

NEXT-GEN DEBIT

TRACKER®

JULY 2020

How prepaid debit cards can offer fast, secure aid to vulnerable families

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Pennsylvania to issue debit cards for state residents' unemployment claims

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WHAT'S INSIDE

United States banks, businesses and consumers are still grappling with the COVID-19 pandemic's economic impacts. Many brick-and-mortar locations remain closed even as several states slowly reopen their economies, and some consumers are wary of shopping in stores while the health crisis continues. Online and mobile shopping channels' payment volumes are therefore still growing, and large shares of grocery and retail purchases are still taking place digitally. Recent PYMNTS **research** indicates that online shopping has grown throughout the pandemic as 35.7 percent of U.S. consumers have bought at least a portion of their retail goods online as of May 23, whereas only 29.3 percent stated they were making such purchases as of April 11.

Consumers may be changing how and where they are spending money, but they are still using familiar payment methods. Debit cards remain popular in the U.S., with one recent **study** finding that 44 percent of consumers used them to make online grocery purchases in April. The same survey also determined that 23 percent of consumers used debit cards to order takeout during the same month.

Americans held the payment method in similar regard before the pandemic, too, **utilizing** debit to make 35 percent of their monthly purchases on average in 2019.

The federal government is taking note of consumers' preferences and is now tapping debit to send residents stimulus funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Prepaid debit cards can help recipients much more quickly utilize funds for purchases and bills, for example, circumventing the challenges associated with depositing cash and checks. This method also allows the Department of the Treasury to send aid to more economically disadvantaged individuals, such as those who may not have bank accounts through which they can receive direct deposits.

Debit cards can benefit the government agencies tasked with sending relief payments as well as the consumers awaiting such funds. Individual states are also examining how they can use debit to aid residents, especially as fund access remains critical during the pandemic.

AROUND THE NEXT-GEN DEBIT WORLD

Rhode Island is among the states that are moving to disburse relief funds via debit cards, announcing that it will **use** them to send recipients money from its weR1 Rhode Island Fund. The program aims to meet a \$3 million donation goal and then send funds to vulnerable state residents who have suffered financially because of the pandemic. A statement from Gov. Gina Raimondo's office said that each recipient will receive a \$400 prepaid debit card and that funds will also be offered to undocumented immigrants who work in Rhode Island. These cards will allow individuals to immediately spend their funds.

The U.S. Department of the Treasury and Internal Revenue Service (IRS) are meanwhile **utilizing** prepaid debit cards to send CARES Act aid to 4 million hard-hit consumers. The cards were mailed to consumers in envelopes that did not feature government seals or symbols, however, which the Treasury Department said could have prompted hundreds of thousands of recipients to discard them. The government said it is working to address these challenges and streamline the process as it **considers** using the payment method in the future.

Financial institutions (FIs) are also striving to better support U.S. consumers, and some are creating debit tools that work with mobile applications to provide rewards and incentives. Challenger bank Point recently **announced** a new funding round for a previously released beta version of a loyalty product that pairs its debit cards with its existing mobile app. The solution allows users to receive points on

purchases made with linked debit cards that can then be redeemed for cash back. Merging debit-based rewards with mobile tools is becoming more popular in the banking industry as FIs vie for customers who are turning to digital channels.

For more on these stories and other next-gen debit headlines, check out the Tracker's News and Trends section (p. 11).

HOW PREPAID DEBIT CARDS CAN BRING SAFE, SWIFT AID TO VULNERABLE HOUSEHOLDS

Financial strains are challenging all U.S. residents, and some states and cities are extending relief to families that have not been **served** by federal stimulus funds, unemployment insurance or other programs because of their immigration statuses. Filling the gap necessitates disbursement methods suited to these vulnerable families' needs, including ensuring that recipients without bank accounts can access the money and do not



EXECUTIVE INSIGHT

have to provide personally identifiable information (PII). In this month's Feature Story (p. 7), Rose Jones, director of the Rhode Island state government's **Office of Healthy Aging** and head of the state's quarantine and isolation work group, and Kathleen Cloutier, executive director of immigrant- and refugee-focused nonprofit **Dorcas International Institute of Rhode Island**, discussed the state's recently launched **weRI RI Relief Fund**, which the nonprofit is helping administer. Cloutier and Jones explained why the program tapped anonymous prepaid debit cards to quickly and securely provide relief without creating barriers.

DEEP DIVE: WHY THE TREASURY SWITCHED TO DEBIT CARD-BASED STIMULUS PAYMENTS

The economic downturn is hitting Americans hard. This is especially true for those who were already scrambling to make ends meet. A March 27 **survey** found that 45.4 percent of respondents had no more than \$2,500 in savings, for example, revealing a critical need for federal stimulus funding that could help consumers struggling with sudden job losses and reduced work hours. The Treasury Department has worked to ensure that unbanked consumers can receive relief funds but its initial method of providing aid via paper checks has forced recipients to endure prolonged waits and costly check-cashing fees. This month's Deep Dive (p. 16) examines how these challenges have inspired the Treasury Department to provide emergency funds via prepaid debit cards.

Many consumers have begun paying more with debit cards during the pandemic. To what extent do you expect such behavior to persist in the coming months?

"Consumers rely on debit for everyday spend and many essential purchases. At the start of the pandemic, consumer behavior shifted very quickly, resulting in many of those transactions shifting online. We saw a dramatic increase in card-not-present (CNP) debit transactions across grocery [and] big box retailers, quick service restaurants (QSR) and online bill pay. We're also seeing merchants focus on minimizing the interactions a consumer has with a payment terminal by working to accelerate the support of PINless debit. We expect some of this to persist, especially in grocery [stores] and restaurants, where the benefits tap into other macro trends that were taking hold prior to the pandemic, such as a desire for convenience and greater speed.

We consider grocery [stores] and restaurants to be the model for a much broader application of pre-pay and pickup/delivery among a meaningful and growing variety of merchants. We're already seeing adoption of this approach in categories such as automotive parts and accessories, electronics and pet food and supplies, and we expect debit in these categories will continue to perform well. Finally, we anticipate ongoing growth in debit as consumers settle in to the new normal."

JENNIFER SCHROEDER,
executive vice president of
product management at **PULSE**

5 FIVE FAST FACTS



44%

Portion of consumers who used debit cards to make in-store grocery purchases in April

35%

Share of monthly purchases U.S. consumers made using debit cards in 2019

11.7%

Year-over-year increase in debit card spending for the week of May 18

788,000

Number of prepaid debit cards carrying federal stimulus funds that have been mailed out but have not yet been activated

4M

Number of Americans who have received stimulus funds on prepaid debit cards



A close-up photograph showing a person's hand handing a white prepaid debit card to another person's hand. The background is blurred, showing other people and what appears to be a market or community setting. The card is white with a small gold chip visible on the left side.

FEATURE STORY

HOW PREPAID DEBIT CARDS **CAN OFFER FAST, SECURE AID TO VULNERABLE FAMILIES**

Local and state governments are stepping in to fill a gap in the federal pandemic assistance program and support undocumented immigrants and their families. Swiftly and safely delivering such relief involves more than just pressing a button, however. Administrators must take many factors into account when strategizing disbursements for these residents as they are often unbanked and wary of providing personal details to government officials.

A growing number of states have launched relief programs for those who have been shut out of other emergency aid sources. This includes Rhode Island, where immigrant- and refugee-focused nonprofit **Dorcas International Institute of Rhode Island** is partnering with the state government to administer the **weR1 RI Relief Fund**, which is designed

for financially affected residents who have not received other benefits because of their immigration statuses. PYMNTS recently held two separate interviews with Kathleen Cloutier, Dorcas International's executive director, and Rose Jones, director of the Rhode Island's **Office of Healthy Aging** and head of its quarantine and isolation work group, in the days following the program's launch. They discussed why state officials turned to prepaid debit cards to provide these critical funds and detailed how this choice best supports undocumented families in need.

MILLIONS IN NEED

Many households are **facing** financial strains and receiving limited support, and this situation is prompting the launch of programs like weR1. The nation's 11 million undocumented immigrants, including those who pay taxes, are being **left out** of key social safety nets like unemployment benefits and federal CARES Act funding. The latter program also **denies** relief to U.S. citizens who are the spouses or dependent children of undocumented immigrants. This group could be large, too, as 2017 **estimates** suggest 8.2 million citizens live with undocumented family members. This means a sizable share of residents have been placed in precarious positions during the economic downturn and public health crisis.

Many residents have lost jobs or had work hours reduced during the pandemic, causing them to fall behind on rent and move in with family or friends, Cloutier said. Some are also struggling to afford food and cope with medical expenses. weR1 continues to fundraise with



the hopes of serving the largest share possible of the estimated 14,000 undocumented households in Rhode Island, Jones said, and Cloutier explained that the program's initial goal is to provide 7,000 of these families with \$400 each to help blunt some of their financial pains.

"The majority of people we're talking to have been suffering and struggling financially for four months now," Cloutier said. "Many people lost their jobs right away and haven't been able to find other jobs. People are in dire straits, frankly. The longer you go without resources, the more difficult it gets. ... We're hoping that this mitigates some of that angst and stress and keeps food on the table."

The entities administering weR1 are prioritizing reaching as many needy households as possible, which necessitates providing modest funding to each family. The money is not enough to offset rent but could be used to pay for food and prescription medicines, Cloutier said, which similar programs in other cities and states identified as the top two uses of financial assistance provided to undocumented residents.

SWIFT AND PRIVATE DISBURSEMENT

The federal government initially sent its stimulus money via paper check or direct deposit, but weR1 administrators determined that neither method would likely work well for undocumented immigrant communities. Many recipients are unbanked, for example, making direct deposit impossible. The program also needed to ensure quick access to funding

without causing recipients to lose money to check-cashing fees or requiring formal government identification.

"If you go to a check-cashing place, often they'll charge a fee that's deducted out of the amount of the check," Cloutier said. "You have to have a government ID in order to go to a bank, or banks won't cash a check if you don't have an account there."

The program's administrators realized that prepaid debit cards would provide smoother funds access. Recipients could use the cards online, in stores or at ATMs without incurring any nonstandard fees, Cloutier said. Jones attested that finding a disbursement method that enabled recipients to shop online was a priority, due to the public health crisis.

"Whenever possible, we want to develop opportunities for people to physically distance while ensuring their basic needs are met," Jones said. "It's absolutely critical and another reason we went with the debit card."

Cloutier noted that another key factor was recognizing that undocumented immigrants are understandably concerned about how authorities might use their identifying information, which led the program to make the cards anonymous.

"Given this [population's concerns], sharing personal information in any way that can be traced or tracked is frightening [to them]," Cloutier explained.

Recipients' names are not printed on the cards, which also do not require PII to be activated.

This approach enables administrators to freeze cards that are lost or stolen and issue new ones with the remaining balance, all without asking for recipients' names.

The federal government has begun issuing CARES Act funds on prepaid debit cards, but Dorcas International decided to disburse the weR1 cards by delivering them to partner organizations in each community the program aims to serve. This move is intended to allow local groups that have long-standing relationships with undocumented immigrants take charge of connecting them with weR1 program applications and disbursing the cards to approved applicants while ensuring they do not go missing in the mail.

"We'll send out unloaded cards — that are assigned to applicants by serial number — to the partner agencies," Cloutier noted. "When the partner agency receives a card, they'll call us and we load them at that point. We're not mailing out loaded cards. I think most agencies will have folks pick up cards at the curbside, to ensure that people who are supposed to get the cards are actually receiving them."

INFORMED INTERVENTIONS

The Rhode Island government does not learn any personal details about the card recipients, but Jones said it does track generalized information about the spend categories and neighborhoods in which the cards are used. That data enables the state to better identify and respond to the most pressing needs of residents in different regions, she said.

"The [purchasing] category is what we're really looking at: spending on food versus gas versus [utilities]. It's helpful as well to know the geographic spread because then you can better target interventions into certain areas," Jones said. "We don't get down to personal data — not down to 'this person spent it at this address.' It's more, '[the transaction is] in Newport County' or 'it's in the Providence metro area.'"

Such debit card data enables the state to improve its social safety net, Jones said, allowing the government to adjust its own programs and help bolster those of nonprofits, like particular neighborhoods' food banks, should it notice that many of the cards in those areas are being used to purchase food, for example.

"It's data like this that helps inform those sorts of interventions — like, where is it around the state where we may have food deserts and therefore need a greater surge of food supplies?" Jones said. "It's looking at our programs, programs that are run out of ... other state agencies and making sure we're best leveraging the dollar and meeting the need."

The COVID-19 pandemic is causing strain for families across the U.S., but relief funds can soften the blow for many households. Disbursing funds onto anonymous, fast and easy-to-use prepaid debit cards could ensure that all residents receive needed assistance without worrying about fees or fearing that doing so will put them at personal risk.

NEWS &TRENDS



DEBIT DOMINANCE IN PANDEMIC-RELATED PAYMENTS

PENNSYLVANIA TO ISSUE DEBIT CARDS FOR UNEMPLOYMENT CLAIMANTS

The Pennsylvania Department of Labor and Industry recently **announced** that it will send debit cards loaded with unemployment benefits to residents, joining numerous state and local governments around the nation that are using the payment method for this purpose. The department said the cards will replace paper checks sent in the mail and enable consumers to more swiftly and securely receive their money.

Many fraudsters are targeting benefits during the pandemic, and the department believes that using debit cards rather than paper checks can mitigate this fraud. The move comes after it halted direct deposit transactions for state unemployment claims in May after discovering that fraudsters were using stolen identities

to request benefits and route them directly to their accounts.

CONNECTICUT PARENTS RECEIVE DEBIT CARDS TO COVER COSTS OF MISSED SCHOOL LUNCHES

State officials in Connecticut are **sending** pre-paid cards to the parents of children enrolled in public school lunch programs. Gov. Ned Lamont **announced** the payments in April, but the cards only began reaching recipients in June. The U.S. Department of Agriculture (USDA) covers lunch costs under the Supplemental Nutrition Assistance Program (SNAP), meaning the funds can be spent only on foodstuffs and other eligible items. Connecticut's school lunch programs offer free or reduced-price meals to students from low-income families. The state Department of Social Services (DSS) said the debit cards contain \$364 in funding to cover the costs of the meals that schools would have provided and will be sent to more than 287,500 students.

RHODE ISLAND TURNS TO DEBIT CARDS TO DISTRIBUTE weR1 FUNDS

Rhode Island's government will also use debit cards to disburse relief funds to vulnerable residents. Gov. Gina Raimondo recently **announced** the weR1 Rhode Island Fund, which will rely on donations to send aid to residents, including undocumented immigrants, who have been financially affected by the pandemic. The debit cards will enable recipients to more seamlessly access funds for necessary purchases.

The prepaid debit cards will be loaded with \$400 apiece, and the state hopes to receive at least \$3 million in donations. Rhode Island is

working with organizations such as fundraising platform Good World and nonprofit group Dorcas International to support the fund as well as manage and disburse the aid.

ONLINE DEBIT PURCHASES CONTINUE TO GROW AS STATES REOPEN STOREFRONTS

Many states are tentatively reopening select brick-and-mortar banks and stores, but online shopping continues to experience significant growth. Debit cards remain one of consumers' most preferred payment methods, with one recent **study** finding that debit purchase amounts increased 17.2 percent year over year in the third week of May. The study also found that overall debit spending increased by 11.7 percent in the same week, while credit spending dropped by 12.5 percent.

Much of this increase is due to consumers purchasing groceries and other essentials online, according to the study. Debit card spending on automotive products, books and home goods skyrocketed 37.4 percent for the same time frame, indicating that debit remains a top payment method for many Americans.

RELIEF PAYMENT QUESTIONS AND CONCERNS

US TREASURY DEPARTMENT MOVES TO ADDRESS STIMULUS DEBIT CHALLENGES

The government is also dealing with several challenges related to residents' CARES Act



payments. Approximately 4 million Americans have **received** stimulus funds via prepaid debit cards, but about 788,000 of the cards have not yet been activated and may even have been discarded, according to the Treasury Department. Many of the cards were mailed in envelopes that lacked official government seals or symbols, which could have made many consumers suspicious of their legitimacy.

The Treasury Department is attempting to rectify this by sending out letters to the affected recipients detailing what they should expect when they receive their prepaid debit cards and how to activate them. The federal government is also **debating** a second stimulus round as well as discussing how best to deliver these payments given the glitches experienced in the initial effort. Solving these problems is thus critical to helping U.S. residents receive their relief funds.

US LAWMAKERS DEBATE FEES ATTACHED TO PREPAID DEBIT CARDS AMID ECONOMIC UNREST

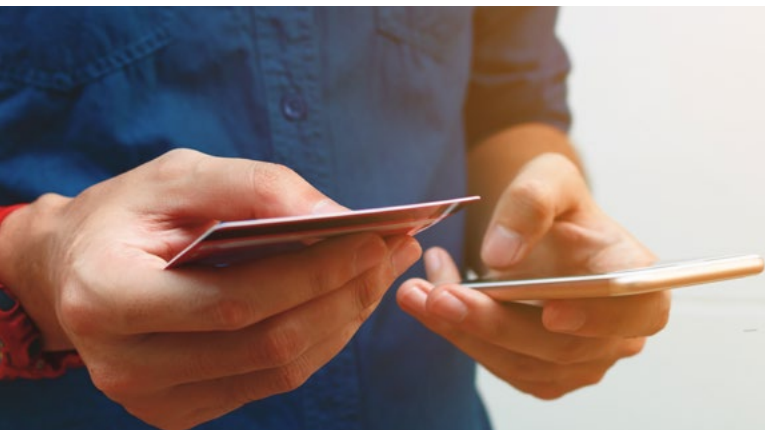
U.S. legislators weighing whether to roll out additional stimulus payments are also **debating** how to address the issues some recipients faced during the first round. The IRS, which is responsible for disbursing such payments, has waived the typical \$7.50 fee to replace each lost debit card. Replacements can take up to 10 days to reach consumers unless they pay a \$17 fee, however. Additional costs are attached to using the cards for certain transactions, including making cash withdrawals at out-of-network ATMs, and users must spend \$5 each time they withdraw cash during over-the-counter purchases.

Some U.S. senators debating whether to provide a second stimulus round have expressed reservations about charging these fees as the U.S. dips into a pandemic-driven economic recession. Senators are also concerned about the personal information individuals are required to provide to receive payments as fraudsters continue to target unemployment and stimulus funds.

US DEPARTMENT OF AGRICULTURE TO EXPAND ONLINE DEBIT EBT PROGRAM

The U.S. government is also looking to make certain programs more accessible by **extending** online access for SNAP recipients. SNAP recipients typically receive \$235 per month, and the program's funds have been distributed via electronic benefits transfer (EBT) cards for more than a decade. Allowing users to make online purchases with the cards has proceeded slowly, however.

SNAP recipients in several states have been able to use the cards for online grocery purchases for about a year, and the pandemic has prompted the USDA to extend this feature to more states. The states and areas that now allow online EBT grocery purchases include California, the District of Columbia, Idaho, Iowa, Nebraska, North Carolina, New York, Oregon and West Virginia.



DEBIT PRODUCT LAUNCHES AND EVENTS

CHALLENGER BANK POINT TO BOOST AVAILABILITY OF DEBIT CARD REWARDS PRODUCT

FIs in the U.S. are also releasing products responding to consumers' evolving preferences for both in-store and online purchases. Challenger bank Point has **crafted** a debit card product that offers spending rewards, for example, working to marry debit's popularity with the loyalty benefits traditionally attached to credit cards. The solution, which has been in beta for the past year and will soon be released publicly, grants customers a certain number of points for their purchases, and each point is worth 1 cent of cash back. It is available as a physical and virtual card and is paired with a checking account product hosted in Point's mobile app. Point's business model resembles those that other digital-only banks like German FinTech N26 and fellow U.S. challenger Chime have rolled out for U.S. customers.

WEALTHFRONT ADDS DEBIT CARD SUPPORT TO ITS ONLINE APP

Pairing debit cards with mobile checking products is becoming more popular among financial firms, and U.S. FinTech Wealthfront recently **announced** that it will add linked debit support and checking account features to its Cash Account app. The offerings enable users to set up direct deposit for their paychecks and other income as well as request pay advances, and customers can pay bills by connecting to mobile offerings, including Square's Cash App and PayPal's Venmo. Users who connect their debit cards to Cash Account can withdraw cash at ATMs across the nation and make in-store purchases. Wealthfront is expanding its online financial services offerings as more customers eschew branch-based banking during the COVID-19 pandemic.

GALILEO CREATES INSTANT PRODUCT FOR BRANDED DEBIT CARD EXPERIENCES

FinTech Galileo is also looking to bolster online debit usage with a solution called Galileo Instant that helps FIs develop branded debit cards that can be attached to online banking products. Galileo **noted** that the tool is powered by application programming interfaces (APIs) that standardize the debit-issuing process and is geared toward products for smaller businesses that rely on large numbers of independent contractors. The cards allow firms to send freelancers automated clearing house (ACH) or instant payments rather than time-consuming checks, which can be

especially beneficial to gig workers looking for faster payouts during the health crisis.

SECURITY AND FRAUD CHALLENGES

PANDEMIC-RELATED FRAUD SCHEMES PROLIFERATE ON THE DARK WEB

Keeping personal and financial information secure is critical during the pandemic because fraudsters are attempting to capitalize on consumers' and businesses' confusion to launch their scams. Debit card provider Interacard recently **experienced** a breach in which bad actors used ransomware to steal sensitive card and cardholder information, and the stolen data — including technical documents, POS builds and customers' personal details — was then auctioned off on the dark web, with bidding beginning at \$100,000.

Preventing such hacks is essential for payment providers and issuers, especially as the COVID-19 pandemic prompts more consumers to make digital payments. Warding off ransomware and other schemes requires providers to find emerging technologies and products that can shore up their defenses despite rising online payment volumes.

ARIZONA REGULATORS NOTIFY RESIDENTS OF POTENTIAL UNEMPLOYMENT BENEFITS SCAM

Arizona government officials are also dealing with pandemic-related fraud. Fifty residents complained to the state attorney general's

office after receiving letters from the Arizona Department of Economic Security that contained unemployment benefit details they did not seek. The attorney general is **advising** these residents that the letters, some of which contain debit cards granting access to unemployment funds, may be linked to identity theft scams in which fraudsters use pilfered identities to receive aid.

The attorney general also noted that residents who have received unsolicited debit cards should not them as such an action also counts as fraud. Those who do so could be charged with theft, an attorney general's office representative explained in a recent statement.



DEEP DIVE



WHY THE US TREASURY ADOPTED DEBIT RAILS TO DISBURSE STIMULUS FUNDS

Many Americans were in precarious financial situations before the COVID-19 pandemic hit. Forty percent of survey respondents **told** the Federal Reserve in 2018 that they would either be completely unable to afford a surprise \$400 expense or would have to sell something to do so. The COVID-19 outbreak and ensuing economic downturn further compounded that strain as consumers faced widespread job losses, work hour reductions and wage cuts.

A PYMNTS **survey** conducted in March similarly found that 59.3 percent of U.S. consumers were living paycheck to paycheck and that 45.4 percent had \$2,500 or less in savings. Tackling these economic pressures has made receiving federal Economic Impact Payments — also called EIPs or stimulus funds — in a timely, low-cost manner very important for many households. Having to pay additional fees to access these funds or dealing with slow disbursement processing times could significantly impact consumers' well-being.

The federal government **promised** one-time EIPs of up to \$1,200 for eligible single adults and up to \$2,400 for qualifying married couples as well as an additional \$500 per qualifying dependent child. Initial attempts to deliver many of these stimulus disbursements via paper checks were met with frictions, however, which partly prompted the federal government to **provide** 4 million consumers with funds on prepaid debit cards instead. This month's Deep Dive examines both approaches and explores the benefits of adopting card-based payments.

THE FIVE-MONTH GAP

The government initially delivered EIP funds in one of two ways: Consumers who had up-to-date direct deposit details on file with the Department of the Treasury could accept stimulus money straight into their accounts, while others had to wait for paper checks to arrive in the mail. One account **estimated** that as many as 70 million consumers needed faster access to stimulus funds but had to wait for them to arrive in the mail, and there were significant disparities between the two payment methods as many of those receiving funds via paper check are still waiting for the payment to arrive and may wait as long as five months, whereas others received direct deposits in a few days.

The amount of labor that goes into physically preparing and printing checks can be one speed bump. The federal government **announced** in early April that it would take the IRS until the week of May 4th to begin issuing checks, and it would then churn out 5 million per week for about 20 weeks. Consumers would likely receive checks several days later via postal mail, it said. Direct deposit recipients,

in comparison, were projected to receive stimulus funds during the week of April 13.

The hassles associated with receiving paper checks via mail do not end with check reception, unfortunately. Consumers who receive checks in this manner must also take the check to a cashing service or deposit the check into a bank account and wait for the money to clear. Banks are **permitted** to take one business day before making Treasury funds available, and consumers who deposited during weekends or before holidays could face even longer delays. These kinds of issues make checks painfully slow for providing much-needed emergency relief, especially for consumers who have little or no savings.

ACCESS COSTS

Unbanked consumers also often have to pay fees before they can use money provided via checks. Check cashing services offer immediate funds access but charge fees. Some states place caps on these charges — Pennsylvania **limits** check cashers to 1.5 percent cuts or \$18 of a \$1,200 stimulus check, for example — while other states place no such limits. Alternate options may be cheaper, in some cases: Walmart charges \$8 to cash checks worth more than \$1,000 and some FIs will cash non-customers' checks for fees often between \$5 and \$20. These **charges** can add up for consumers who are struggling.

Not all consumers have the option of getting EIPs in other ways, either. Some banked individuals receive funds via checks because the IRS did not have current deposit information, yet others are unable to open bank accounts in the first place. Unbanked consumers may

not be able to spare the money it costs to have such accounts, with FIs **requiring** minimum opening deposits of as much as \$97 in some neighborhoods and charging select fees to maintain the accounts. Expensive overdrafts are another common deterrent. The federal government therefore needed to provide a payment method that did not require consumers to have bank accounts.

A SWITCH TO DEBIT

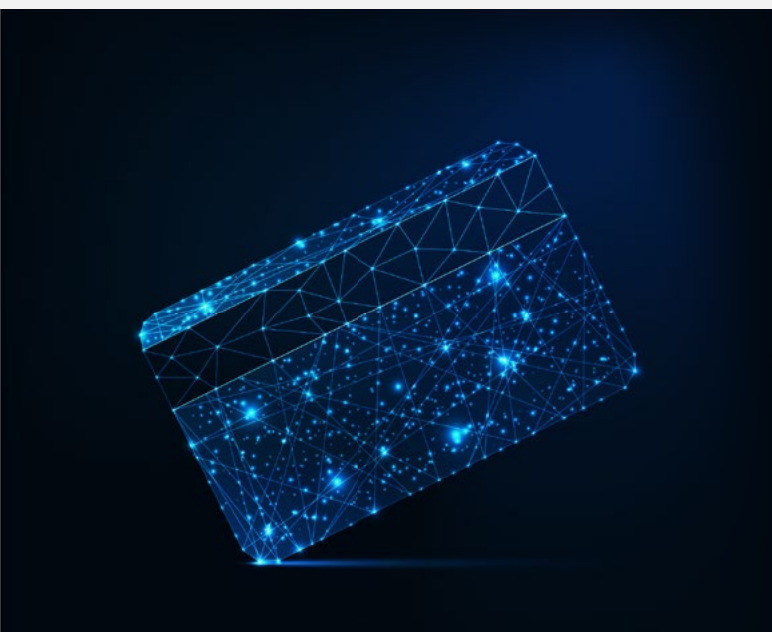
The federal government had to search for a universally accessible disbursement method, with paper checks falling out of favor. The Treasury Department **announced** on May 18 that it would begin mailing preloaded debit cards to millions of individuals who had been waiting for checks, potentially sparing households from settlement delays and check cashers' fees. Consumers could instead begin activating and using cards immediately after receiving them in the mail.

The government said EIP cards can be used without fees when making withdrawals at in-network ATMs, making purchases at many merchants or transferring funds off the cards and into their bank accounts. Cardholders **get** one free out-of-network ATM withdrawal, after which they will be charged \$2 per instance, which means they are not entirely free to use but are likely cheaper than check cashing in most states.

Leveraging prepaid debit cards can also help provide the government better tackle issues related to lost debit cards. The EIP card website **states** that existing cards will be deactivated and that new ones will be sent if recipients report problems. Treasury Secretary Steven Mnuchin **said** at a press conference that he regards these cards as a faster, secure way of disbursing money and thinks the government is likely to keep the method in rotation.

"Going forward, we think debit cards are a safe and secure way of delivering refunds," he said.

Paper checks have been used for a long time to deliver funds to consumers when bank deposits are not available, but the strains of the COVID-19 pandemic are inspiring new thinking. Consumers' need for fast, easy and low-cost access to emergency stimulus funds could make debit cards the new go-to method for monetary relief.



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