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March 10, 2023

Via Electronic Submission

Bureau of the Fiscal Service
Attn: Matthew Helfrich, Management and Program Analyst, Payment Strategy and Innovation Division
3201 Pennsy Drive
Building E
Landover, MD 20785

Re: Docket No. FISCAL 2022-0003

Dear Mr. Helfrich:

Nacha welcomes the opportunity to provide comments on the notice of proposed rulemaking (the "Proposed Rule") regarding the U.S. Treasury's ("Treasury") proposal to amend its regulation that implements a statutory mandate requiring the federal government to deliver non-tax payments by electronic funds transfer (EFT).

I. Background: Nacha and the ACH Network

Nacha governs the modern ACH Network, the electronic payment system that moves Direct Deposits and Direct Payments safely and quickly to accounts at all U.S. banks and credit unions. More than 30 billion ACH Network payments were made in 2022, moving a total of \$76.7 trillion. The Treasury and other federal agencies use the ACH Network for payroll and benefit payments; tax collections and refunds; assistance and emergency payments; Medicare and other health claim payments; grant disbursements; bill collections; contractor payments; and many other uses. In 2020 and 2021, the Treasury used the ACH Network to distribute three rounds of Economic Impact Payments ("EIP") and six months of Advance Child Tax Credits ("ACTC").

The ACH Network is governed by the Nacha Operating Rules ("[Nacha Rules](#)"). Nacha represents nearly 10,000 financial institutions of all sizes and types throughout the United States, both directly and through 10 Payments Associations. Nacha appreciates our longstanding history of collaboration and communications with Treasury. Treasury is an active participant in the development process for the Nacha Rules.

II. The ACH Network Benefits Government Payments

In the Proposed Rule, Treasury proposes to amend its regulation that implements a statutory mandate requiring the federal government to deliver non-tax payments by electronic funds transfer (EFT) unless a waiver is available. The proposed rulemaking would strengthen the EFT requirement by narrowing the scope of existing waivers from the EFT mandate. Nacha supports the Proposed Rule for the reasons described below.

Issuing payments electronically will continue to reduce costs and improve efficiency across the federal government. The most recent estimate of the cost to the federal government of creating and sending a

check is \$2.02 per check issued, versus 12 cents for an ACH credit.¹ If Treasury could convert to ACH the approximately 45 million checks distributed in 2022, the savings to the federal government would be over \$86.8 million.

Whether for payroll, Social Security benefits, Veterans' benefits, tax refunds or EIPs, the federal government has a long and successful track record using Direct Deposit. During the pandemic, Treasury utilized the ACH Network to issue 373 million EIPs² and over 182 million ACTCs. The federal government encouraged pandemic payment recipients to receive these payments via ACH Direct Deposit. Direct Deposit was the fastest and safest way to get payments to millions of recipients. Federal government tax refund recipients also prefer ACH Direct Deposit; through February 24, 2023, IRS tax refunds are tracking at 95% ACH Direct Deposit.³

Another benefit of electronic payments is the promotion of financial inclusion goals. The ability to receive government payments with certainty was cited in a 2021 FDIC survey reporting that unbanked levels in the United States were at their lowest rate since FDIC began tracking them in 2009. The FDIC stated, "The importance of quickly receiving income from Economic Impact Payments or other government relief programs created a unique bankable moment, and consumers benefited from enhanced online and mobile account opening technologies and the greater availability of safe and affordable bank accounts. This combination of factors resulted in meaningful gains in connecting households to the banking system."⁴

III. Industry Standard Technology Benefits Government Payments

In furtherance of the use of ACH payments and achieving greater efficiency, Nacha encourages Treasury to: 1) provide for the sharing of payment enrollment information across agencies to the extent possible, and to seek Congressional authorization to do so if necessary; 2) utilize customer-facing enrollment portals, similar to the IRS' portal for providing banking information for EIPs; and 3) use industry-available account validation tools and services to promote greater accuracy of payment information. When Treasury utilized verification tools for the six months of ACTCs, the ACH return rate dropped from a modest 1.7% in July to 0.1% by the final December payment.

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Nacha appreciates the opportunity to provide comments on the Proposed Rule. If you have any questions about our comments, please call me at 703-561-3943.

Sincerely,

/s/

William D. Sullivan
Senior Director & Group Manager
Government & Industry Relations

¹ Embracing the Future of Government Payments — Federal and State Agencies Continue to Reduce Paper Checks, Page 10, AGA, September 2021

² [SOI Tax Stats - Coronavirus Aid, Relief, and Economic Security Act \(CARES Act\) Statistics | Internal Revenue Service \(irs.gov\)](https://www.irs.gov/soi-tax-stats-coronavirus-aid-relief-and-economic-security-act-cares-act-statistics)

³ <https://www.bgov.com/next/news/RQYRM6GF4NPC>

⁴ [2021 FDIC National Survey of Unbanked and Underbanked Households - Executive Summary](#), page 13