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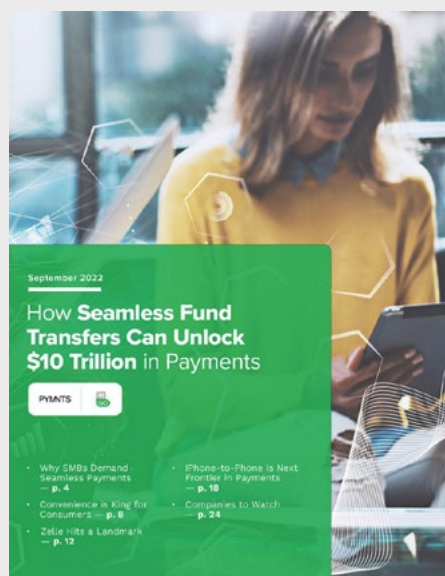


October 2022

Innovating The Future Of Government Disbursements

Money Mobility Tracker® Series

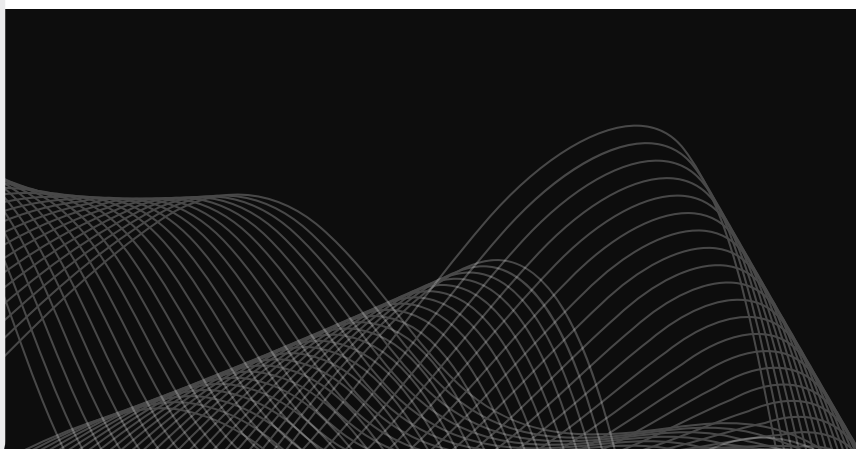
■ Read the previous edition



SEPTEMBER 2022

Money Mobility Tracker® Series

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Acknowledgment

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Need To Know

Government Payments Respond To Pandemic Lessons

A digital age requires digital government disbursements.

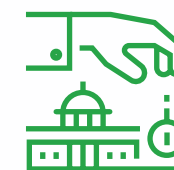
The government response to the pandemic involved significant direct disbursements and other aid distributed over multiple years during which the general public was becoming increasingly accustomed to digital payments and processes. Even as the financial services industry was adapting to social-distanced business practices, government programs were often hampered by inefficient manual processes. As the pandemic progressed, government agencies began to learn about and find more efficient approaches.

Billions of dollars and millions of payments flowed out of government hands to the general public during the height of the pandemic.



89.5M

89.5 million stimulus payments were disbursed by the IRS during the first round in 2020, many still by paper check.



90M

90 million stimulus payments were deployed by March 2021 as part of the third round of payments.

Need To Know

Government loan programs benefited from commercial lending digitization.

The Small Business Administration (SBA) oversaw much of the government assistance to businesses through programs such as the Paycheck Protection Program (PPP). The speed with which these loans were rolled out to businesses was unprecedented, presenting significant challenges. Innovative solutions developed with partners in the commercial loan industry helped smooth out operations, but there were still lessons to be learned.

11.8M
forgivable PPP
loans were approved
by the SBA during
the course of
the program.

\$800B
in aid was funneled
to businesses
through PPP loans
during 2020 and
2021 combined.



30%

of applicants in 2021
were still encountering
problems with
rejections or additional
paperwork requests.

Need To Know

Government disbursements can improve with lessons from private industry.

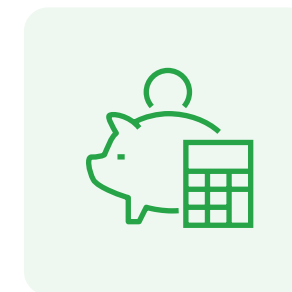
Payments choice is a major driver of consumer satisfaction across industries. The government has learned lessons about embracing digital innovation during the pandemic, but there is still plenty of room for improvement. By working more closely with players in the payments industry, the government can create the digital engagement citizens want while still maintaining the security they expect from government disbursements.

Share of various instant disbursement recipients who were able to choose their method of receipt:



88%

Income and earnings disbursements



81%

Insurance and borrowing disbursements



74%

Government disbursements

News And Trends

Paper Processes Weigh Down Government Disbursements

Indiana relief program contrasts electronic and paper disbursements

The state of Indiana, which prints 50,000 checks every day, is [rolling out](#) tax refunds amounting to \$325 per eligible individual. The program, which began with disbursements of \$125, later increased refunds by \$200 for inflation relief. Automated clearing house (ACH) deposits of \$200 began appearing in taxpayer bank accounts before the state had mailed the first \$200 checks. In contrast, while some had already received their second electronic payment, some of the initial \$125 paper checks were still being mailed.

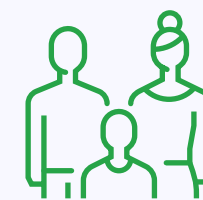


News And Trends

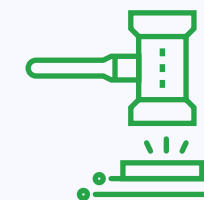
Pandemic unemployment wrongly denied or delayed for over 6M Californians

A report from the California Employment Development Department (EDD) [shows](#) that unemployment benefits for more than 6 million people were improperly denied or delayed during the height of the pandemic. The delays occurred for approximately half of all benefit applicants. While not all of the 3.4 million denials were improper, 80% of the 200,000 applicants who appealed won their cases.

Both denials and delays were attributed in part to slow manual processes, as the overwhelmed EDD left mail unopened and answered less than 1% of calls at the height of the pandemic.



200K
individuals
appealed denial of
unemployment.



80%
of appeals were won.

News And Trends

Inflation Reduction Act includes \$80B in rebates

With a target of spurring the economy while combating climate change, the United States will [fund](#) approximately \$80 billion in rebates to individuals for everything from electric vehicle purchases to home solar and heat pump installations. The spending accompanies approximately \$260 billion that will go toward business tax credits for renewable energy projects such as solar, wind and hydropower. With rebates covering even electric induction cooktops and improvements to home wiring, it is estimated that households could be eligible for up to \$14,000 in rebates.



PYMNTS Intelligence

Finding The Way To Better Government Disbursements

The COVID-19 pandemic created a need for unprecedented government disbursements.

The U.S. federal government alone distributed \$931 billion in direct payments to approximately 165 million individuals in 2020 and 2021, far exceeding any previous stimulus payment program in recent history. An estimated 9 million of those individuals were non-filers, adding to the difficulty of ensuring efficient and timely disbursements. At the same time, state and local governments have also experienced delays related to paper processes and struggled due to time-consuming manual processes.

This month, PYMNTS examines the problems faced in making government disbursements meet the needs of modern consumers and businesses.

Individual stimulus payments showed improvement with each round.

The economic stimulus payments made to individuals, beginning with \$1,200 paid to each adult and followed by payments of \$600 and \$1,400 per person, presented a new level of government direct aid to citizens. While there were some initial delays, both the IRS and the U.S. Department of the Treasury were able to make improvements with each iteration. Adding to the complexity of the endeavor, payments were also made to many individuals who had not earned enough to file taxes in recent years, requiring the government to rely on more than tax records for tracking down eligible recipients.

The first round consisted of 89.5 million individual payments sent out during 2020 and still included many payments by paper check. By the third round of payments, in early 2021, the IRS was able to announce in mid-March that it had already made 90 million disbursements. Regardless of these successes, the pandemic payments still demonstrated the need for better government engagement with citizens to facilitate government disbursements of every kind.

PYMNTS Intelligence

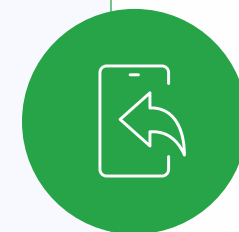
Businesses do not have time to wait for lengthy approvals and slow systems.

PPP loans were rolled out in the early days of the pandemic to help businesses keep employees on their payrolls. While some in the commercial lending industry [counterpoint](#) some of the problems the program experienced against the speed with which it was implemented, the program was still [plagued](#) by delays a year later. As the 2021 round of PPP loans began, applicants experienced weeks-long delays and 30% were either outright rejected or required to file additional paperwork due to errors in the SBA's system. Although the SBA had adopted some automation for handling applications, the system was reported to produce dozens of error codes that held up a significant number of applications.

Given the speed with which the PPP was rolled out and the approval of 11.8 million forgivable loans, many experts [agreed](#) that, even with its pain points, the PPP program was an incredible success. At the very least, it provided a learning opportunity for the future of government disbursements and commercial banking. It also accelerated the digital transformation of commercial loan applications. While the SBA's computer system had some problems and the online portal often crashed under the weight of applicant demand, digitizing the process enabled capabilities that would not have been realistic using traditional channels.

Consumers and businesses want digital payments and choice.

The expectation for low-friction and instant payments has [grown](#) during the pandemic for both individuals and businesses. This interest in instant payments is particularly high among millennials and bridge millennials, and while interest is highest for free instant disbursements, many consumers would even be willing to pay to have funds deposited more quickly.



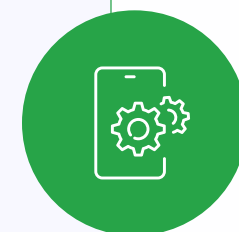
49%

of consumers would pay a fee to receive instant income and earnings disbursements.



65%

of all disbursements in 2021 were non-instant digital payments.



17%

of all disbursements in 2021 were instant.

PYMNTS Intelligence

The government needs better digital engagement with citizens.

While the PPP may have transformed how businesses receive aid from the government, disbursements to individuals revealed some of the weaknesses in how the government interacts with individuals. Although the federal government has information on citizens that can help to identify and track them down, and even electronic payment capabilities through ACH, it lacks digital engagement and a positive digital payments experience. There is no interactive touch point for individuals to help facilitate disbursements that meet consumer needs. The technology exists for building that kind of engagement, but it will require a redefinition of how the government and citizens interact. Strategic partnerships with the payments industry could be the solution.



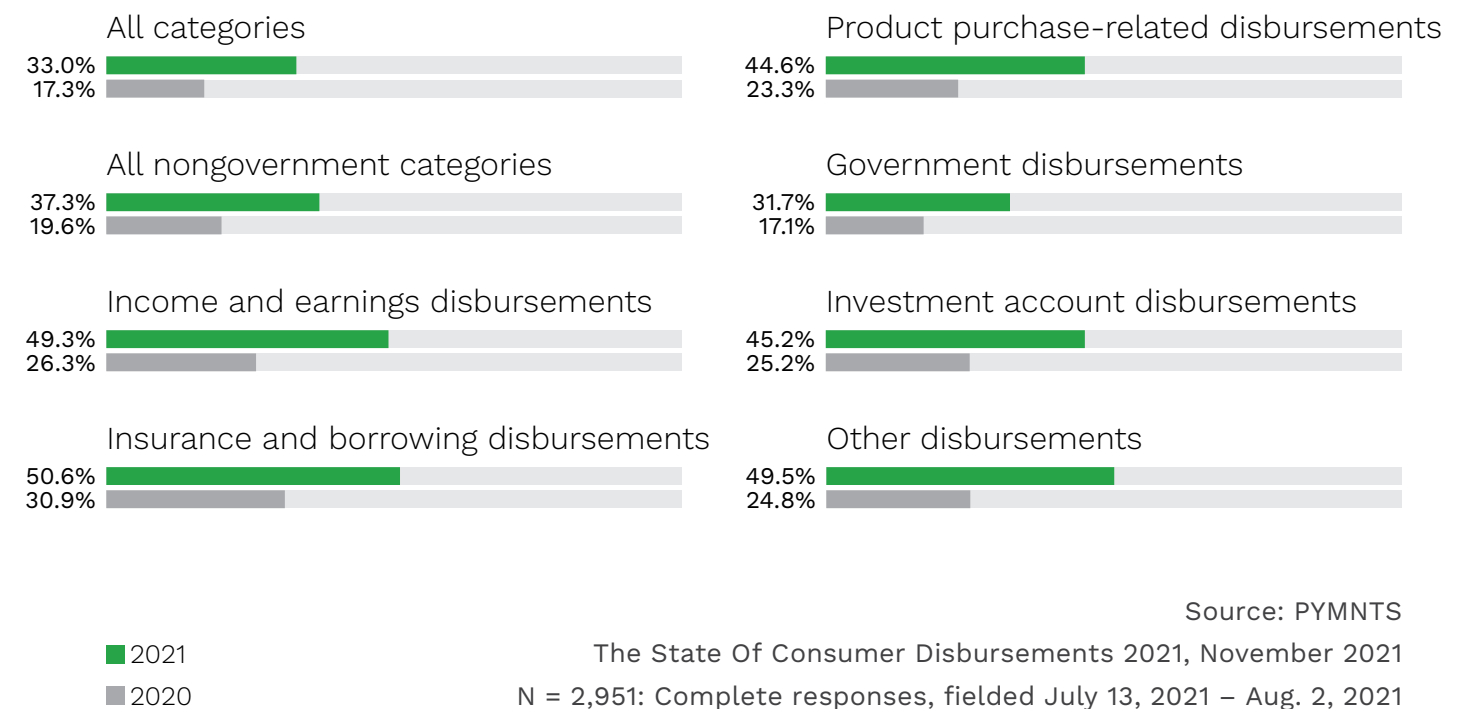
Chart Of The Month

Consumers Want Faster Government Disbursements

Almost half of consumers receive government disbursements, and nearly one-third would pay to make them instant. Consumers who receive government disbursements are among the least likely to be given a choice in how they receive their disbursements. While the percentage of the population receiving disbursements has declined since the height of the pandemic in 2020, when 59% of consumers received some kind of government disbursement, 47% were still receiving government disbursements in 2021. In addition, while consumers appear to be less interested in paying a fee for instant disbursements from the government than from other sources, nearly 32% of surveyed consumers still say they would be interested in paying such a fee.

Portion of consumers willing to pay for instant disbursements from different disbursement categories

Share willing to pay an added fee to receive instant disbursements, by category



Insider POV

Addressing Government Assistance Pain Points For Small Business



JOHN MOSHIER
CEO



“ Small businesses understand how to do what they do, but they don’t always have their arms around the questions being asked and the documentation needed to qualify for a loan.



An interview with John Moshier, CEO at [ReadyCap Lending LLC](#), about the pain points of government programs intended to aid small businesses

Navigating the paperwork of government loans

Even before the pandemic, documentation was the biggest pain point for small businesses seeking government-guaranteed loans, according to Moshier. A core service for ReadyCap is just helping customers understand the paperwork needed for specific loan programs. That can change not only from program to program but also from business to business, and there is no one-size-fits-all answer when applying.

Insider POV

When the pandemic hit, the role of commercial lenders was amplified, with everyone from the SBA down to the businesses seeking PPP loans having to learn about an entirely new program as it was being created. The PPP loans were an unprecedented kind of loan and, with the expectation of loan forgiveness, in some ways worked more like grants.

Commercial lenders as gatekeepers against fraud

Following the rollout of the PPP loans, the problems that their rapid deployment created for fraud prevention became apparent. Moshier said that guidance from the SBA was being issued even as the program was being implemented, and commercial lenders had to take a front-line role in ensuring that the money was going to the businesses for which it was intended. ReadyCap also had to weed out bots and ensure that applicants had viable businesses and were not trying to game the system.

In the end, although there were fraud problems in the overall PPP, the efforts of people on the ground who worked with businesses helped to ensure that the money actually reached the businesses that needed it to keep their employees paid.

Keeping the forgiveness coming

Not every applicant who received a PPP loan has been eligible for loan forgiveness, which was predicated on the funds being used to pay employees. For most of the businesses that ReadyCap worked with, this has not been a problem, Moshier said. At the same time, the government's efforts to prevent ineligible businesses from receiving forgiveness sometimes result in rejections that are not justified. By ensuring that documentation is squared away at the front end, ReadyCap has been able to help customers who might need to appeal, as well as those who simply have multiple requests from the government for the same documentation.

“ [The PPP] was, for lack of a better term, building the airplane while you're flying it. ”

Insider POV

Planning your work and working your plan

Handling that kind of information internally and developing better interagency cooperation could improve future crisis responses similar to the PPP, Moshier said. Much of the information that had to be gathered to validate loan applications is already held at the IRS, but there was no system in place for commercial lenders or the SBA to confirm the validity of applications with them. Similar validation is required for other loan programs, but the timing of PPP loans appears to have prevented it. By having a plan in place before it is needed, the government can ensure a smoother and better process.



DREW EDWARDS
CEO



“ The days of government paper checks are over — the pandemic was the last gasp for these outdated disbursement methods. When time and accuracy are paramount, as with stimulus payments, digital distributions are the answer. Governments around the world are already exploring long-term options like Central Bank Digital Currencies to help accelerate and de-risk payments. **In the near term, they need to foster digital engagement with citizens and leverage private industry partners to build a modern payments experience that is convenient, on-demand and secure.** ”

What's Next

Ensuring Low-Friction Government Disbursements Into The Future

The first years of the pandemic [left](#) the government with its highest satisfaction rate for payments in years, 63 out of 100, but moving forward will require officials to consider the lessons that have been learned while seeking to match payments industry best practices. Partnerships with players in the payments industry will be essential to meeting the expectations of citizens. That means doing more than simply moving from paper checks to ACH. Government disbursements need to move away from legacy systems as a whole and embrace the latest technology that is driving consumer expectations.

“ In the era of money mobility, government agencies must take a page from payments leaders in the gig economy and insurance and banking industries by first engaging digitally with citizens to optimize payments and payments choice. ”

DREW EDWARDS
CEO, Ingo Money

By taking this route, governments can both move money faster to where it will make a difference and ensure that those disbursements are made securely. Industry partners can open up a wide range of payment options for government disbursements, and proposals coming out of government agencies demonstrate that officials recognize these options' potential.

About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



Ingo Money is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to FinTechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo’s solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash-out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs more than 200 professionals and serves some of the largest brands in North America.

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