

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Department Announces New Pilot to Help Deliver Safe, Low-Cost Financial Accounts to the Unbanked and Underbanked During Tax Season

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Pilot Delivers Targeted Offers for Individuals to Sign-up for New Accounts to Receive Their Tax Refunds through Direct Deposit

Tax Season Provides Critical Opportunity to Help Unbanked and Underbanked Americans Strengthen Their Financial Futures

WASHINGTON – Today, the U.S. Department of the Treasury announced that it will launch a new pilot program to help capitalize on tax refund season as an opportunity to provide unbanked and underbanked Americans with access to safe, low-cost financial accounts. This pilot will deliver targeted offers to certain low and moderate income individuals to sign up for new accounts with debit card access at tax time in order to receive their refunds through direct deposit. It will also test offering accounts that can be used year-round in the future to deposit other sources of income, store money safely, make purchases, pay bills, withdraw cash, and build savings.

"Far too often, unbanked and underbanked Americans are forced to turn to high-cost alternative financial products – such as check-cashing and other services – that take a big bite out of the savings of those who can least afford it," said Michael S. Barr, Assistant Treasury Secretary for Financial Institutions. "For many individuals, a tax refund is the single largest payment that they will receive each year. That's why tax season is a great opportunity to deliver safe, low-cost financial products to the unbanked and underbanked that will help those Americans build stronger foundations for their financial futures."

The pilot is expected to launch during next year's tax return filing season. Treasury will reach out to eligible taxpayers in early 2011 through two methods:

- *Direct Mail.* Treasury will mail information about how to sign up for the new accounts to low and moderate income individuals who have received paper check refunds in prior years or who otherwise have not provided bank account information to Treasury.
- *Payroll Outreach.* Treasury will partner with the private sector to insert offers to enroll in the pilot into the paychecks and paystubs of select individuals who are not currently using direct deposit to receive their tax refunds.

The offers to enroll in the pilot will include instructions on how to use the account. Treasury will evaluate the results of the pilot to inform future decisions about the viability, structure, and timing of offering similar accounts as an integrated part of the tax filing and refund process.

According to the Federal Deposit Insurance Corporation's (FDIC) 2009 National Survey of Unbanked and Underbanked Households, there are an estimated 9 million households without bank accounts. Another 21 million households are underbanked, meaning that they have a bank account, but these accounts do not fully meet their needs, and they still rely on high-cost check cashing services or other costly financial service providers.

The use of safe and appropriate financial services and products can help households maintain financial stability. Unbanked and underbanked individuals often face difficulties saving and planning for their financial futures, making them more vulnerable to medical or employment emergencies and threatening their ability to invest in continuing education, purchase a home, or send their children to college. The unbanked are disproportionately low and moderate income. According to the FDIC's 2009 National Survey, a person making \$30,000 or less is more than 7 times as likely to be unbanked as someone making \$50,000 or more.

This pilot will build on the Obama Administration's continuing efforts to assist the unbanked and underbanked as well as empower Americans to make informed financial decisions. Social Security and Supplemental Security Income benefit recipients can currently receive their payments through the Direct Express[®] Debit MasterCard[®] card, a program established pursuant to terms approved by

Treasury. By 2011, Direct Express is expected to expand to all individual federal benefit programs. Additionally, President Obama has requested \$50 million in his FY 2011 Budget for a new "Bank On USA" initiative designed to bolster state and local efforts to help low and moderate income Americans obtain access to safe and appropriate financial services and products.

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