yes  
(52-1)

No  
(52-4)

- b) If no, please explain why not \_\_\_\_\_  
\_\_\_\_\_  
(53-4)

3. Would you be willing to notify the Social Security Administration of a beneficiary depositor change of home address within one week of your knowledge of the change?

Yes  
(54-1)

No  
(54-4)

4. Would you be willing to notify the Social Security Administration of the death of a beneficiary depositor within one week of your knowledge of the death?

Yes  
(55-1)

No  
(55-4)

5. So that you might inform the Social Security Administration of possible unreported deaths, would you be willing to periodically (at least annually) provide them with those social security depositor accounts in which there is no activity conducted by the beneficiary although monthly social security payments are deposited?

Yes, for the following types of accounts (please check all that apply)

- a) Individual Checking \_\_\_\_\_  
(57-1)  
b) Joint Checking \_\_\_\_\_  
(58-1)  
c) Individual Savings \_\_\_\_\_  
(59-1)

- d) Joint Savings \_\_\_\_\_  
(60-1)  
e) Trust \_\_\_\_\_  
(61-1)  
f) None \_\_\_\_\_  
(56-4)

(Please turn page over and complete other side)

- 4 -  
PART B (CONTINUED)

6. Upon notice of death of a depositor, do you immediately refuse all activity on the following accounts?

- a) Joint Checking Yes \_\_\_\_\_ (62-1) No \_\_\_\_\_ (62-4)  
b) Joint Savings Yes \_\_\_\_\_ (63-1) No \_\_\_\_\_ (63-4)  
c) Trust Yes \_\_\_\_\_ (64-1) No \_\_\_\_\_ (64-4)

7. Is it your current practice to offer special banking services to senior citizens?

Yes

(65-1) Will you continue to do so in the future?

Yes \_\_\_\_\_ (66-1) No \_\_\_\_\_ (66-4)

No

(67-1) Would you initiate such a program in the future?

Yes \_\_\_\_\_ (68-1) No \_\_\_\_\_ (68-4)

8. If you are planning on either continuing or initiating special banking services for senior citizens, would it include?  
(check one or more)

One or more free checks a month \_\_\_\_\_ (69-1)

A "no service charge" checking account \_\_\_\_\_ (70-1)

Other (please specify) \_\_\_\_\_

\_\_\_\_\_ (71-1)

Thank you

Return completed form to:

Social Security Administration  
Direct Deposit Study Group  
6401 Security Boulevard  
4R21 Operations Building  
Baltimore, Maryland 21235

ilton Research Services  
iladelphia, Pennsylvania

OBM #72-S73007  
Exp. Date 12/31/73

EXHIBIT II

Study #8452  
June, 1973

DIRECT BANKING STUDY

od \_\_\_\_\_, I'm \_\_\_\_\_ calling long distance for the U.S. government from Chilton Research Services. I am working on a study for the Social Security Administration and the Department of the Treasury. We're getting people's opinions all over the country about the services that are provided and we would appreciate your cooperation. (GO DIRECTLY TO Q. 1 WITHOUT PAUSING).

Interview # \_\_\_\_\_  
(1-4)

Time Int. Began \_\_\_\_ A.M. \_\_\_\_ P.M.

Social Security # \_\_\_\_\_  
(5-13)

Time Int. Ended \_\_\_\_ A.M. \_\_\_\_ P.M.

Our records indicate that your monthly social security check is being sent to a bank or other financial institution for deposit in your personal account. First tell me, why do you have your monthly social security check deposited in your bank account?

14-

15-

	Convenience	1
	Travel	2
DO	Don't have to worry about checks stolen or lost	3
NOT	Had other types of checks deposited in the bank before I received social security benefits	4
READ	Live at different addresses during the year, maintain more than one address	5
	Live in bad neighborhood, afraid to carry check or cash	6
	Afraid check will not arrive at my home on time	7
	Don't Know	8
	Other (SPECIFY)	9
Terminate	Do not have check deposited	0

To the best of your knowledge is your Social Security check usually deposited in your account on time? 16-

Yes	1
No	2
Don't Know	8

3. Does your bank usually send you a receipt when your Social Security check has been deposited?

SKIP TO Q. 6	Yes	1
CONTINUE	No	2

4. (IF "NO") Does your bank send you a statement about your account which shows that your check has been deposited to your account?

SKIP TO Q. 6	Yes	1
CONTINUE	No	2

5. (IF "NO") How do you usually find out about checks that are deposited by mail into your account?

(SKIP TO Q. 7)

6. How often does your bank do this?

Monthly	1
Quarterly	2
Semi-annually	3
Yearly	4
Other (SPECIFY)	5

As best as you can remember, about how many months or years has your monthly Social Security check been mailed directly to your bank?

22-

Months		
Years		
Don't Know	8	

Which of the following types of bank accounts do you happen to have? Do you have a Savings Account? Checking? Any other? (Q. 8 COLUMN)

Q. 8

	Yes	No
Savings	23-	1
Checking	24-	1
Other (SPECIFY)	25-	1

(SKIP TO Q. 10 IF ONLY ONE "YES" TO Q. 8)

In what type of account is your regular Social Security check deposited -- Savings? Checking? Or other? (Q. 9 COLUMN)

Is the account into which your check is deposited a joint or individual account? (Q. 10 COLUMN)

	Q. 9		Q. 10	
	Deposited		Joint	Individual
Savings	26-	1	27-	1
Checking		2	27-	1
Other (SPECIFY)		3	27-	1

11. Since your check has been going to the bank, has your check ever been stopped by Social Security?

28-

SKIP TO Q. 13	Yes	
CONTINUE	No	
	Don't Know	

12. (IF "NO") Since your Social Security check has been going to the bank, has there ever been an occasion when the amount of money you received went down one dollar or more?

29-

CONTINUE	Yes	1
SKIP TO Q. 14	No	2
	Don't Know	8

(ASK Q. 13 IF "YES" TO Q. 11 OR Q. 12. OTHERWISE, SKIP TO Q. 14)

13. Thinking back to the last time it happened, how did you find out that your check (was decreased) (was stopped)?

30-

DO NOT READ	Notice from Social Security Administration before the check was due	1
	Notice from Social Security Administration after the check was due	2
	Change on monthly bank statement	3
	Change on deposit slip/did not receive deposit slip	4
	Special notice from bank before the check was due	5
	Special notice from bank after the check was due	6
	Other (SPECIFY)	7

From time to time the Social Security Administration sends information for you to the bank along with your check. To the best of your knowledge, does your bank send you these notices?

31-

CONTINUE	Yes	1
SKIP TO Q. 16	No	2

15. (IF "YES") Are these notices usually received . . . (READ LIST ONE AT A TIME)

	Yes	No
GO TO Q. 16  AFTER FIRST "YES"	With deposit slips? 32-	1 0
	With account statements?	2 0
	In a separate mailing?	3 0
	Some other way? (SPECIFY)	4 0

Since January, 1973, have you changed the bank to which your monthly Social Security check is sent?

33-

Yes	1
No	2

According to our records your home address is (READ CITY & STATE ON CARD)? Did you live at any other address during the past year?

34-

CONTINUE	Yes	1
SKIP TO Q. 22	No	2

18. (IF "YES") Please tell me in which city and state that address was located? (DO NOT RECORD)

19. Of all the places you lived, at which of these addresses did you live the most during the past year? (RECORD CITY & STATE)

20. What is the Zip Code for this address?

ZIP CODE \_\_\_\_\_  
(35-39)

Did you live outside (CITY & STATE IN Q. 19) for more than 3 months in a row during the past year?

40-

Yes	1
No	2

22. During the past year have you changed your mailing address?

41-

CONTINUE	Yes
SKIP TO Q. 25	No

23. As a result of changing your mailing address did you change the bank to which your social security check is sent?

42-

Yes
No

IF "YES"

24. Did you notify the following of the change of your mailing address? Did you notify . . .

DO NOT ASK IF "YES TO Q. 23	Your bank to which your social security checks are sent?	43-	1
	The Post Office?	44-	1
	Social Security Administration?	45-	1

ASK EVERYONE

25. (Aside from this) Have you had occasion to contact Social Security for any other reason during the past year?

46-

CONTINUE	Yes	1
SKIP TO Q. 27	No	2

26. Why did you contact Social Security?

47-

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---

48-

27. Do you receive state or local assistance payments now?

49-

Yes	01
No	00

So we can be sure we're getting a cross section of all people throughout the country, please tell me . . .

28. What is the highest grade or year of school you completed?

50-

Eighth grade or less	1
Some high school	2
Completed high school	3
Some college	4
Completed college	
or	5
More than college	
No school	6
Refused	7
Don't know	8

9. Which of the following statements best describes your financial position?  
Would you say you . . .

51-

Can't make ends meet?	1
Have just enough to get along on, or	2
Are you comfortable?	3

0. Finally, so that the Social Security Administration may combine your replies with other people taking part in this survey . . . please tell me, is your total family annual income, before taxes:

52-

\$10,000 and over	1
\$5,000 to 9,999	2
\$4,000 to 4,999	3
\$3,000 to 3,999	4
\$2,500 to 2,999	5
\$2,000 to 2,499	6
\$1,500 to 1,999	7
Under \$1,500	8

Thank you very much. It was a pleasure talking to you and getting your opinions. Now for verification purposes, let me verify your phone number. I did reach you by dialing \_\_\_\_\_.

RECLE RESPONDENT BELOW:

53-

sted Person	1
ouse	2
n or daughter	3
her (SPECIFY)	4

Name \_\_\_\_\_

City & State \_\_\_\_\_

Zip Code \_\_\_\_\_

Interviewer \_\_\_\_\_

Date \_\_\_\_\_

54-

55-

END CARD

80-1

REGULATIONS GOVERNING PAYMENT TO FINANCIAL ORGANIZATIONS  
FOR CREDIT TO ACCOUNTS OF EMPLOYEES AND BENEFICIARIES

1973

Department Circular No. 1076 (Second Revision)

Department of the Treasury  
Office of the Secretary  
Washington, D.C.

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Fiscal Service  
Bureau of Accounts

TO HEADS OF DEPARTMENTS, AGENCIES, AND OTHERS CONCERNED:

The following regulations were published in the Federal Register on October 4, 1973, with minor variations in form.

Title 31 - MONEY AND FINANCE: TREASURY

CHAPTER II - FISCAL SERVICE  
DEPARTMENT OF THE TREASURY

Subchapter A - BUREAU OF ACCOUNTS

Part 209 - PAYMENT TO FINANCIAL ORGANIZATIONS FOR CREDIT  
TO ACCOUNTS OF EMPLOYEES AND BENEFICIARIES

[Department Circular No. 1076 (Second Revision)]

Part 209, Subchapter A, Chapter II of Title 31 of the Code of Federal Regulations [also appearing as Treasury Department Circular No. 1076 (First Revision), dated November 22, 1968] is hereby revised to read as follows:

PART 209 - PAYMENT TO FINANCIAL ORGANIZATIONS  
FOR CREDIT TO ACCOUNTS OF EMPLOYEES  
AND BENEFICIARIES

Sec.

- 209.1 Scope of regulations.
- 209.2 Definitions.
- 209.3 Allotments of pay for savings accounts.
- 209.4 Payments of net pay for employees.
- 209.5 Recurring payments for beneficiaries.
- 209.6 Identification of financial organization office to receive remittances for allotments of pay.
- 209.7 Depositor account numbers.
- 209.8 Service charge.
- 209.9 Financial organization as agent.
- 209.10 Acquittance to the United States.
- 209.11 Financial organization not Government depositary.
- 209.12 Procedural instructions.

AUTHORITY: The provisions of this Part 209 issued under R.S. 3620, as amended, 31 U.S.C. 492.

SOURCE: The provisions of this Part 209 appear at 38 F.R. 27521-27523, October 4, 1973.

§209.1 Scope of regulations.

(a) The regulations in this part govern the regular remittance to financial organizations of Federal payments which are for credit to the accounts of employees and beneficiaries, as defined herein, including payments for:

- (1) Full amounts of salaries and wages of civilian employees, and pay and allowances of members of the uniformed services;
  - (2) Allotments of pay for savings accounts (available hereunder only to civilian employees<sup>1</sup>); and
  - (3) Recurring annuities and benefits.
- (b) The regulations in this part do not supersede, and shall not be used to circumvent, the requirements of particular statutes, Executive orders or other executive branch regulations; for example, see Civil Service Commission regulations at 5 CFR Part 550, Subpart C, issued pursuant to 5 U.S.C. 5525. Savings allotments under the regulations in this part shall not be used as a means to pay dues to labor organizations.

**§209.2 Definitions.**

As used in these regulations:

(a) "Agency" means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative (except the Senate and House of Representatives), or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia;

(b) "Financial organization" means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union;

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<sup>1</sup>See 32 CFR Part 59 - Voluntary Military Pay Allotments, issued pursuant to 37 U.S.C. 701 - 706, for military allotments for savings.

(c) "Employee" means (1) when used in reference to allotments of pay for savings accounts, a civilian employee of an agency, and (2) when used otherwise, a civilian employee of an agency or a member of a uniformed service;

(d) "Beneficiary" means a person or persons receiving an annuity or benefit payment or other recurring payment under Federal law, other than a payment of salary or wages or pay and allowances;

(e) "Allotment of pay for a savings account" means an authorization from an employee for a recurring payroll deduction from salary or wages due, in a specified dollar amount, to be remitted to a financial organization of his choice, for credit to his savings account;

(f) "Savings account" means an account (single or joint) for the purchase of shares (other than shares of stock) or for the deposit of savings in any financial organization, the title of which account includes the name of the authorizing employee;

(g) "Net pay" means the amount of salaries or wages of civilian employees and pay and allowances of members of the uniformed services remaining due after all payroll deductions for allotments of pay for savings accounts and other purposes and all other payroll deductions;

(h) "Recurring payment" means a benefit, annuity, or other payment which is made repeatedly at regular intervals.

§209.3 Allotments of pay for savings accounts.

(a) Any employee whose place of employment is within the United States may authorize an allotment of pay for a savings account under

these regulations, provided that allotments of pay for savings are not otherwise available to the employee under the regulations referred to in §209.1(b).

(b) The head of an agency shall effectuate such allotments of pay for savings accounts:

(1) If the employee provides the agency with a written request (on a form promulgated by the Treasury or such agency-adapted form as may be approved by the Treasury for the purpose) which designates the financial organization and such financial organization, by endorsement thereon, states its willingness to act in this respect as agent of the employee and to accept, as its expense, the service charge specified in accordance with §209.8 which is to be deducted from the aggregate total of the allotments remitted;

(2) If the allotment is a fixed amount, in round dollars (no cents), to be deducted in each successive payroll (until canceled by the employee, in writing, or otherwise terminated);

(3) If not more than two such allotments for any employee shall be in effect at any time;

(4) To the extent that the amount of salary or wages becoming due an employee for any pay period thereafter is sufficient to cover (i) in the case of a single allotment, the full amount thereof, or (ii) in the case of two allotments, the aggregate amount of both. In making any determinations under this subparagraph, all payroll deductions otherwise required shall have priority over those authorized by this section; and

(5) Regardless of the manner in which the allotment for savings ultimately will be disposed of by the employee (which is at his own discretion), except that the purpose of the allotment may not circumvent statutes, Executive orders, and other executive branch regulations (see §209.1(b)).

§209.4 Payments of net pay for employees.

(a) Any employee may request that the full amount of net pay due him, in lieu of being paid by check drawn to his order, be paid to him regularly by check drawn in favor of a financial organization of his choice, for credit to his account.

(b) The head of an agency shall authorize the appropriate disbursing officer to pay an employee by sending to the financial organization designated by that employee a check that is drawn in favor of that organization and for credit to the account of that employee. This procedure shall be used only:

(1) If the employee provides the agency with a written request (on a form promulgated by the Treasury or such agency-adapted form as may be approved by the Treasury for the purpose) which designates the financial organization;

(2) For the full amount of net pay becoming due on successive payrolls (until the request is canceled by the employee in writing); and

(3) For payments for credit to any account (single or joint) designated by the employee, the title of which includes the name of the employee as stated on the check.

(c) Whenever, under the procedures set out in paragraph (b) of this section, payments are made by an agency on the same regularly recurring dates to five or more employees who designate the same financial organization, the head of the agency shall authorize the appropriate disbursing officer to draw the check for the total amount in favor of that organization for credit to the accounts of the several employees, and the disbursing officer shall draw the check in that manner if the financial organization has agreed to such an arrangement.

§209.5 Recurring payments for beneficiaries.

(a) The head of an agency may authorize the appropriate disbursing officer to make a recurring payment to a beneficiary by sending to the financial organization designated by that beneficiary a check that is drawn in favor of that organization and is for credit to the account of that beneficiary, in lieu of payment by check drawn to his order.

(b) The procedure set out in paragraph (a) of this section may be adopted only:

(1) If the beneficiary to whom the recurring payment is to be made provides the agency with a written request (on a form promulgated by the Treasury or such agency-adapted form as may be approved by the Treasury for the purpose) which designates the financial organization;

(2) For the full amount of the recurring payment becoming due on successive payment dates (until the request is canceled by the beneficiary in writing); and

(3) For payments for credit to an account, designated by the beneficiary to whom the recurring payment is to be made, the title of which includes the name of the beneficiary as stated on the check.

(c) Whenever, under the procedures set out in paragraph (a) of this section, recurring payments are made to two or more beneficiaries who designate the same financial organization, the head of the agency may, after consultation with, and approval by, the Fiscal Assistant Secretary of the Treasury, authorize the appropriate disbursing officer to draw a single check for the total amount in favor of that organization for credit to the accounts of the several beneficiaries, and the disbursing officer shall draw the check in that manner if the financial organization has agreed to such an arrangement.

(d) The procedures set out in this section shall not be used for allotting a part of a recurring payment or for effectuating an assignment of a recurring payment.

(e) The Fiscal Assistant Secretary will initiate, as appropriate, joint Treasury-agency consideration of application of the procedures set forth in this section.

§209.6 Identification of financial organization office to receive remittances for allotments of pay.

(a) Except as authorized in accordance with paragraph (b) of this section, remittances covering allotments of pay for savings accounts in behalf of all employees designating the same financial organization shall be forwarded uniformly to a single office of such financial organization notwithstanding the fact that the employees may otherwise make deposits to their accounts at different branch offices of such financial organization. In executing the form required pursuant to §209.3, each employee will be expected to ascertain from the financial organization the address of its single office which is to receive remittances. In any event, the financial organization, in executing the form, shall:

(1) Review the address inserted and, if necessary, correct it to conform with the requirements of this section;

(2) Insert, in the space provided, the "employer identification number" assigned to it by the Internal Revenue Service, Department of the Treasury. Such identification numbers, which are susceptible of universal application in identifying each individual financial organization as a whole, will be used in agency payroll systems to facilitate the assembly of all of its payroll deductions applicable to the same financial organization; and

(3) Identify the block specified on the form which indicates conformance with the requirement for a single remittance point in the financial organization.

(b) A financial organization which maintains its savings accounts at branch offices only and which cannot comply with the requirements of paragraph (a) of this section, on the basis that its own internal transmission of deposit credits from a single remittance point to its respective branch offices is impracticable, may certify to that effect by identifying the block provided for this purpose on the form required by §209.3. Such certification shall serve to waive the requirements of paragraph (a) of this section on the basis that the financial organization cannot otherwise agree to accept remittances for credit to accounts of employees designating such financial organization. Such financial organization shall:

- (1) Establish a standardized series of numeric codes consisting of three digits (001 through 999) to be used uniformly in identifying each of its branch offices required to receive remittances;
- (2) Insert, in the space provided on the form, its "employer identification number" and, as a parenthetical suffix, its three-digit code identifying the applicable branch office consistent with the address of that office as shown on the form; and
- (3) Make such inter-office adjustments of deposit credits as may become necessary in the event a remittance to one branch office includes credit for a particular savings account at a different branch office, whether by reason of an inconsistency in the initial designation of the branch office code on the form or otherwise.

§209.7 Depositor account numbers.

Based on the forms submitted by employees and beneficiaries pursuant to §§209.3, 209.4 and 209.5, agencies shall use depositor account numbers supplied by the financial organization as an identification of the account to be credited, in addition to the name and social security account number of the employee or beneficiary. Records supporting checks issued pursuant to §209.3, §209.4(c) and §209.5(c) shall be so identified. Individual checks issued pursuant to §209.4(b) and §209.5(a) shall be identified, as a minimum, with the name and depositor account number of the employee or beneficiary. The United States shall not assume responsibility for the correctness of such depositor account numbers, and the name and/or social security account number of the employee or beneficiary to whom payment is to be made will govern the crediting of the account.

§209.8 Service charge.

The Government's cost in the administration of the system established by §209.3 shall be recovered by each agency on the basis of standard (Government-wide) rates established in these regulations. The total service charge applicable to a remittance to a financial organization, derived by application of the standard rates, shall be automatically collected from the financial organization by deduction from the total amount to be remitted.

(a) Subject to revision from time to time on the basis of studies of Government-wide costs incurred, the standard rates shall be:

(1) Six (6) cents for each payroll deduction stated on the record which is to accompany the aggregate remittance (for all administrative and payrolling costs in the agency); plus

(2) Twelve (12) cents for each remittance, as a single charge for the entire record accompanying the remittance, regardless of the number of payroll deductions listed (for all check preparation and mail preparation costs in the disbursing office, including postage).

(b) In accordance with the provisions of section 501 of the Act of August 31, 1951, 65 Stat. 290 (31 U.S.C. 483a), the total service charge collected pursuant to this section shall be covered into the Treasury as miscellaneous receipts unless the agency has statutory authority otherwise to dispose of the credit.

§209.9 Financial organization as agent.

A financial organization which receives checks under the procedure set out in §§209.3, 209.4 and 209.5 does so in each case as the agent of the employee or beneficiary who has designated the financial organization to receive the check and credit his account. Such a financial organization may revoke its agency by notice to the employee or beneficiary. The death of that employee or beneficiary revokes the authority of the financial organization to credit the amount to the account of that individual. In the case of a check covering a payment to one employee or beneficiary, the proceeds of which cannot be credited to the account because of death or any other reason, the financial organization shall promptly return the check to the issuing disbursing officer or remit its own check in an equal amount, with a statement in

either case identifying the reason therefor and the individual. In the case of a check covering payment to more than one employee or beneficiary, a portion of which cannot be credited to an account because of death or for any other reason, the financial organization shall promptly remit to the agency responsible for making payment a check in an amount equal to that portion which could not be properly credited to the account, with a statement identifying the individual and the reason for refund.

§209.10 Acquittance to the United States.

(a) A financial organization which receives checks under the procedure set out in §§209.3, 209.4 and 209.5 shall comply with the provisions of 31 CFR Part 360 - Indorsement and Payment of Checks Drawn on the Treasurer of the United States, in particular 31 CFR 360.8. A financial organization's endorsement shall constitute a guaranty of the continued existence of the beneficiary for whom it receives payment.

(b) Payment by the United States of a check drawn in favor of and properly endorsed by the financial organization designated by an employee or beneficiary to whom payment is to be made shall, if the check or accompanying record properly specifies that employee's or beneficiary's name and/or social security account number, constitute a full acquittance to the United States for the amount of such payment.

§209.11 Financial organization not Government depository.

A financial organization to which a check is drawn under the procedures set out in §§209.3, 209.4 and 209.5 does not thereby become a

Government depository and shall not advertise itself as one because of that fact.

§209.12 Procedural instructions.

Procedural instructions for the guidance of agencies in the implementation of these regulations and a new form to request the remittance of recurring payments to financial organizations will be issued by the Commissioner of Accounts. The several forms presently in use to request remittance of the full amount of net pay to a financial organization, and the form presently used to request an allotment of pay for credit to a savings account with a financial organization (Standard Form No. 1198), will be continued.



John K. Calvert  
Fiscal Assistant Secretary

Dated: October 23, 1973

SYNOPSIS OF FINDINGS FROM MEETINGS AND CORRESPONDENCE  
WITH CREDIT UNION REPRESENTATIVES

The more than 20,000 Credit Unions in the United States control 13 - 15% of consumer credit. Membership in credit unions is projected to increase from its present number of 25 million to 40 million by 1980. About 12,500 credit unions are chartered and insured through the auspices of the Federal Government. The remaining Credit Unions are State chartered and most are insured. Where there is no insurance membership deposits are protected via provisional insurance thereby enabling the credit union industry to claim that they have not experienced losses to members for several decades.

To facilitate transfer of funds from one credit union to another under a nationalized concept, legislation is pending in Congress to establish a "Central Bank" for credit unions.

The Credit Union National Association surveyed credit union membership and some of the statistics obtained provide the basis for the following statements.

It appears that, currently, very few credit union members are social security beneficiaries.

Credit union members appear to be highly educated and enjoy high incomes. (40% had at least some college and 69% claimed to have a family income greater than \$10,000.)

The credit union representatives stated they felt that credit unions were in an excellent position to provide a personalized service to retired workers. They envisioned that employer oriented credit unions would adopt a policy of encouraging retirees to retain accounts in their credit unions. This would pave the way for large quantities of directly deposited social security payments to credit unions.

The representatives felt that credit unions who solicited social security beneficiaries would forward information to beneficiaries and would advise SSA of death by returning payments in accordance with Treasury regulations.

In the discussion of possible methods to directly deposit benefit payments in credit unions it was conjectured that CUNADATA (the credit unions data processing organization) might develop a system not to exceed banking industry standards in conjunction with the Government.

SYNOPSIS OF FINDINGS FROM MEETINGS AND CORRESPONDENCE  
WITH SAVINGS AND LOAN REPRESENTATIVES

The funds of nearly 53 million savers in 4,191 institutions are insured up to \$20,000 by the Federal Savings and Loan Insurance Corporation, which is under the direction and supervision of the Federal Home Loan Bank Board. The Federal Home Loan Bank Board is an independent Federal Agency headed by a bipartisan three member Board. The agency supervises all federally insured savings and loan associations. These associations are the major private source of home financing.

Total assets of savings and loan associations nationally have grown from \$8.7 billion in 1945 to \$206.3 billion in 1971. Total assets at year-end 1972 stood at \$243.6 billion and savings capital was \$207.3 billion. It is expected that the industry will continue to grow in future years.

The savings and loan (S & L) industry feels that any future developed program of direct deposit of Social Security benefits could affect large numbers of their current and future depositors. It is generally held that substantial numbers of depositors fall into retirement and near retirement age categories. This would be a natural outgrowth of the necessity for thrift associated with reduced income levels of retirement. Many of these people have substantial earning assets and live off this income supplemented from other sources.

From surveying various savings and loan associations the industry estimates that about 20% of their total savings customer base of thirty million receives social security benefits. Of these six million monthly payments, an estimated 600,000 are negotiated at savings and loan associations, some of them under the power-of-attorney agreement.

In discussions regarding forwarding information to beneficiaries, the S & L representatives stated stuffers could probably be handled in the volume of 200-300 for each association. More than that number would create a problem. They felt that no problem existed with adverse action notices. These notices could be forwarded as received.

Death notifications were discussed. No major problems were foreseen although the handling of accounts in the event of death varies depending upon locality.

In the discussions of possible methods to directly deposit benefit payments, the S & L industry is apparently in a good position to undertake an EFT system.



Treas.

HD

7124

A2

U.S. Treasury Dept.

Method of paying social  
security beneficiaries  
by credit to accounts  
in financial organiza-  
tion.

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