FINANCIAL SERVICE CENTERS OF AMERICA, INC.
A NATIONAL TRADE ASSOCIATION

June 20, 2008

Via Federal eRulemaking Portal
Michael J. Astrue, Commissioner of Social Security
Social Security Administration
Office of Regulations
922 Altmeyer Building
6401 Security Boulevard
Baltimore, MD 21235-6401

Re: Use of Master and Sub Accounts and Other Payment Arrangements for the Payment of Benefits Docket No. SSA-2008-0023

Dear Commissioner Astrue:

This Comment is submitted on behalf of Financial Service Centers of America ("FiSCA"), the national trade association representing non-bank Financial Service Centers ("FSCs"), in response to the Notice of Request for Comments ("Notice") issued by the Social Security Administration ("SSA"), dated April 16, 2008. The Notice seeks comments regarding the use of master/sub-account arrangements for the payment of benefits. Thank you for the opportunity to comment on this matter.

The Notice states that SSA anticipates changing current payment procedures due to concerns about how some "high-interest lenders" are utilizing the master/sub-account arrangement for the collection of their loans. FiSCA shares SSA's concerns about such tactics. However, the Notice also refers to a method of distribution by which benefits are distributed to beneficiaries through a network of banks and check cashers.[1] Many FiSCA members participate in this process of benefit distribution, which provides recipients with significant advantages, including a safe and secure method of obtaining benefits in a timely fashion. In fact, those benefits are enhanced by products and services that are available through FiSCA member locations. Accordingly, FiSCA's concerns with respect to potential new procedures are as follows: 1) that the activities of licensed and regulated payday lenders, that provide access to small dollar credit in compliance with all applicable laws, not be confused with the abusive lending practices that may be engaged in by other lenders; 2) that the conduct of unscrupulous lenders not become the basis on which SSA determines to impose new procedures on legitimate parties that have been properly utilizing the existing procedures to deliver government benefits in a timely and secure manner; and 3) that any new procedures not impair the ability of benefit recipients to make the rational choice to receive their benefits through FSCs.

[1] While describing this distribution method, the Notice does not refer to any abuses that exist with respect to its use.

<u>The Financial Service Center Industry</u>

The Financial Service Center industry, which consists of more than 13,000 locations nationwide, has been providing financial services to millions of consumers for more than 70 years. Its member businesses conduct more than 350 million transactions each year, providing an estimated $106 billion in various products and services to an estimated 30 million customers. Customers utilize FSCs for many reasons, including superior service, convenient locations and hours of operation, and transparency in the disclosure of fees. In addition, our customers appreciate that FSCs have evolved over the years to offer products and services that respond to their needs, when other institutions have not. As a result, FSCs enjoy extraordinary levels of customer satisfaction.

FiSCA's members are overwhelmingly multi-line operators offering a variety of products and services, including check cashing, payday advances, electronic bill payment services, money remittances, money orders, prepaid debit cards, phone cards, direct deposit, transit cards and more. Among the services provided by some FSCs is the delivery of government benefits as distribution agents of banks. Typically, these arrangements allow benefit recipients to obtain their benefits in a safe and secure manner, generally in advance of when those benefits might otherwise be available.

The current procedures that permit delivery of benefits through FSCs also provide an opportunity for benefit recipients to avail themselves of other beneficial products and services offered at FSC locations. FSCs have pioneered innovative products and services for under- and un-banked customers who require a safe and secure means by which to store and easily access their funds. Particularly important in this regard is the widespread use of stored value cards that serve as virtual bank accounts. FiSCA members offer a stored value card issued by NetSpend Corporation and known as the NetSpend All-Access Card. This branded Visa or MasterCard permits customers to store funds until needed, access their funds through ATMs, conduct debit card transactions, receive payments through direct deposit, and participate in e-commerce. To date, FiSCA members have sold millions of stored value cards, onto which customers have safely deposited billions of dollars.

FiSCA's stored value card also acts as a gateway to other benefits, including the FiSCA/NetSpend National Savings Program. This revolutionary program, available through the basic NetSpend All-Access card, allows customers to obtain a no-fee, no minimum balance, FDIC insured savings account. The FiSCA/NetSpend National Savings Program currently pays depositors 5% annual interest. The FiSCA/NetSpend National Savings Program has proven to be highly popular as a safe and secure savings vehicle for customers of FSCs. To date, almost 91,000 customers have established savings accounts through the FiSCA/NetSpend National Savings Program, and more than $53 million has been deposited into these savings accounts. In January of this year alone, $3.7 million was deposited into savings accounts by customers who obtained their NetSpend card at FiSCA member locations. These customers cannot access the FiSCA/NetSpend National Savings Program accounts anywhere than at FiSCA member locations.

Many of the funds stored on the NetSpend All-Access cards and, in turn, deposited into the FiSCA/NetSpend Savings Program, are placed there by government benefit recipients. Elimination of the master/sub-account arrangement would make it more difficult for benefit recipients to take advantage of the unique savings opportunity provided by the FiSCA/NetSpend National Savings Program. In fact, to eliminate customers' choice to access their Social Security benefits through a master/sub-account arrangement would be contrary to the original intent for permitting this arrangement, which, as stated in the Notice, was "to allow individuals to make choices that are appropriate and convenient for their situations." The importance of preserving a benefit recipient's choice as to the manner in which benefits are received has been recognized publicly by AARP.[2]

FiSCA Members That Make Payday Advances Do Not Use the Master/Sub-Account Procedure As Described in the Notice

SSA's Notice asserts that "payday lenders" solicit Social Security beneficiaries to take out high-interest loans and, based on the loan agreements, benefits are deposited directly into the loan company's master account.[3] The loan company then purportedly deducts the loan principal, fees and interest before depositing the remaining benefits into the beneficiaries' sub-account. FiSCA is not aware that any of its members use the master/sub-account arrangement in this fashion. FiSCA members do utilize the ACH mechanism, consistent with all applicable laws, in obtaining authorization to effect single payments of payday advances. It is also clear that, with respect to the other practices highlighted in the Notice, i.e., loan terms that prevent borrowers from terminating direct deposit arrangements or pre-authorized transfers, or requiring borrowers to use specified banks, significant legal restrictions exist that foreclose these types of tactics. See e.g., Electronic Funds Transfer Act, Reg. E.[4] In light of these legal restrictions, the issue appears to be one of enforcement of the existing laws, not additional regulation.

FiSCA members offering payday loans also agree to adhere to a Code of Conduct which governs the offering of access to credit. Among the provisions of the FiSCA Code of Conduct in Offering Access to Credit are the requirements that FiSCA members operate their businesses in

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[2] See e.g., "Social Security Embraces Debit Cards-Feature Allows Those Without Bank Accounts to Get Benefits Electronically." Houston Chronicle, June 10, 2008.

[3] FiSCA's data indicates that government benefit recipients are an insignificant percentage of FiSCA member loan customers. Data provided by one of FiSCA's largest members (which is representative of the multi-line FSC industry) also clearly illustrates that the total number of government benefit recipients taking out loans is infinitesimal, especially when compared to non-government benefits customers. For a representative 6-month period, less than 1% of this member's loan customers were receiving government benefits. This percentage is representative of the FiSCA customer base.

[4] The Electronic Funds Transfer Act prohibits creditors from requiring beneficiaries to "preauthorize" the transfer of benefits and ensures that beneficiaries control their benefits through their right to rescind previously granted authority.

accordance with all applicable statutes and regulations and conduct all payday advance transactions in full compliance with all applicable laws.

The Existing Distribution Procedures Provide a Safe, Secure and Cost Effective Process for Benefit Recipients to Receive Benefits

The Notice also states that SSA is aware of "check cashing services" that set up a master account at a financial institution, with sub-accounts in beneficiaries' names. When a beneficiary wants to withdraw benefits from the sub-account, the check casher prints a check payable to the beneficiary who can cash the check at the check cashing location for a fee. Some FiSCA members offer this service, with banks partners, as a means of facilitating the distribution of benefits. SSA's Notice fails to identify any practice or procedure under this scenario which is improper or unscrupulous. Moreover, the Notice appears to recognize the substantial benefits provided to benefit recipients by this arrangement.

The fact that should not be overlooked is that benefit recipients who access their government benefits through a FSC elect to receive benefits in that manner because of the advantages provided at that location. Many benefit recipients choose to use FSCs even though they have a bank account. According to a recent nationwide survey, the majority of FSC customers (58%) already have a bank account but often choose to use FSCs. Among the top reasons cited by FSC customers are convenience and cost. In many instances, conducting transactions at FSCs is less costly than maintaining a bank account, which can include minimum balance requirements and monthly maintenance fees, in addition to the necessary activity of account balancing, and the possibility of incurring NSF and overdraft fees. Furthermore, conducting business at an FSC location is safe and secure, and for most customers, all of their desired financial transactions can be conducted at one place.

While benefit recipients may receive paper checks from a FSC distributor, those customers are free to leave the FSC location and deposit the check, or cash it, anywhere they please. Check cashing fees are regulated in the vast majority of the states. Many states impose lower check cashing fees for government benefit checks. Even where not legislated, many FSCs cash benefit checks for a much reduced check cashing fee.[5] Finally, SSA has not identified any perceived industry "evils" with respect to the distribution of benefits at FSCs.

With respect to the question raised in SSA's Notice regarding the potential for significant costs and burdens on beneficiaries who currently obtain benefits through mater/sub-account arrangements, FiSCA submits that elimination of this convenient and safe method of distribution will add to beneficiaries' cost of obtaining benefits. Recent studies of the banking industry illustrate the high cost of maintaining a bank account. In addition to additional costs, banks do not provide the convenience of locations or hours that is provided by FSCs. Furthermore, SSA's

[5] Even SSA's recently announced Direct Express program through Comerica Bank recognizes that there is a cost to the provider for the service, and thus additional fees can be imposed upon beneficiaries who access their benefits in other than very limited circumstances.

Notice provides no examples of any disadvantage suffered by government benefit recipients who have received benefits through the master/sub-account arrangement. As explained above, the arrangements are actually a gateway to significant benefits that might otherwise not be accessed by beneficiaries.

FiSCA urges that SSA not implement changes to the current procedures that might impair the rights and abilities of benefit recipients to utilize all appropriate distribution procedures, including existing procedures available through FSCs. As with all financial services, choice is of the utmost importance. In that regard, Financial Service Centers provide a convenient, safe and cost effective alternative for the distribution of benefits.

Thank you for the opportunity to submit the foregoing Comment. Should you require any additional information with respect to this matter, please feel free to contact us.

Very truly yours,

FINANCIAL SERVICE CENTERS OF AMERICA

By: ______________________
Edward P. D'Alessio
Deputy General Counsel

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