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Financial Management Service **fms**



Mandatory EFT Demographic Study

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EXECUTIVE SUMMARY

OVERVIEW

The Debt Collection Improvement Act (DCIA) of 1996 requires all Federal payments (excluding tax refunds) to be made electronically by January 1, 1999. The Financial Management Service (FMS) of the Department of the Treasury is responsible for overseeing the implementation of the EFT provisions of the DCIA. This includes working with Federal benefit agencies to convert existing benefit check payments to direct deposit or other EFT payments. Toward this goal, FMS contracted with Booz·Allen & Hamilton and Shugoll Research for a four-phase research effort that will shape the future marketing efforts aimed at individual recipients of Federal benefit checks.

Phase 1 of this project was a secondary review of information on this issue based on articles, books, reports of research studies, and interviews with knowledgeable sources.

Phase 2 involved nine focus groups of Federal benefit check recipients held in four geographic markets (Philadelphia, Tampa, Kansas City, and San Diego). These nine groups were divided so that three groups each were conducted with retirement check recipients, disability check recipients, and SSI check recipients.

Phase 3 involved a telephone survey of 1,000 Federal benefit check recipients or their financial guardians. Interviews were with beneficiaries from different programs as follows: Social Security Administration (SSA)—500, Supplemental Security Income (SSI)—150, Department of Veterans Affairs (VA)—150, Office of Personnel Management (OPM)—100 and Railroad Retirement Board (RRB)—100. Within each program, the research team selected respondents randomly from lists of Federal benefit check recipients for whom telephone numbers were available.

Phase 4 involved a mail survey sent to 1,811 Federal benefit check recipients who were not eligible for the telephone survey because telephone numbers were not available for them. The number of surveys mailed to check recipients from different agencies was proportional to the number of unmatched telephone numbers from the original sample lists, which resulted in a higher proportion of SSI and Social Security retirement check recipients in the mail survey than in the telephone survey. A total of 769 surveys were returned for a response rate of 42 percent.

Findings across the four phases of the research are highly consistent. The study findings and the conclusions and recommendations presented in this Executive Summary are based on the consolidated results of all four phases.

STUDY FINDINGS BY OBJECTIVE

Describe the Characteristics of Federal Benefit Check Recipients

1. Based on the secondary data review, SSA check recipients represent most of the Federal benefit check recipients (70 percent); the majority of these recipients are retirees or their dependents. SSI check recipients are the next largest segment (20 percent). VA (6 percent), OPM (3 percent), and RRB (1 percent) check recipients together account for the remaining 10 percent. OPM and RRB check recipients primarily receive pension benefits. VA check recipients most often receive disability payments or a combination of both pension and disability payments.
2. The secondary data review and statistics provided by the FMS¹ indicate that as of February 1997, 65 percent of SSA Title II recipients, 32 percent of SSI recipients, 58 percent of VA recipients, 76 percent of OPM recipients, and 64 percent of RRB recipients receive their Federal benefit payments via EFT. A large part of OPM's success in using EFT is attributed to the EFT marketing campaigns targeted at Federal workers who then retire and continue to use direct deposit. SSI has the lowest rate of use for EFT at 32 percent. However, it is worth noting that more disability beneficiaries than retirement or SSI beneficiaries currently receive their Federal benefit payments by direct deposit.
3. Because most Federal benefit check recipients receive SSA or other retirement moneys, the characteristics of benefit check recipients overall closely match the characteristics of SSA beneficiaries. According to the telephone survey results, most are 65 or older (73 percent), white non-Hispanic (84 percent) with a high school education or less (65 percent). The gender of recipients is almost equally divided, male (51 percent) and female (49 percent). Most are married (56 percent), but because of their age, few have dependent children under 18 living with them (13 percent). Since the mail survey respondents include more SSI check recipients, respondents to this survey are younger (61 percent are 65 years or older), less often white non-Hispanic (70 percent) and more often black non-Hispanic (17 percent) and Hispanic (7 percent), lower educated (71 percent have a high school education or less), more often female (54 percent) and more often have children in their household (17 percent). However, even with these differences, Federal benefit check recipients are largely white non-Hispanic seniors.
4. Characteristics of benefit check recipients from different programs vary considerably according to results from all four phases of the research. For instance, telephone and mail survey respondents who are disability check recipients are primarily male (85 percent telephone versus 80 percent mail), while those who are SSI check recipients are predominantly female (63 percent telephone versus 72 percent mail). SSI check recipients from the telephone and mail surveys are also much younger (mean of 58 and 57 years, respectively), more urban (40 percent telephone versus 44 percent mail), less

¹ Statistics supplied by the FMS for EFT payments as of February 1997.

likely to have completed high school (46 percent telephone versus 53 percent mail) and more likely to be of a racial or ethnic minority (33 percent telephone versus 49 percent mail) than retirement check or disability check recipients. SSI check recipients interviewed in the telephone survey are also much less likely to be married (19 percent) than retirement check and disability check recipients. Due to the requirements for program benefits, SSI check recipients have the lowest household income of all telephone and mail survey respondents (mean of \$12,000 and \$10,600, respectively). Disability check recipients, in contrast, have the highest household annual income (mean of \$35,800 and \$26,100, respectively). The mean income for Federal retirement check recipients surveyed by telephone and mail is \$28,500 and \$21,500, respectively.

5. Because Phases 2, 3, and 4 of the research were conducted in English only, virtually all respondents speak English as their primary language (98 percent of telephone survey respondents). No figures could be found on the number of Federal benefit check recipients who speak Spanish or another foreign language as their primary language, but it is assumed that this number is under-represented in the current research.

Describe Banking Relationships and Financial Habits of Federal Benefit Check Recipients and Why Some Recipients Do Not Have Bank Accounts

1. The secondary data review suggests that approximately 13 percent of all U.S. households do not have accounts with a financial institution. Those without bank accounts are younger, of lower income, and more often a racial or ethnic minority than those with bank accounts. They also are less educated and more likely to be a single parent than those with bank accounts.
2. Overall, 18 percent of the Federal benefit check recipients interviewed in the telephone survey and 27 percent of mail survey respondents do not have bank accounts. The higher rate of unbanked individuals in the mail survey is consistent with the profile of those with no telephone, with a telephone number in another person's name, or with an unlisted telephone number, because these individuals are disproportionately low income.
3. SSI check recipients from the telephone survey, mail survey, and the focus groups are far more likely to not have a bank account (58 percent telephone versus 56 percent mail) than retirement check recipients (13 percent telephone versus 20 percent mail) or disability check recipients (13 percent telephone versus 19 percent mail). The demographic characteristics of SSI beneficiaries and the fact that many banks offer those 65 or older special senior accounts with reduced or no service fees are contributing factors to this finding.
4. Based on the focus groups, the telephone survey and the mail survey, the major reasons the unbanked do not have bank accounts are that they do not have enough money (47 percent telephone versus 67 percent mail), they do not need an account (21 percent telephone versus 27 percent mail), and that bank fees are too high (6 percent telephone versus 24 percent mail). Because many of the economically disadvantaged do not have

enough money to maintain minimum balances (or in some cases, any positive balance), service fees associated with an account often exceed the service charges of the few transactions they conduct each month when obtaining cash or money orders. Not having an account further protects them from the problems of large fees, bounced checks, and overuse of automated teller machines (ATM) (3 percent telephone versus 13 percent mail). Several unbanked consumers also cite a bad credit history (1 percent telephone versus 10 percent mail), a general distrust of financial institutions (1 percent telephone versus 0 percent mail), the desire to keep information about their financial resources private (1 percent telephone versus 4 percent mail), and fear of having their assets frozen in the event of a legal judgment (1 percent telephone versus 4 percent mail) as reasons for not having a bank account. These reasons, however, are named much less often than lack of need and concern about high bank fees.

5. Nearly all Federal benefit check recipients interviewed in the telephone and mail surveys cash their Federal benefit checks in a bank or other financial institution (94 percent telephone versus 80 percent mail). Even those without a bank account use a bank regularly to cash their Federal benefit checks (63 percent telephone versus 42 percent mail). Other places that are used regularly by the unbanked to cash their government checks are grocery stores (30 percent telephone versus 24 percent mail), check cashing outlets (CCO) (10 percent telephone versus 12 percent mail), and other retail stores (3 percent telephone versus 10 percent mail). These sources are used regularly by less than 10 percent of Federal benefit check recipients with a bank account (4 percent telephone versus 7 percent mail).

Determine the Reasons for Receiving Federal Payments by Check and Identify the Obstacles to Receiving Payment by EFT

1. Most Federal benefit check recipients from the telephone and mail surveys are aware that regular Federal benefit payments can be deposited directly (82 percent telephone versus 71 percent mail), and most feel that the sign-up procedures for direct deposit are easy (75 percent telephone versus 77 percent mail). However, few telephone survey respondents are aware, on an unaided basis, of automated or telephone sign-up procedures (less than 10 percent), indicating that perceptions of the ease of sign-up could be improved if these simplified sign-up procedures were publicized better. Still, awareness of direct deposit or the sign-up procedures for direct deposit of Federal benefit payments is not the major obstacle to increased EFT use.
2. Results from the focus groups, the telephone research, and the mail survey indicate that most Federal benefit recipients who receive their payments by check do so because they like the security of seeing a tangible payment, and they want to be certain that there are no problems with the payment delivery or amount (11 percent telephone versus 51 percent mail). These individuals are concerned that, if their payments are deposited directly, they will not know exactly when the money will be available to them and that any problems with electronic payments will be more difficult to resolve than problems with checks (7 percent telephone versus 42 percent mail). Further, check recipients fear

that the ramifications of a problem with EFT could be greater because they could incur bounced check fees and find their credit history damaged if checks are written against an account when their Federal benefit payment arrives late or not at all (2 percent telephone versus 39 percent mail).

3. Many focus group, telephone survey, and mail survey respondents concur that these risks associated with direct deposit are not necessarily offset by the benefits. These respondents feel this way because they need to go to the bank anyway to get cash and conduct other financial business (2 percent from both surveys). Thus, they do not perceive direct deposit as more convenient. Those who do not feel compelled to go to the bank dislike the idea that they would need to write more checks to get cash (2 percent of telephone survey and 1 percent of mail survey respondents).
4. Other reasons for not using direct deposit named in the focus groups, the telephone survey and the mail survey include not wanting their money to be tied up in an account that may be frozen (7 percent telephone versus 20 percent mail), not wanting other family members to know how much money they receive (1 percent telephone versus 9 percent mail), and, especially for SSI check recipients, not wanting the Federal government to know how much money they have because this could jeopardize future payments. Each of these reasons is named by a small minority of check recipients.
5. Focus group respondents discussed how to mitigate concerns about payment receipt. Some were comfortable with the concept of using an interactive voice response (IVR) system whereby they could receive their account balance automatically over the telephone at any time. Others were uncomfortable with this and, instead, wanted written receipt of their payment deposit either initially or, for some, monthly. All wanted a name and telephone number to contact if there should be a problem with their payment deposit.

Measure Interest in a New EFT Delivery System

1. Many current benefit check recipients from the focus groups like the idea of their Federal benefit payments going directly to an account that can be accessed with a personalized card at an ATM machine or used to withdraw cash at selected stores. However, they have concerns about how the program would work and whether there would be charges for this type of program. Interest in the program definitely declines sharply if fees will be associated with using the card.
2. Telephone survey and mail survey results indicate that interest in using this type of program among the unbanked is limited (29 percent telephone versus 27 percent mail) are somewhat or very likely to sign up for it if available. This figure is based on the assumption that all unbanked check recipients are aware of the program and understand how it works. More than half of the unbanked interviewed in the telephone survey (52 percent) indicate that they are not at all likely to sign up for this type of program, and more than half of both banked (57 percent) and unbanked (52 percent) mail survey

respondents say they probably or definitely would not participate in this program. In pilot tests in selected markets (Baltimore, Houston, Dallas/Fort Worth), actual voluntary enrollment rates for similar programs were about 5 percent or less. Thus, the availability of an account accessible by a debit card alone is not likely to affect EFT participation significantly among Federal benefit check recipients.

3. If such a debit card program is introduced, Federal benefit check recipients from the telephone survey prefer the account access points to be a post office (40 percent are likely to use) or grocery store (36 percent are likely to use). Focus group respondents expressed a strong preference for grocery stores, but mail survey respondents strongly prefer the post office (70 percent are likely to use). Check cashing services are less preferred by focus group, telephone survey, and mail survey respondents (30 percent telephone versus 13 percent mail are likely to use) because they are located mainly in urban areas and are perceived as being less safe than grocery stores.

Determine Most Effective Messages for Encouraging Direct Deposit Among Current Federal Benefit Check Recipients

1. As identified in all four phases of the research, the two primary advantages of direct deposit are safety and convenience. Many focus group, telephone survey, and mail survey respondents believe direct deposit is safer because the payment cannot be lost or stolen in the mail (24 percent telephone versus 67 percent mail), and check recipients do not need to go to the bank on days when the payment is delivered (13 percent telephone versus 38 percent mail). Direct deposit is perceived to be more convenient because check recipients can go to the bank when they want (23 percent telephone versus 27 percent mail), and their payment will be received by the bank even if they are sick or out of town (6 percent telephone versus 56 percent mail). SSI check recipients and retired check recipients from the focus groups who live in unsafe areas are especially concerned about the safety issue because thefts from mailboxes or from people traveling to and from the bank are commonplace. Few focus group, telephone survey, or mail survey respondents recognize earlier access to their money as a benefit (5 percent telephone versus 17 percent mail). Most focus group, telephone survey, and mail survey respondents also do not recognize reliable receipt of the payment as a benefit (less than 1 percent name as an advantage) because they have not had problems receiving their checks by mail, and they have no experience upon which to judge the reliability of EFT.
2. Six potential messages were tested in the telephone survey to determine which would be most effective in convincing Federal benefit check recipients to have their Federal payments deposited directly into their account. All six were compelling to a majority of check recipients. Most convincing were the messages that direct deposit is safer because there is less chance that the money will be lost or stolen (75 percent find somewhat or very convincing), and that with direct deposit, the money will be in the recipients' accounts even when they are out of town, sick, or cannot get to the bank (75 percent find somewhat or very convincing). Knowing when the money will be available, going to the bank only when they want to, ease of sign-up, and earlier access

to the money are all convincing but to a lesser degree (59 to 65 percent find somewhat or very convincing).

3. Reactions are mixed among Federal benefit check recipients who are aware of the mandatory EFT law. More check recipients from the telephone survey and mail survey object to this law (47 percent telephone versus 39 percent mail slightly or strongly object to it) than support it (28 percent telephone versus 29 percent mail slightly or strongly support it). Many focus group respondents feel that it is good for the government to want to process payments more cost effectively and efficiently, but they resent the government's telling them what to do. Many check recipients from the focus groups also feel that if all payments are made electronically, the government or the banks will be making money at the expense of the consumer. Additionally, some are concerned that bank fees resulting from EFT of their government payments will be an unwelcome cost or, in the case of the unbanked, that they will be forced to open an account. Thus, information about this law needs to address consumer concerns about these issues.

Determine the Most Effective Vehicles for Communicating the Benefits of Direct Deposit to Federal Benefit Check Recipients

1. Based on the focus group and telephone survey results, the most common way that Federal benefit check recipients have learned about direct deposit to date is from printed inserts included with their checks (53 percent). No other vehicles, including signs at Federal agencies or financial institutions (11 to 12 percent), articles in newspapers or magazines (4 percent), information on television or radio (6 percent), and even word of mouth from friends, family, and coworkers (12 percent) approximate this level of awareness.
2. Most Federal benefit check recipients interviewed in the focus groups, telephone survey, and mail survey feel that inserts with their checks are a very effective way of reaching them, and they think the Federal government should continue to use this vehicle (28 percent telephone versus 76 percent mail). They also strongly suggest that the Federal government consider sending them mail about direct deposit separately from their checks (36 percent telephone versus 56 percent mail). A variety of other sources are suggested as ways to reach different audiences but at much lower frequency. These other vehicles include advertising, informational articles, and interviews in media, such as television (14 percent telephone versus 41 percent mail), newspapers (7 percent telephone versus 32 percent mail), radio (4 percent telephone versus 17 percent mail), and magazines (1 percent telephone versus 5 percent mail).
3. The Federal government is considered a highly credible source of information on direct deposit, and Federal benefit check recipients in the focus groups say they would pay attention to information provided by the Federal government. Check recipients interviewed in the focus groups also feel that their local banks and organizations, such as veterans' groups, senior citizen groups, or trade unions, are credible sources of

information; but the endorsement of these organizations is not necessary for the messages to be believable. Telephone and mail survey respondents concur that information disseminated through organizations they belong to is an effective way to reach them with information about the mandatory EFT law (4 percent telephone versus 22 percent mail).

CONCLUSIONS

1. The Federal government should give top priority to marketing direct deposit to retired Federal benefit check recipients, including those receiving SSA, VA pension, Federal civil service retirement, and railroad retirement checks. The Federal government should give top priority to this segment primarily because of its size, but also because of the relative ease of persuading these check recipients to sign up for direct deposit. Messages used to convince this segment to obtain direct deposit should emphasize safety and convenience equally and, to a lesser extent, freedom to go to the bank when they desire. The Federal government should use direct mail primarily, including both check stuffers and information sent separately from the checks, to communicate these messages. The Federal government should supplement direct mail with targeted print and broadcast media, as well as materials for organizations serving senior citizens.
2. A second priority segment should be disabled check recipients. This segment is ranked next because the idea of direct deposit is generally appealing to them, making them a relatively easy group to convert to EFT. The convenience of not having to go to a bank should be the primary message to this group. Vehicles that will be most effective in reaching this segment are printed check inserts, other direct mail, mass media aimed at their demographic group, and dissemination of information through disabled and veterans organizations.
3. Unbanked check recipients represent another priority segment for EFT education and marketing. This segment is important because it is fairly large and represents the most disadvantaged recipients. It clearly will be the most difficult segment to convert to EFT because conversion first requires establishing an account where payments can be deposited. The primary messages to communicate to this segment are the added safety of EFT and assurances that information about the account, including deposit and transaction information, will not be revealed to the Federal government or to anyone else. These messages should be communicated through check inserts, other direct mail, mass media targeted to their demographic segments, and community service organizations that serve unbanked check recipients.

In summation, Booz-Allen & Hamilton and Shugoll Research have concluded the four FMS project study phases and provide hereafter the full and comprehensive demographic results.

1. OVERVIEW

1.1 Background

On April 26, 1996, the President signed a law requiring the electronic disbursement of all Federal benefit payments after January 1, 1999. This law, called “mandatory electronic funds transfer” (EFT), represents an opportunity for the Federal government to experience major cost savings while delivering Federal benefit payments more efficiently.

Currently, more than half of Federal benefit payments are made by EFT rather than by check. The percentage of EFT disbursements has been increasing since passage of the Debt Collection Improvement Act (DCIA), April 1996. For example, since August 1996, 82 percent of Social Security benefit payment enrollees have selected EFT. The current research effort was authorized to help the Federal government understand the attitudes and behaviors affecting the consumers’ choice to receive their Federal benefits payments electronically or through the mail and to identify what might motivate check recipients to accept their payments electronically. The Financial Management Service (FMS) of the Department of the Treasury will use this information to help design and implement programs for encouraging Federal benefit recipients to receive their payments electronically.

1.2 Scope

Although the mandatory EFT law covers Federal payments to both individuals and businesses, the current research focuses only on individuals receiving Federal benefits. Further, because the goal is to examine how the Federal government can encourage individuals to request electronic transfer of their payments, individuals who have already signed up for direct deposit of their Federal payments are excluded from the research. Agencies for which FMS disburses Federal benefit payments and that are covered by mandatory EFT include the Social Security Administration (SSA), the Office of Personnel Management (OPM), the Department of Veterans Affairs (VA), and the Railroad Retirement Board (RRB). All current recipients of benefit checks from these agencies compose the population under study.

The current project has four major components: a secondary data review, a qualitative research phase consisting of nine focus groups in four geographic markets, a telephone survey consisting of 1,000 telephone interviews with Federal benefit check recipients, and a mail survey sent to 1,811 Federal benefit check recipients for whom telephone numbers were unavailable. A detailed description of each component is presented in subsections 1.4 through 1.7 of this report. Taken together, these components create a sound basis for understanding how best to encourage these individuals to obtain electronic transfer of their Federal payments.

1.3 Research Objectives

This research has the following six objectives, which are the same for each component of the research:

- Describe the characteristics of Federal benefit check recipients.
- Analyze the banking relationships and financial habits of Federal benefit check recipients and the reasons that some do not have bank accounts.
- Ascertain the reasons for choosing Federal payments by check, and identify the obstacles to accepting payment by EFT.
- Measure interest in a new EFT delivery system in which payments are transferred electronically to nonfinancial institutions, such as post offices, check-cashing centers, and retail stores, and are accessed through a plastic card.
- Decide on the most effective messages for encouraging direct deposit among Federal benefit check recipients.
- Determine the most effective vehicles for communicating the benefits of direct deposit to Federal benefit check recipients.

Detailed findings for each component of the research are organized so that the results appear under the objective that they address. This arrangement ensures that each objective is addressed fully and that only information answering the research objectives is included in the project.

1.4 Research Methodology: Secondary Data Review

Secondary data were reviewed for information to assist in designing the qualitative and quantitative phases of the project and to give context to the overall analysis. Federal agencies (SSA, VA, OPM, RRB, the Federal Reserve System, and the Department of the Treasury) and other organizations likely to have information about consumers' acceptance and use of direct deposit were contacted. The organizations included National Automated Clearing House Association (NACHA), Electronic Funds Transfer Association (EFTA), American Bankers Association (ABA), Consumer Bankers Association (CBA), American League of Financial Institutions (ALFI), American Association of Retired Persons (AARP), America's Community Bankers (ACB), Independent Bankers Association of America (IBAA), and Consumer Federation of America (CFA). In several instances, these agencies and organizations maintain World Wide Web sites that offer relevant information.

In addition, Internet and database searches using the CARL, UnCover, and Dialog systems were conducted by entering key words, such as "unbanked," "alternative financial sector," "lower income," and "EFT," to secure articles from the popular press and academic journals. Preliminary search results led to additional sources, as did leads provided by FMS.

1.5 Research Methodology: Focus Groups

The focus group technique was selected to obtain qualitative information about the study objectives and to help identify issues for inclusion in the quantitative phase. A focus group is a

panel discussion involving 8 to 10 representatives of a selected target market for a particular service, product, or idea. The technique is especially useful for gathering in-depth information on a topic or for targeting market reactions to a new product or service as well as for assessing reactions to marketing and advertising concepts. The discussion is led by a moderator who is trained in consumer behavior theories and marketing principles. Participants in the discussion are encouraged to relate to each other, share attitudes, and provide candid opinions on the topics presented to them by the moderator or generated by the dynamics of the group. Consensus is not sought. The moderator is not supposed to proselytize or educate respondents but is to use facilitator skills to question, probe, and clarify responses and to control the flow of the conversation to cover all relevant areas of interest to the client.

Shugoll Research and FMS met to identify and rank the study objectives and criteria to be used for recruiting respondents. Shugoll Research then designed a screener (see Appendix A) to identify and screen qualified participants. The screener was submitted to the client and the Office of Management and Budget (OMB) for review and approval. Client suggestions were integrated into the final version of the screening instrument before recruitment began.

Nine focus groups were used in four cities. Three groups were composed of respondents who are retired and receive Social Security or some type of Federal pension check (Tampa, 1/8/97; Kansas City, 1/13/97; San Diego, 1/30/97); three groups consisted of respondents who receive some type of Federal disability check (Philadelphia, 1/7/97; Tampa, 1/8/97; San Diego, 1/29/97); and three groups were of respondents who receive Supplemental Security Income (SSI) checks (Philadelphia, 1/7/97; Kansas City, 1/13/97; San Diego, 1/29/97). To qualify for the groups, respondents had to meet the following criteria:

- Receive regular payments from a Federal program: SSA, VA Pension, Railroad Retirement, Federal Civil Service Retirement, VA Disability, Railroad Disability, Civil Service Disability, and SSI. Respondents also were accepted for the disabled groups if they indicated that they received Social Security Disability.
- Receive their payments by check.

To the extent possible, respondents were recruited to represent a cross section of individuals who do and do not have a checking or savings account at any type of financial institution, racial backgrounds, household incomes, and locations (city, suburb, small town, and rural area). In addition, for the groups whose members receive disability payments and SSI, a mix by age was sought.

Respondents were recruited from computerized databases supplemented by other local resources in the four cities. Especially for the disability groups, local veterans' groups and organizations of the disabled were contacted and newspaper ads were placed to identify qualified individuals. For each focus group, 12 to 15 respondents were recruited. Once a potential respondent was screened and qualified, a cash honorarium was offered to encourage participation in the study and to help guarantee a show of 8 to 10 respondents. When a respondent agreed to participate in one of the group sessions, a confirmation letter was mailed. The letter confirmed the time, date, and

location of the group session and the promised honorarium and provided detailed directions to the focus group facility. The day before each group session, all respondents were reconfirmed by telephone.

Shugoll Research designed a topic guide (see Appendix B) to be used by the focus group moderator in leading the discussion groups. The guide was designed to meet the study objectives and submitted to the client and OMB for approval before recruiting. Each session began with introductory remarks and respondent introductions; the groups then discussed each of the study objectives. Client comments and suggestions were integrated into the moderator's guide before the discussion groups began.

The focus groups were held in specially designed research facilities. Representatives from FMS observed the focus group sessions from behind a one-way mirror. Each group was audiotaped and videotaped, and the tapes have been made available to the client.

A qualitative research methodology such as focus groups seeks to develop directions rather than obtain quantitatively precise or absolute measures. Because of the limited number of respondents involved in this type of research, the study should be considered exploratory, and the results should be used to generate hypotheses for marketing decision-making and further testing. The nonstatistical nature of qualitative research means that the results cannot be generalized to the population under study with a known level of statistical precision.

1.6 Research Methodology: Telephone Interviewing

A telephone survey of 1,000 Federal benefit check recipients was conducted to validate results from the focus groups and to quantify the degree to which certain attitudes and behaviors exist among the larger population. Conducting the study by telephone had the following advantages:

- Provided fast receipt of data.
- Increased control over sampling and interviewing procedures.
- Ensured completion of a predetermined number of interviews while minimizing nonresponse bias.
- Allowed respondents' answers to be probed and clarified.

A stratified random sample was used as the basis for the interviews. Randomly selected names and addresses of Federal benefit check recipients were drawn from each program's files and delivered to Shugoll Research for sampling. Shugoll Research used a computer program to match the names and addresses electronically with telephone numbers, where available. The list of names and addresses provided by each agency and the successful rate of telephone matching are shown in Table 1. Because the original SSI file produced a small number of matched names and to ensure that there would be enough interviews, this program's check recipients were sampled a second time.

Table 1. Names Available for Telephone Survey by Agency

List	Total Records	Matched Records	Percent Matched	Interviews Desired	Sample Ratio
SSA	13,091	5,518	42	500	11:1
SSI Original	3,750	700	19	150	5:1
VA	3,750	1,898	51	150	12:1
OPM	2,588	1,369	53	100	14:1
RRB	3,011	1,727	57	100	17:1
SSI Additional	10,000	2,843	28	150 Total From Both Lists	24:1

A target number of interviews to be completed for each program was established so that the agencies with the largest number of benefit check recipients would be more heavily represented in the sample. An adequate number of interviews from each program could be examined separately, if desired. Population size, sample size, and sample reliability overall and by each agency are presented in Table 2.

Table 2. Sample Size and Reliability by Agency

Program	Population Size	Percent of Population	Target Sample Size	Percent of Sample	Reliability Estimates*
SSA	16.8M	70	500	50	+/-4.5
SSI	4.8M	20	150	15	+/-8.2
VA	1.5M	6	150	15	+/-8.2
OPM	0.6M	3	100	10	+/-10.0
RRB	0.3M	1	100	10	+/-10.0
Total	24.0M	100	1,000	100	+/-3.2

*Reliability estimates are calculated at the 95 percent confidence interval.

A questionnaire was designed by Shugoll Research that is based on the list of study objectives and the results from the focus group research. This questionnaire was pretested on eight respondents from the OPM list. On the basis of this pretest, some changes were recommended. The draft questionnaire also was submitted to FMS and OMB for comment and approval. Their comments were integrated into the final questionnaire before the start of interviewing. A copy of the final questionnaire is in Appendix C.

All interviews were conducted between March 10, 1997, and March 24, 1997. Interviewing was conducted during evenings and weekends to allow equal access to working and nonworking individuals. Interviews averaged approximately 11 minutes. On average, 55 percent of the individuals interviewed qualified for study participation. The remainder did not qualify because of one of three reasons:

- The person works in a sensitive industry.
- The person claims not to receive Federal benefit checks from the designated program.
- The person is not the one who decides whether the Federal benefit payment is received through the mail or by direct deposit.

For maximizing the reliability of the data, the following quality control procedures were used:

- After the questionnaire received final government approval, it was programmed for computer-assisted telephone interviewing (CATI). CATI ensured that skip patterns were followed so that certain questions were asked only of appropriate respondents. CATI also randomized the order in which rotated lists of rated items were used to minimize order bias.
- All interviews were conducted from a central telephone bank that was carefully monitored by a project supervisor.
- Only experienced interviewing staff were used, and all interviewers and field supervisors were required to attend an extensive briefing on interviewing procedures and protocols.
- Up to three attempts were made to contact respondents before another name was substituted to minimize nonresponse bias.
- Daily progress reports were submitted by the field supervisors to the project manager so that the project manager could monitor progress and readily identify problem areas, if any.
- At least 10 percent of all interviews were monitored electronically by the field supervisors.
- A random sample of 10 percent of each interviewer's work was validated by the project supervisor using a brief questionnaire that repeated key questions to survey respondents.
- Completed interviews were reviewed by project staff on an ongoing basis to monitor the quality of interviewing.

Data were analyzed overall and for selected subgroups. The following subgroups were examined:

- Retirement check recipients (defined as SSA, VA Pension, Railroad Retirement, or Federal Civil Service Retirement check recipients)
- Disability check recipients (defined as VA Disability, Railroad Disability, or Civil Service Disability check recipients)

- SSI check recipients
- Check recipients with a bank account (“banked” recipients)
- Check recipients without a bank account (“unbanked” recipients)
- Check recipients under 55 years of age
- Check recipients 55 to 74 years of age
- Check recipients 75 years or older
- Check recipients with annual household incomes of less than \$10,000
- Check recipients with annual household incomes of \$10,000 to \$24,999
- Check recipients with annual household incomes of \$25,000 to \$49,999
- Check recipients with annual household incomes of \$50,000 or more
- Male check recipients
- Female check recipients
- Check recipients who live in an urban area
- Check recipients who live in a suburban area
- Check recipients who live in a small town area
- Check recipients who live in a rural area
- Check recipients who are White, not Hispanic
- Minority check recipients
- Check recipients who are financial guardians or caregivers.

Copies of the data tables were presented to FMS in hard copy and on data diskette under separate cover. In addition to presenting the findings for each question cross-tabulated by the listed subgroups, statistical testing at the 95 percent confidence level was run between subgroups. Summary statistics (e.g., mean, standard deviation, and median) also were run, where appropriate.

The major limitation of the telephone survey is that it can address only a population of Federal benefit check recipients who have a telephone, have a listed telephone number, and whose current telephone number is listed under their names. Given the large number of Federal benefit check recipients (especially SSI check recipients) for whom a telephone number could not be obtained, this limitation is important. The omission of households with no telephone or no listed telephone number is most likely to affect profiles of check recipient characteristics (because these households are expected to be of lower income than households with telephone numbers) and analyses of the unbanked population.

1.7 Research Methodology: Mail Survey

A mail survey was conducted among Federal benefit check recipients who could not participate in the telephone survey because their telephone numbers are unlisted, listed under someone else's name, the recipients do not have telephones, or the recipients have moved recently. The purpose of this survey was to ensure that all Federal benefit check recipients have an equal chance of participating in the research and that the quantitative research results are not subject to systematic sampling bias.

Shugoll Research, with input from Booz-Allen and FMS, designed the self-administered mail questionnaire, incorporating key questions from the previous telephone survey. The wording of some questions was changed slightly to make it appropriate for using the self-administered data collection technique. In addition, fewer questions are in the mail survey than in the telephone survey because of the space constraints of the 4-page survey booklet. A copy of the mail survey is in Appendix D of this report.

The questionnaire was mailed to one-eighth of Federal benefit check recipients from the initial sample whose telephone numbers had not been found by an electronic matching program. The names and addresses of the recipients of the mail questionnaire were selected randomly from the unmatched part of the sample previously used in the telephone study. The numbers, by agency, are as follow:

Table 3. Mail Survey Sampling Ratio by Agency

Agency	Number of Unmatched Names from Original Telephone Survey Sample	Size of Mailing	Ratio of Names to Mailout Size
SSA	7,146	893	8:1
VA	1,811	226	8:1
SSI	3,050	381	8:1
RRB	1,283	160	8:1
OPM	1,207	151	8:1
Total	14,497	1,811	8:1

A total of 1,811 questionnaires with accompanying cover letters and postage-paid envelopes was mailed on June 25, 1997. The following procedures for maximizing response rates were implemented:

1. The survey was kept short and easy to follow. It also had lots of white space and large type so that it would not be intimidating and would be easy for senior adults and visually impaired and low-literacy individuals to read.
2. There were no identifiers on the survey or on the postage-paid return envelope so that respondents could be assured of complete anonymity and confidentiality.
3. The cover letter was printed on FMS stationery and was signed by the FMS' Assistant Commissioner of Federal Finance. The letter explained to Federal benefit check recipients why participation in the survey is important, stressed the respondents' anonymity, described how they would benefit by participating, and noted the required response date. See Appendix D for a copy of the letter.
4. The survey was mailed in envelopes similar to those used for the respondents' checks. The envelopes were mailed from the FMS' Philadelphia Regional Financial Center, where most of the respondents' checks are mailed.
5. A postage-paid envelope addressed to "Treasury Survey c/o Shugoll Research" was included with the survey.
6. A reminder postcard was sent to all potential respondents approximately 2 weeks after the original survey mailing date, on July 7, 1997. A second reminder postcard was sent to all potential respondents on July 14, 1997, approximately 3 weeks after the survey mailing date. Copies of the postcards are in Appendix D.

Of the 1,811 surveys mailed, 35 (2 percent) were returned as undeliverable. The undeliverable surveys are a result of the list of potential respondents being processed in February 1997 for the telephone survey and the mailing being conducted in June 1997. Surveys were undeliverable because the recipient changed address or had died. A total of 754 questionnaires was returned by July 25, 1997, and was included in the analysis. An additional 15 questionnaires were returned in August 1997, (after the cut-off date) and were not included in the analysis. The resulting response rate of 42 percent means that results are reliable to plus or minus 3.6 percentage points at the 95 percent confidence level. The response rate by agency is shown in Table 4. Figure 1 shows the response rate by date and clearly identifies the increase in returns several days after each reminder postcard was mailed.

Table 4. Response Rate by Agency

Agency	Size of Mailing	Number of Surveys Returned	Approximate Response Rate*
SSA	893	427	48%
VA	226	125	55%
SSI	381	207	54%
RRB	160	77	48%

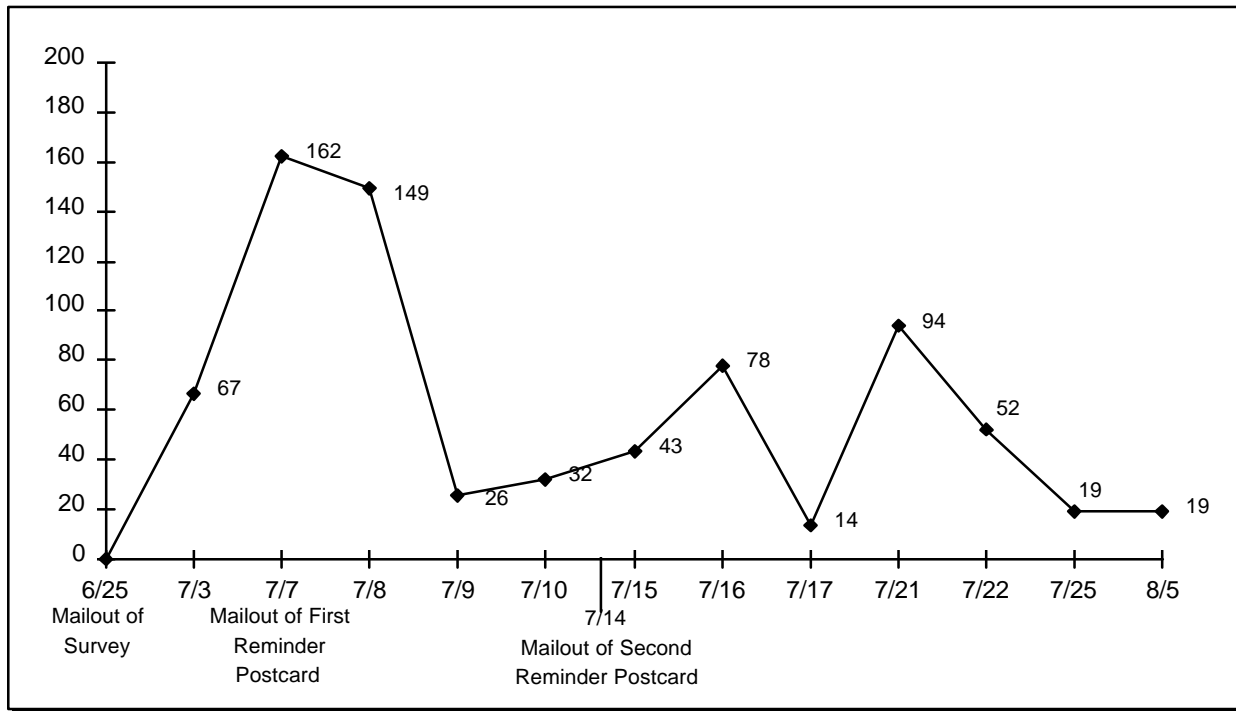
OPM	151	88	58%
Total	1,811	754*	42%

*Number of returned surveys by agency exceeds total because some Federal benefit check recipients receive checks from more than one agency. Response rates are approximate because it is not possible to determine from which agency's list respondents with multiple benefit checks were drawn.

Data were analyzed overall and for selected subgroups. The subgroups examined are nearly identical to those analyzed for the telephone study. Because of differences in the distribution of respondents across sample subgroups, there were too few respondents earning \$50,000 or more per year, so the highest income category for the mail survey was collapsed to \$25,000 or more. In addition, given the larger number of older respondents to the mail survey, the subgroup for respondents 55 to 74 years of age was divided into two groups consisting of those 55 to 64 years and those 65 to 74 years. The caregiver subgroup is not included in the mail survey tables because the mail survey instrument did not identify whether the respondent was the actual Federal check beneficiary or a caregiver responsible for the fiscal affairs of a beneficiary.

Copies of the data tables were presented to FMS in hard copy and on data diskette under separate cover. In addition to presenting the findings for each question cross-tabulated by the listed subgroups, statistical testing at the 95 percent confidence level was performed between subgroups. Summary statistics (e.g., means, standard deviations, and medians) also were run, where appropriate.

Figure 1. Returned Surveys by Date



The major limitation of a self-administered methodology is nonresponse bias. This occurs if Federal benefit check recipients who responded to the mail survey are significantly different from

those who did not respond in demographics, attitudes, and opinions or other factors. Because no comprehensive profile of Federal benefit check recipients is available, determining the extent to which nonresponse bias exists is impossible. However, the high response rate to this survey means that the chance of significant nonresponse bias is reduced.

Another issue in a self-administered survey is that respondents may skip questions or fail to follow instructions. To minimize the effect of nonresponse to selected questions, the data presented in the report are based on the number of respondents who answered each question.

2. SECONDARY DATA REVIEW

2.1 Describe the Characteristics of Federal Benefit Check Recipients

Federal benefit check recipients are beneficiaries of Federal assistance programs that provide pensions, compensation for survivors and the disabled, and other benefits. The following categories of benefit programs are discussed below:

- Social Security
- SSI
- VA
- Railroad Retirement
- Federal Pension and Disability.

Each discussion addresses the socioeconomic and demographic characteristics of recipients in each program, such as age, sex, income, education, and race or ethnicity, where available. Differences in recipient characteristics by type of Federal benefit payment also are described. In addition, the demographics of current users of direct deposit and the most likely users are delineated to assist FMS in targeting potential users of direct deposit.

2.1.1 Social Security Benefits

The Social Security program, administered by the SSA, provides retirement, survivor's, and disability benefits to approximately 44 million people under Title II of the Social Security Act. The estimated 44 million people are composed of retired workers, including their spouses, widows, children (younger than 18), and surviving parents; disabled workers aged 50 to 65; and other disabled adults. Fiscal year (FY) 1996 program outlays were approximately \$29.4 billion, and the average monthly Social Security benefit was \$673.¹ Of all payments made, approximately 63 percent were by EFT and 37 percent were by Treasury check.²

Table 5 shows that of the estimated 44 million people receiving monthly Social Security benefits, the majority (61 percent) of the recipients are retired workers and their dependents. Disabled individuals and their dependents represent the next-largest category. Of the total recipients, 72 percent are 65 or older.

¹ Social Security Administration, *Highlights of Social Security Data*, December 1996.

² Social Security Administration, *FY 1997 EFT Versus Check Payments* facsimile, 1997.

Table 5. Social Security Beneficiaries, December 1996³

Beneficiaries	Total Number	Total percent
Retired workers and dependents	26,898,100	61.0
Disabled workers and dependents	11,810,800	27.5
Survivors of deceased workers	5,027,900	11.5
Total	43,736,800	100.0
65 or older	31,667,500	72.0
62-64	380,410	8.7
18-61	11,570,050	14.3
<18	218,840	5.0

Of all adults receiving monthly Social Security benefits at the end of 1994, 42 percent were men and 58 percent were women. More than 80 percent of the men and more than 50 percent of the women received retired workers' benefits, and approximately one-fourth of the women received survivors' benefits.⁴

Social Security benefits are the major source of income (providing at least 50 percent of total income) for 63 percent of the beneficiary units (couples or nonmarried persons). The benefits contribute 90 percent or more of the income for about one-fourth of the beneficiaries and are the only source of income for 14 percent of the recipients.⁵ Recipients of Social Security payments may have income from other sources (e.g., private pensions or asset income).

2.1.2 Supplemental Security Income Benefits

The SSI program, which also is administered by the SSA, provides cash assistance to the aged, the blind, and the disabled under Title XVI of the Social Security Act. Approximately 6 million people receive SSI payments. According to the latest available figures, FY 1993 program outlays were approximately \$24 billion (including state supplements administered by the Federal government), and the average monthly SSI payment was \$354. Approximately 30 percent (1.8 million) of benefit payments were paid by direct deposit, and 70 percent (4.2 million) payments were paid by Treasury check.⁶ Approximately 50 percent of SSI beneficiaries have bank accounts.⁷

The law requires that SSI applicants file first for all other benefits to which they may be entitled because SSI is viewed as the program of last resort. As of September 1993 (the latest available figures), 42 percent of SSI recipients also received Social Security benefits. Table 6 shows the types of SSI beneficiaries by their basis for eligibility and by gender.

³ Social Security Administration, *Highlights of Social Security Data*, December 1996.

⁴ Social Security Administration, *Fast Facts and Figures about Social Security*, 1995, p. 18.

⁵ U.S. Department of Health and Human Services, *Income of the Aged Chartbook*, 1992, 1994, p. 9.

⁶ Social Security Administration, *FY 1997 EFT Versus Check Payments* (facsimile), 1997.

⁷ Financial Management Service, *Invitation for the Expression of Interest to Acquire EBT Services for the Southern Alliance of States*, March 9, 1995, p. 192.

According to the data in Table 6, the disabled are a majority of SSI beneficiaries and receive somewhat higher payments because they are less likely than the aged to receive Social Security benefits. One-third of all SSI recipients are 65 or older, and of the one-third, 29 percent are disabled.⁸

Table 6. SSI Beneficiaries, March 1995

Beneficiaries	Total	Aged	Blind	Disabled
Total Number	5,907,605	1,473,531	85,885	4,348,189
Percent by basis for eligibility	100%	25%	1%	74%
Women	60%	19%	0.6%	40%
Men	40%	6%	0.4%	34%
SSI average monthly income	\$324	\$238	\$358	\$376

Overall, 60 percent of SSI recipients are women. Of those entitled on the basis of disability, 54 percent are women. Blind and disabled children under the age of 18 (22 if they are full-time students) receiving SSI in 1995 totaled 900,000.⁹

In January 1994, 57.6 percent of those receiving SSI on the basis of disability were white, 31.2 percent were black, 7.9 percent were of other races, and race was not reported in 3.4 percent of the cases. Of the total recipients, 55.4 percent were white, 22.0 percent were black, and 19.4 percent were of other races. Among the children, approximately 46 percent are nonwhite.¹⁰

2.1.3 VA Benefits

VA benefits consist of a wide range of benefits and services offered by the VA to eligible veterans, members of their families, and survivors of deceased veterans. As shown in Table 7, VA compensation and pension benefits were provided in 1996 to approximately 3.4 million veterans and dependents, which represents an outlay of \$16.9 billion. In 1996, approximately 1.6 million payments (48 percent) of the total eligible veterans payments were made by direct deposit, and 1.8 million payments (52 percent) were made by Treasury checks.¹¹ Table 7 shows the types of VA benefits.

⁸ Social Security Administration, *Fast Facts and Figures about Social Security*, 1995, p. 26.

⁹ Ibid.

¹⁰ *1996 Green Book: Overview of Entitlement Program*, 1996.

¹¹ Financial Management Service, *Invitation for the Expression of Interest to Acquire EBT Services for the Southern Alliance of States*, March 9, 1995, p. 192.

Table 7. VA Beneficiaries, 1996¹²

Type of Benefits	Total Number	Benefits (\$K)
Service-connected compensation		
Disabled veterans	2,200,000	\$13,400,000
Survivors	311,748	
Nonservice-connected pension		
War veterans and survivors	895,596	\$3,500,000
Total	3,407,344	\$16,900,000

Service-connected compensation is paid to veterans who have incurred injuries or illness while in service. VA pensions are means-tested cash benefits paid to war veterans who have become permanently and totally disabled and to survivors of war veterans. The majority of those receiving VA benefits are veterans who were disabled while in service.

Benefits are based on family size, and the pensions provide a floor of income. The basic annual benefit is \$10,240 for a veteran with one dependent and \$7,818 for a veteran living alone.

2.1.4 Railroad Retirement Benefits

The RRB makes payments to approximately 850,000 retirees, survivors, and disability annuitants under the Railroad Retirement Act of 1974. According to available figures, FY 1993 program outlays were approximately \$7.9 billion, and the average monthly benefit was about \$770. Approximately 55 percent of RRB benefits were paid by direct deposit, and the remaining 45 percent were paid by Treasury check.¹³

The Railroad Retirement Act provides children's benefits only if the employee is deceased. Benefits are payable to surviving widows, widowers, and unmarried children. In some cases, benefits also are payable to parents, remarried widows and widowers, grandchildren, and surviving divorced spouses.¹⁴

Table 8 displays information on the number of recipients of Railroad Retirement benefits and their average benefit amounts for November 1993, which is the latest year for which statistics are available.

¹² 1996 Green Book: Overview of Entitlement Program, 1996.

¹³ Financial Management Service, *Invitation for Expressions of Interest to Acquire EBT Services for the Southern Alliance of States*, March 9, 1995, p. 193.

¹⁴ 1996 Green Book: Overview of Entitlement Program, 1996.

Table 8. Monthly Railroad Retirement Benefits, November 1993¹⁵

Type of Beneficiary	Number	Percent of Total	Average Monthly Benefits
Retired workers	337,100	40.1	\$1,033
Disabled workers (under age 65)	33,200	3.9	\$1,284
Spouses of retired and disabled workers	202,600	24.1	\$430
Divorced spouses	3,500	0.4	\$261
Aged widows and widowers	226,100	26.9	\$630
Disabled widows and widowers	6,800	0.8	\$568
Widowed mothers and fathers	1,800	0.2	\$775
Remarried widows and widowers	5,900	0.7	\$421
Divorced widows and widowers	7,800	0.9	\$450
Children	15,700	1.9	\$552
Parents	100	>0.05	\$478
Total Monthly Benefits	840,600	100.0	\$763

2.1.5 Federal Pension and Disability

There are two primary Federal retirement systems, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), under the Civil Service Retirement and Disability Fund (CSRDF).¹⁶ Both provide Federal retirement pensions, disability income, and survivors' benefits. Most Federal civilian employees are covered by one of these two retirement systems.

The CSRS was established by Public Law 66-125, enacted on May 22, 1920, and has been amended by many subsequent acts of Congress. The CSRS covers most Federal employees hired before 1984. Employees covered by the CSRS qualify for normal retirement benefits or full retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. Disability retirement is permitted at any age with 5 years of service and involuntary retirement at any age after 25 years of service or at age 50 with 20 years of service. Deferred retirement benefits are payable at age 62 with 5 years of service.¹⁷

The FERS was established on June 6, 1986, by the Federal Employees' Retirement System Act (FERSA) of 1986, Public Law 99-335. It is a three-part pension program that became effective on January 1, 1987. The FERS generally covers employees who first entered a covered position on or after January 1, 1984. The FERS provides full immediate or deferred retirement benefits at the minimum retirement age (MRA) with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. The MRA is 55 for those born before 1948 and gradually increases to 57 for those born in or after 1970. Deferred retirement benefits also are available at

¹⁵ Ibid., 1996.

¹⁶ 5 *United States Code*, chapters 83 and 84, *Code of Federal Regulations*, Parts 831 and 841-846, *Office of Personnel Management's Operating Manual, The CSRS and FERS Handbook for Personnel and Payroll Offices*.

¹⁷ Office of Personnel Management, *Civil Service Retirement and Disability Program*, 1995, p. 3.

or after the MRA with 10 years of service, at reduced benefit levels. Disability retirement may occur at any age with 18 month of service. Full immediate benefits are payable at age 50 with 20 years of service or at any age with 25 years of service in certain cases of involuntary separation, separation during a major reorganization, or reduction in force.¹⁸

FERS survivor's benefits are payable to the family upon the death of an employee. The basic employee death benefit payable to the surviving spouse is a lump sum payment (\$15,000, increased by CSRS cost-of-living adjustments [COLA] beginning on December 1, 1987) plus 50 percent of the employee's final salary. The surviving spouse must elect whether to receive the basic employee death benefit in one payment or 36 monthly installments. If the employee had 10 years of service, the spouse also receives an annuity equaling 50 percent of the accrued basic retirement benefit computed under the general FERS formula.

At the end of FY 1995, more than 2.8 million employees were covered by the Civil Service Retirement Program. Overall, the number of employees covered dropped by 25,000 from the preceding year. The annual change consisted of an 82,000 decrease in the number of CSRS-covered employees offset by an increase of 25,000 in the number of FERS employees. The proportion of employees covered by the two systems continues to shift toward the FERS, which now accounts for about 49 percent of active employees covered by the Civil Service Retirement Program.¹⁹ Table 9 presents a summary of FY 1995 employee and survivor benefits on the retirement roll.

Table 9. Employee and Survivor Benefits on the Retirement Roll, 1995²⁰

Type	Total Number	Percent	Monthly Annuity	Average Years on Roll	Average Age at End of FY 1995
Employee Annuitants on the Retirement Roll					
FERS	52,183	3.1	\$667	3.5	61.7
CSRS	1,651,284	96.9	\$1,697	12.3	70.7
Total	1,703,467	100.0			
Survivor Annuitants on the Retirement Roll					
FERS	3,317	0.5	\$269	3.1	63.9
CSRS	603,927	99.5	\$822	12.3	63.9
Total	607,244	100.0			

Table 10 shows CSRS employee benefits by selected demographics.

¹⁸ Ibid., p. 4.

¹⁹ Ibid., p. 5.

²⁰ Office of Personnel Management, *Annuity Roll*, October 1, 1995.

Table 10. CSRS Employee Benefits, 1995²¹

Retirement Category	Total Number	Percent	Monthly Annuity	Average Age at End of FY 1995	Average Years on Roll
Normal	1,042,583	63.1	\$1,727	72.3	11.5
Disability	250,848	15.2	\$1,193	68.9	18.1
Deferred	69,842	4.2	\$342	77.0	15.2
Involuntary	127,116	7.7	\$1,693	69.3	15.0
Voluntary Early	121,029	7.3	\$1,631	60.2	6.9
Special Provision	31,920	1.9	\$2,839	66.2	11.8
Other	7,946	0.6	\$1,277	66.1	9.8
Total	1,651,284	100.0			

Table 11 shows FERS employee benefits by selected demographics.

Table 11. FERS Employee Benefits, 1995²²

Retirement Category	Total Number	Percent	Monthly Annuity	Average Age at the End of FY 1995	Average Years on Roll
Normal	34,421	66.0	\$617	56.4	3.8
Disability	12,529	24.0	\$583	49.1	3.4
Positioned Optional	74	0.1	\$442	63.2	1.6
Deferred	512	1.0	\$347	62.5	2.4
Involuntary	1,525	2.9	\$1,089	61.6	4.6
Voluntary Early	2,195	4.2	\$897	60.5	1.9
Special Provision	553	1.1	\$3,745	55.9	3.7
Other	374	0.7	\$1,023	60.4	1.4
Total	52,183	100.0			

Table 12 shows CSRS/FERS survivor benefits by selected demographics.

Table 12. CSRS/FERS Survivor Benefits by Selected Demographics, 1995²³

Survivor Category	Total Number	Percent	Monthly Annuity	Average Age at End of FY 1995	Average Years on Roll
Survivors of deceased annuitants	476,139	78.4	\$864	74.1	10.4
Survivors of deceased employees	131,105	21.6	\$656	62.6	19.0
Total	607,244	100.0			

Table 13 shows a summary of CSRS/FERS survivor benefits by relationship.

²¹ Office of Personnel Management, *Civil Service Retirement and Disability Program*, 1995, p.19.

²² *Ibid.*, p. 20.

²³ *Ibid.*, p. 19.

Table 13. CSRS/FERS Survivor Benefits by Relationship, 1995²⁴

Summary by Relationship	Total Number	Percent	Monthly Annuity	Average Age at End of FY 1995	Average Years on Roll
Widows	542,988	89.4	\$863	74.4	12.6
Widowers	25,370	4.2	\$511	72.1	8.6
Former spouses	4,372	0.7	\$1,031	71.4	6.2
Insurable interest	823	0.1	\$722	73.6	14.1
Children	33,691	5.6	\$319	26.5	9.9
Total	607,244	100.0			

2.2 Describe the Banking Relationships and Financial Habits of Federal Benefit Check Recipients and Why Some Do Not Have Bank Accounts

According to an article published in *Federal Reserve Bulletin* (January 1997), data from 1995 *Survey of Consumer Finances* (SCF) show that about 13 percent of families in the U.S. population do not have the following type of transaction account: checking, savings, money market deposit, or money market mutual funds.²⁵ The proportion of that total without a checking account is 15 percent. The percent of families without a checking account has declined slightly over a 6-year period; data from the 1989 survey show 19 percent without a checking account, and data from the 1992 survey show 17 percent.

The article goes on to describe the demographic characteristics of families without checking accounts as lower income (85 percent have incomes of less than \$25,000, 48 percent have incomes of less than \$10,000) and younger than the general population (60 percent have household heads under the age of 45 and 37 percent under the age of 35). A little more than half (54 percent) were nonwhite or Hispanic households.

The demographic profile of the those without bank accounts has been fairly stable over time. In an article published in the winter 1994 issue of *Eastern Economic Journal*, data from the 1977 *Consumer Credit Survey* and the 1989 *Survey of Consumer Finances* are compared. The comparison shows that households without bank accounts have “lower incomes, more children and are more likely to rent their home. They are also more likely to be headed by an individual who is unmarried, unemployed, a racial or ethnic minority, female or has not completed high school.”²⁶

Given the overall demographic characteristics of the recipients of various Federal payments (as shown in subsection 2.1), it appears that recipients of SSI are most likely to match the unbanked demographic profile and most likely not to have a bank account of any type. This assumption is further supported by a study at the state level conducted by the Virginia Citizens Consumer Council, which found that 88 percent of recipients of Aid to Families with Dependent Children

²⁴ Ibid., p. 19.

²⁵ Arthur Kennickell, *et al.*, “Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances,” *Federal Reserve Bulletin*, Vol. 83, No. 1 (January 1997), p. 7.

²⁶ John P Caskey and Andrew Peterson, “Who Has A Bank Account and Who Doesn’t,” *Eastern Economic Journal*, Vol. 20, No. 1 (Winter 1994), p. 65-66.

(AFDC), 67 percent of people on SSI, and 29 percent of Social Security recipients do not have bank accounts.²⁷ At the municipal level, a survey conducted by the San Diego County Department of Social Services found that 64 percent of AFDC recipients do not have bank accounts.²⁸

Using these percentages to approximate the percentage of SSI recipients without a bank account shows that approximately 2.9 million of the 5.9 million recipients may not have bank accounts. According to the FMS, approximately 19 million SSI payments (24 percent) are made by direct deposit.²⁹ Consequently, it appears that the majority of SSI recipients with bank accounts are already using direct deposit.

In contrast, although the majority of Social Security's 49 million beneficiaries have bank accounts (only 5.5 million, or 11 percent, do not, according to SSA estimates), only a little more than half (53 percent) of retired-not disabled beneficiaries receive their payments by direct deposit, and only 24 percent of the 6 million recipients of Social Security Disability receive their payments by direct deposit.³⁰

Given that a significant proportion of recipients in each type of Federal program are part of the unbanked population, exploring how these households conduct their financial business is important. In an article for *The American Banker*, Under Secretary of the Treasury for Domestic Finance John D. Hawke, Jr., in referring to the unbanked, said, "These families generally have annual incomes of less than \$25,000 and rely on check cashers, pawnbrokers, money transfer agents or local merchants to cash their payroll checks. They pay their debts in cash or money orders, and any leftover cash is held in currency until it is spent."³¹

An empirical study conducted in June 1996 by John P. Caskey with the support of the Filene Research Institute generally supports this statement. In his 1996 study, Caskey examined how lower-income households (defined as households with an annual income of \$25,000 or less) conduct their financial transactions. Caskey conducted telephone interviews with 900 households in three geographic areas: 300 in Atlanta, Georgia; 300 in Oklahoma City, Oklahoma; and 300 in five smaller cities in eastern Pennsylvania. Although Caskey's study cannot be taken as nationally representative, it reflects the behavior and attitudes of households in urban and rural areas and incorporates minority populations. Consequently, the results can serve as a benchmark for the type of financial services that lower-income households use.

²⁷ Irene Leech, "Statement of Virginia Citizens Consumer Council before Subcommittee on Consumer Credit and Insurance," *Hearing Before the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs*, House of Representatives, 103rd Congress, second session (August 11, 1994), p. 5.

²⁸ _____, "Equal Opportunity Direct Deposit," *Corporate EFT Report* (April 17, 1996), p. 2.

²⁹ _____, Summary Sheet for the 12-month period, FY 1995 (which ended September 30, 1995). Data provided to Booz-Allen and Hamilton by Financial Management Service, Department of the Treasury.

³⁰ _____, Phillips Business Information Inc., "Social Security Targets Mandatory Direct Deposit," *Financial Services Report*, Vol. 12, No. 9 (April 1995), p. 1.

³¹ John D. Hawke, Jr., "New Law Means Millions of New Customers," *American Banker*, Vol. 161, No. 214 (November 1996), p. 4.

Caskey found that 78 percent of lower-income households have some type of deposit account (either checking or savings), and 22 percent do not have an account of any type.³² Of interest is that 71 percent of the households without an account indicate that they had a checking or savings account at one time.³³

More than three-quarters (81 percent) of these lower-income households usually cash checks at a bank, a savings and loan, or a credit union; 8 percent usually go to a grocery store; 5 percent rely on check-cashing outlets; and 6 percent go elsewhere or have another means of cashing checks.³⁴ However, among those households that are unbanked, only 49 percent usually go to a financial institution to cash checks, 23 percent go to a grocery store, 17 percent go to a check-cashing outlet, 5 percent go to a convenience store or a liquor store, 3 percent go somewhere else, and 3 percent have some other means.³⁵

To fulfill their financial obligations, more than half (55 percent) of all lower-income households purchase money orders; 27 percent purchase them 1 to 10 times a year, 14 percent purchase them 11 to 30 times a year, and 14 percent purchase them 31 or more times a year.³⁶ These proportions increase for unbanked households, where the majority (84 percent) purchase money orders. Of this 84 percent, 15 percent purchase money orders 1 to 10 times a year, 30 percent purchase them 11 to 30 times a year, and 39 percent purchase them 31 or more times a year.³⁷

In addition to tracking the proportion of households without any type of transaction account, *Survey of Consumer Finances* includes data on the reason that households do not have a checking account. The reasons have remained consistent over time. Approximately one-third (34 percent in 1989, 30 percent in 1992, 27 percent in 1995) of these households responded that they “do not write enough checks to make it worthwhile” and about one-fifth (22 percent in 1989, 21 percent in 1992, 21 percent in 1995) say they “do not have enough money.” The next-most-common response was that they “do not like dealing with banks”; 15 percent gave this reason in 1989 and 1992, and 22 percent in 1995. Other important reasons include “the minimum balance is too high” and “service charges are too high.” Between 8 percent and 11 percent of respondents gave these reasons in each of the 3 years. Very small percentages of respondents (1 percent in each year) said that there is no bank with a convenient location or hours as the reason for not having an account.³⁸

Similarly, results from the study by Caskey show that more than half (53 percent) of the unbanked agree with the statement, “We don’t need an account because we do not have savings.” About equal proportions (23 percent and 22 percent, respectively) of unbanked respondents agreed with the reasons “Bank account fees are too high” and “Banks require too much money just to open an

³² John P. Caskey, *Lower Income Americans, Higher Cost Financial Services* (Madison: Filene Research Institute, 1997), p. 15.

³³ *Ibid.*, p. 20.

³⁴ *Ibid.*, p. 15.

³⁵ *Ibid.*, p. 20.

³⁶ *Ibid.*, p. 15.

³⁷ *Ibid.*, p. 20.

³⁸ Kennickell, *Family Finances*, p. 7.

account.”³⁹ All three of these reasons indicate that these respondents perceive that they cannot afford a bank account. Caskey delves somewhat deeper into this issue by asking the respondents who say that bank fees are too high which fee is the biggest problem. Of the 45 respondents who answered, 18 indicated the monthly account balance fee, 13 mentioned bounced-check fees, 9 said check-writing fees, and 5 mentioned automated teller machines (ATM) fees.⁴⁰

Other reasons given in the Caskey study for not having an account by 22 percent and 18 percent of the respondents, respectively, are “We want to keep our financial records private” and that they are “not comfortable dealing with banks.”⁴¹ Both of these reasons suggest that the unbanked feel a certain level of distrust toward financial institutions. Smaller percentages of respondents (10 percent and 9 percent, respectively) agreed with the statements, “Banks won’t let us open an account” and “No bank has convenient hours or location.”⁴²

From these data, Caskey concludes that physical access to financial institutions is a minor factor in why households do not have an account. Rather, the primary barrier appears to be that unbanked households have limited funds and cannot meet or maintain the minimum account balances required by financial institutions. Second, unbanked households distrust financial institutions and prefer to handle their financial affairs through alternative financial providers, such as grocery stores, check-cashing outlets, and convenience stores. These conclusions also are consistent with the data from *Survey of Consumer Finances*.

Other studies expand on the results from *Survey of Consumer Finances* and the Caskey study. In a 1991 study conducted by the Western Center on Law and Poverty for the City of Los Angeles, researchers found that there are fewer bank branches in lower-income and minority areas, which had fewer than one branch per 10,000 residents, in comparison to 2.9 per 10,000 residents in upper-income and nonminority areas.⁴³ Similarly, results from a study conducted in 1994 by the Public Advocate for the City of New York found that Brooklyn had a ratio of 18,333 residents to every branch in the poorest one-fifth of zip codes in comparison to 4,250 per branch in the wealthiest one-fifth.⁴⁴

This suggests that physical access may be a barrier to receiving a government payment through direct deposit at a traditional financial institution. However, the majority of these studies recognize that alternative financial service providers, such as grocery stores and check-cashing outlets, are widely available in lower-income areas and that they provide basic financial services.

Several studies support Caskey’s finding that lower-income households and the unbanked believe that they cannot afford a deposit account at a traditional financial institution. In the Virginia

³⁹ Caskey, op. cit., p. 20.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Gary Dymski, *Taking It To The Bank: Poverty, Race and Credit in Los Angeles* (Los Angeles: Western Center on Law and Poverty, 1991), p. 11.

⁴⁴ Mark Green, *The Poor Pay More... For Less: Part 4 - Financial Services* (New York: Public Advocate for the City of New York, 1994), p. 2.

Citizens Consumer Council study, the “primary reasons given for not having a checking account were inability to save enough to open one, unaffordable fees, difficulty managing the checkbook, and fear of bounced check charges.”⁴⁵ Similarly, Caskey reports that in a study conducted by the CBA in 1989, customers leaving check-cashing outlets were asked whether they had a bank account. Of the 33 percent without accounts, 31 percent said they did not have enough money and 10 percent said the banks cheated them with too many service charges.⁴⁶

2.3 Determine the Reasons for Receiving Federal Payments by Check and Identify the Obstacles to Receiving Payment by EFT

Overall, less than half (45 percent) of private-sector employees in the United States were paid by direct deposit in 1996, according to a NACHA study. This was only a 3.2 percent increase from 1994. As mentioned in the previous sections, about half of Federal benefits are paid by direct deposit. Table 14 summarizes the number of recipients receiving their Federal payments by check rather than by direct deposit. Compared with the use of direct deposit by the U.S. population, three of the programs (SSA, RRB, OPM) have more than 50 percent of their recipients enrolled in direct deposit.

Table 14. EFT Versus Check Payments⁴⁷

Program	Total	EFT	Check
SSA	519,089,590	58%	42%
SSI	78,710,735	24%	76%
VA	42,184,639	47%	53%
RRB	10,386,785	56%	44%
OPM	27,994,960	71%	29%

In 1996, the New York Clearing House Association (NYCH) conducted a study of consumers in New York and northern New Jersey to measure awareness and use of direct deposit for payroll checks. The study was conducted with 800 respondents who are adults (at least 18 years of age), employed full- or part-time, and have at least one checking or savings account. Although the demographics of this study population are not comparable to the overall demographics of the recipients of Federal benefit checks, some insights may be gained. The NYCH study found “although familiarity with direct deposit is generally high, lower income people are the least likely to know about it. Only 2 in 10 people earning under \$25,000 annually are extremely familiar with direct deposit, compared to 3 in 10 people earning \$25,000 to \$35,000 (33 percent), 4 in 10 people earning \$35,000 to \$60,000 (40 percent), and nearly half of all people making more than \$60,000 (48 percent).”⁴⁸

⁴⁵ Leech, Statement of Virginia Consumer Council, p. 5.

⁴⁶ Caskey, *Fringe Banking: Check-Cashing Outlets, Pawnshops and the Poor* (New York; Russell Sage Foundation, 1994), p. 76.

⁴⁷ _____, Summary Sheet for the 12-month period, FY 1995 (which ended September 30, 1995). Data provided to Booz-Allen and Hamilton by Financial Management Service, Department of the Treasury (September 1996).

⁴⁸ Wirthlin Worldwide, *New York Clearing House Direct Deposit Usage Study* (New York: NYCH 1996), p. 15.

Several surveys and studies were conducted to determine trends in using direct deposit and to identify the most likely users of EFT. *1995 Survey of Consumer Finances* outlines the preliminary results of the survey conducted to identify consumers' use of electronic financial services and to examine key characteristics of both those who do and those who do not use such services. The services include ATM, direct deposits, preauthorized debits, and "smart cards." The most common electronic financial service used is direct deposit. In addition, more than 50.5 percent of households have an account at a financial institution and use some form of electronic deposit. The survey also indicated that higher-income households use direct deposit, users tend to be older (reflecting the heavy use of direct deposits of Social Security payments), and more-educated people tend to use direct deposit.

Similarly, a Payroll Services Incorporated (PSI) study conducted to identify users and nonusers of direct deposit in the U.S. workforce showed that users generally had higher average incomes and higher education levels and were more likely to hold managerial, professional, technical, sales, or administrative positions rather than blue collar jobs. White collar or salaried job holders tended to use direct deposit, compared with nonusers.⁴⁹ More direct deposit users than nonusers also used other financial services, including ATM and online banking services (e.g., electronic bill payment). Direct deposit users were approximately the same age as nonusers, so use of direct deposit does not depend on the age of the consumer. Profiles of direct deposit users based on the PSI study are summarized in Table 15.

⁴⁹ Wirthlin Worldwide, *Direct Deposit Usage Study*, NYCH, August 1996.

Table 15. Direct Deposit User Profiles, 1992⁵⁰

Type	Workforce	Direct Deposit Nonusers	Direct Deposit Users
Average Household Income	\$48,906	\$44,308	\$57,744
Average age of Household	39.8	39.9	39.5
College Postgraduate	18%	12%	28%
Employee Status			
Full-time	92%	89%	96%
Part-time	7%	9%	3%
Occupation			
Manager, Professional	40%	34%	52%
Technical, Sales, Admin.	18%	16%	22%
Home Ownership			
Own	67%	65%	70%
Rent	26%	28%	22%
Household Size			
2 members	35%	33%	37%
3 members	22%	23%	20%

The household of the average direct deposit user had a 30 percent higher income than that of the average nonuser household. In addition, direct deposit users had more education than nonusers and were slightly more likely to be employed full-time.

In the PSI study, direct deposit usage was associated with geographic location, higher use occurring in metropolitan areas of at least 50,000 people (64 percent). This compared with 51 percent of nonusers living in nonmetropolitan regions. The main reason is that consumer use of direct deposit depends on its availability, and large metropolitan areas offer higher availability of this service than smaller areas do.⁵¹

A NYCH study of direct deposit usage showed that users like saving time by not having to deposit their paychecks personally. In contrast, people who do not choose direct deposit cited a need to have control or valued control over their money.

The study showed that direct deposit users were much more favorably inclined toward direct deposit than those who have never used it. The overall liking for direct deposit is high—64 percent rate direct deposit an 8, 9, or 10 on a 10-point scale. People who have used it like it even more—93 percent of current direct deposit users rated the service 8, 9, or 10 on a 10-point scale, compared with 60 percent of former users and 31 percent of nonusers.⁵² The people

⁵⁰ Ibid., 1992.

⁵¹ Ibid.

⁵² PSI, *Direct Deposit User Profiles*, 1992.

who have used direct deposit considered it convenient, easy, safe, and efficient. However, the study showed that attitudes toward direct deposit did not differ by age, gender, or geography. The reasons some consumers gave for not using direct deposit were that they fear direct deposit would give employers access to their bank accounts and employers would know their account balance, or a computer error would result in their paycheck being lost.

2.4 Measure Interest in a New EFT Delivery System

This subsection assesses the interest among Federal benefit recipients in an EFT system that uses a plastic card to access payments. The reaction to such a program, especially among the unbanked recipients, also is discussed.

Two pilot Federal electronic benefits transfer (EBT) projects were initiated by FMS—the SecureCard project in Baltimore, Maryland, initiated in 1989, and the Pulse EBT project in Houston, Texas, in 1990. EBT provides benefit access through ATMs and retail point-of-sale (POS) terminals. EBT uses the commercial infrastructure of ATMs and POS terminals. Federal EBT projects target the population of unbanked benefits recipients. SecureCard targeted those unbanked recipients who were receiving SSI, and Pulse EBT targeted all banked and unbanked Federal benefit check recipients (the bulk being SSA and SSI recipients).

These two pilot projects were categorized as successes by their respective EBT commercial contractors, although interest in EBT technology during that time appeared to be low. Of the 4,827 individuals approached in Baltimore, Maryland, to participate voluntarily in the SecureCard pilot, only 264 enrolled. That is only a 5.5 percent enrollment of the targeted population.⁵³ In the Houston area, the initial enrollment totals were 379 of 120,000 targeted, representing less than one-half of 1 percent (0.3 percent) of the targeted population.⁵⁴ The Direct Payment Card (DPC) pilot project, implemented in Houston, Texas, in April 1992 and expanded to the Dallas-Fort Worth area the following year, enrolled 11,798 of 465,400, or just 2.5 percent of the targeted population.⁵⁵

Of important note is that most recipients who would choose to use a plastic card to access their Federal benefits using EFT technology may be those who are unbanked. The reason is that many banked recipients already possess debit (or ATM) cards and they do not want to carry another “piece of plastic” to access another account. In addition, the DPC pilot program in Houston, Texas, reported that once fees were charged for using the card, many banked recipients chose to end their participation because they “... [did] not wish to pay for a second non-necessary DPC account.”⁵⁶

These conclusions are supported by statistics from the DPC pilot program in Houston, Texas, where the average percentage of recipients of the various Federal benefit programs (e.g., SSA, SSI, VA, OPM, and RRB), both banked and unbanked, who enrolled voluntarily in the DPC pilot

⁵³ Gayle Dawson, *Assessment of the SecureCard Pilot Project*. 1990.

⁵⁴ Research Management Consultants, Inc., *Pulse EBT Interim Summary Report*, August 16, 1991, p. 2.5-2.7.

⁵⁵ Citibank EBT Services, *Direct Payment Card Expansion Evaluation*, June 30, 1994, p. 33-35.

⁵⁶ *Ibid.*, p. 19.

was 3.2 percent. However, of the unbanked recipients in those programs, the percentage of voluntary enrollment rose significantly to 6.3 percent. This is almost twice the percentage of all recipients who enrolled.⁵⁷ These conclusions are supported further by the expansion of the DPC pilot to the Dallas-Fort Worth area. The percentage of program recipients who enrolled and already had bank accounts was 0.7, and the percentage of recipients without bank accounts was 1.6.⁵⁸ During focus group discussions from the DPC pilot and its subsequent expansion, one banked recipient indicated "... he would continue with the [DPC] Card as he liked the advantage of keeping his accounts separated."⁵⁹

A variety of reasons explain the low percentages of enrollment among recipients (e.g., distrust of new technology, voluntary program). Available data seem to indicate that any large-scale roll out (i.e., beyond a single state) of a voluntary EBT program would, at least initially, generate a modest (below 5 percent) interest in its use by the targeted population but that interest in EFT technology would grow every year that the program continued. FMS learned from the three pilot projects that heavy marketing increased interest in the programs, and that this level of marketing would be necessary to expand any future EFT program.

Since 1995, the DPC pilot has targeted only unbanked Federal benefit check recipients and recommended direct deposit to recipients with bank accounts. The DPC pilot also expanded to include Federal benefit check recipients statewide in Texas. The target unbanked audience in the state of Texas is 180,000. As of March 14, 1997, 39,140 Federal benefit check recipients have enrolled in the DPC pilot.⁶⁰

The largest obstacles to overcome in implementing any new EFT program are the fear of change and fear of unfamiliar new technology. Because the majority of unbanked SSA and SSI recipients are older or have less education, they do not necessarily understand EFT technology and may be afraid to use it. In fact, during the DPC project, only 46 percent of the participating recipients had ever used a credit card, and only 30 percent of them had ever used an ATM card.⁶¹ The pilot programs indicate, however, that once the major barriers are removed (e.g., access to ATMs/POS, fear of use), reactions to similar EFT programs should be quite favorable. In all, the after-action summaries of three pilot programs—SecureCard, Pulse EBT, and DPC—show that the volunteer recipients did not want to return to a check-based benefit disbursement system, even if it meant paying a modest fee for the EFT-based system. Most often, they cited safety and convenience as the reasons for remaining in the program.

Although none of the pilot programs measured the recipients' desire to access their Federal benefits at any particular type of outlet, some inferences and assumptions may be made from the reasons for recipients remaining in the program (e.g., safety and convenience). From a safety perspective, public places, such as United States Post Offices or other government buildings would appeal to a benefit recipient. Post offices especially would appeal not only because of

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Citibank EBT Services, *Top Line Report Direct Payment Card Focus Group*, July 18, 1994, p. 3.

⁶⁰ _____, DPC Program Statistics, March 14, 1997.

⁶¹ _____, *Direct Payment Card Expansion Evaluation*, July 18, 1994, p. 10.

safety but also because of convenience. In addition, retail outlets, such as grocery stores, convenience stores, and check-cashing outlets (CCO), are attractive to benefit recipients because of the convenience of accessing their benefits to obtain cash, purchase food, and purchase money orders. Many of these types of outlets are already fitted with POS terminals, and many are installing ATMs, which should contribute significantly to the acceptance of EFT by Federal benefit recipients.

Although most Federal benefit check recipients across all programs have bank accounts, there is evidence that many use CCOs. For example, according to the Public Advocate for the City of New York, CCOs have been the primary distributors of public assistance benefits since 1985, when New York City introduced an EFT system.⁶²

Furthermore, although some lower-income households believe that banks are more expensive than CCOs, a majority (57 percent in the CBA survey) realize that check-cashing services are more expensive.⁶³ Nevertheless, they choose to use a CCO because the hours are more convenient, the CCO is faster and has shorter lines, or the location is more convenient (80 percent gave these reasons in the CBA survey).⁶⁴ Another 17 percent said that they needed their money immediately and could not or did not want to wait for the check to clear through a bank. In addition, results from the CBA survey show that 54 percent of CCO customers agreed that “check cashing services are easier to deal with than banks,” and 24 percent agreed that “banks are too cold and impersonal with people like me.”⁶⁵ All of these factors indicate that CCOs may be a viable alternative to delivering Federal payments by EFT.

2.5 Determine Most Effective Messages for Encouraging Direct Deposit Among Current Federal Benefit Check Recipients

Programs in the private sector for encouraging direct deposit of payroll checks have focused largely on the following aspects of direct deposit: safety, convenience, reliability, and peace of mind. For example, the NYCH has developed promotional materials that explain that direct deposit is safer because paychecks cannot be lost or stolen, is convenient because users do not have to take time to go to the bank to deposit a check, and is reliable and gives peace of mind because there is no need to worry about getting to the bank if the user is sick or out of town. The materials also address concerns about employer access to employee bank accounts and the potential loss of paychecks due to a computer malfunction.⁶⁶

⁶² Green, *The Poor Pay More*, p. 23.

⁶³ Caskey, *Fringe Banking*, p. 76. In fact, numerous studies document the higher cost of using check-cashing services versus purchasing those same services through a bank. Many of the studies conclude that lower-income households are unable to generate a level of savings sufficient to open an account, maintain a minimum balance, or cover unexpected fees, such as charges for bounced checks. However, many states have legislated that banks offer a basic low-cost account to lower-income households. Consequently, awareness and preference issues may take precedence over cost.

⁶⁴ *Ibid.*, p. 75.

⁶⁵ *Ibid.*, p. 76.

⁶⁶ *Faster, Safer, Smarter* brochure from NYCH.

2.6 Determine the Most Effective Vehicles for Communicating the Benefits of Direct Deposit to Federal Benefit Check Recipients

According to a study by the NYCH, people over 35 are more likely to learn about direct deposit from a newspaper or a magazine than people under 35 are. Low-income earners are more likely than high-income earners to learn about direct deposit from friends or family members.⁶⁷

As a result, to reach Federal benefit check recipients, several types of communication channels will need to be utilized. For example, the NYCH has a grassroots outreach component for its *Safer, Faster, Smarter* campaign that mails information to community organizations, labor unions, professional associations, minority associations, fraternal groups, and civic groups. These types of organizations also may have contact and influence with Federal benefit check recipients. In addition, a radio campaign is planned by the NYCH that will communicate the concept of direct deposit.⁶⁸

Many individual banks have developed packages of services to encourage customers to deposit their paychecks directly. For example, Snyder County Trust Company offers no monthly maintenance fee for the first 6 months if the account falls below the \$300.00 balance, waives the fee for a line of credit for the first year, gives a discount of .25 percent on a new installment loan for 12 months, and takes \$150 off the closing costs of a mortgage loan.⁶⁹ A similar package of benefits is offered by Associated Bank Marshfield, including a discount on a safety deposit box, no fees for travelers checks, and free cashier checks or money orders. Some type of similar incentive package might prove successful with Federal benefit check recipients.

Some banks also have had success in meeting with people one-on-one. Old Second National Bank in Aurora, Illinois, meets with employers at breakfast meetings and then meets directly with employees to answer technical questions and build a sense of trust. Similarly, Sunbank in Selingsgrove, Pennsylvania, serves a rural area where many people are uncomfortable with the idea of direct deposit. Sunbank's approach is to sign up employers and then meet with employees to get a first group to sign up. Then, after 6 months, they meet with employees again and let the employees' peers help sell direct deposit.⁷⁰ These word-of-mouth and peer group tactics also may be useful for unbanked Federal benefit check recipients who do not trust banks or the technology.

⁶⁷ _____, *New York Clearing House Direct Deposit Usage Study* (New York: NYCH 1996), p. 15.

⁶⁸ Direct deposit promotion plan from NYCH.

⁶⁹ *Direct Deposit: Employer - Employee Services* brochure from Snyder County Trust, Selingsgrove, Pennsylvania.

⁷⁰ "Two-Step Approach Used to Market ACH Payroll Service," *Fee Income Report*, Vol. 9, No. 9 (Feb. 1995), p. 4.

3. FOCUS GROUP FINDINGS

3.1 Describe the Characteristics of Federal Benefit Check Recipients

Part of the screening criteria for recruiting respondents to obtain a mix of socioeconomic and demographic characteristics, included age, household income, race, education, and area of residence. The socioeconomic and demographic characteristics of respondents differed across the segments of Federal benefit check recipients.

A description of the respondents' characteristics is presented separately for each of the three types of focus groups: retired, disabled, and SSI. For each type of group, the profile is based on respondents across the three geographic markets where those group meetings were held.

3.1.1 Retired

A total of 30 respondents participated in the three groups. The characteristics of the respondents are as follow:

- Twenty-three respondents receive Social Security payments, two respondents receive Federal Civil Service Retirement payments, three receive Social Security and VA pensions, and two receive Social Security and Federal Civil Service pensions.
- All respondents have some type of account at financial institutions. All (30) have checking accounts, 26 have savings accounts, and three have loans.
- Twenty respondents are between the ages of 60 and 69, and 10 are between 70 and 80.
- Twenty respondents are White, five are Hispanic, and five are Black.
- Nineteen respondents live in a city, nine live in a suburb, one lives in a small town, and one lives in a rural area.
- Two respondents have annual household incomes of less than \$10,000; 14 have household incomes of \$10,000 to \$24,999; 13 have incomes of \$25,000 to \$50,000, and one respondent has a household income of more than \$50,000.

3.1.2 Disabled

A total of 26 respondents participated in the three groups. The characteristics of the respondents are as follow:

- Fourteen respondents receive VA disability payments, nine receive Social Security disability payments, and three receive Civil Service disability payments.

- Seventeen respondents have some types of accounts at financial institutions, and nine do not have any types of accounts. Of those with accounts, 13 have checking accounts, nine have savings accounts, and three have loans.
- Seven respondents are between the ages of 30 and 39, 14 are between 40 and 59, and five are between 60 and 69.
- The majority, 22, of respondents are White, three are Hispanic, and one is Black.
- Sixteen respondents live in cities, eight live in suburbs, one lives in a small town, and one lives in a rural area.
- Seven respondents have annual household incomes of less than \$10,000; seven have household incomes of \$10,000 to \$24,999; eight have household incomes of \$25,000 to \$50,000; three have household incomes of more than \$50,000, and one respondent refused to indicate an income.

3.1.3 Supplemental Security Income

A total of 26 respondents participated in the three groups. The characteristics of the respondents are as follow:

- By study design, all 26 respondents receive SSI payments.
- Sixteen respondents have some types of accounts at financial institutions, and 10 do not have any types of accounts. Of those with accounts, 12 have checking accounts, eight have savings accounts, and one has a loan.
- Eight respondents are between the ages of 30 and 39, 17 are between 40 and 59, and one is between 60 and 69.
- Half, 13, of respondents are White, and half are Black.
- Sixteen respondents live in cities, nine live in suburbs, and one lives in a small town.
- Fourteen respondents have annual household incomes of less than \$10,000, nine have household incomes of \$10,000 to \$24,999, and three have household incomes of \$25,000 to \$50,000.

3.2 Describe Banking Relationships and Financial Habits of Federal Benefit Check Recipients and Reasons That Some Do Not Have Bank Accounts

To meet this objective, the moderator asked respondents to identify the types of accounts and financial products they have and with which types of financial institutions, including whether they bank with one or several financial institutions. Respondents also were asked to discuss their

experiences in dealing with financial institutions, including what they like most and least about dealing with them. Respondents who do not have checking accounts were asked to discuss how they transact personal financial business, such as cashing Federal benefit checks and personal checks, paying bills, and purchasing consumer products. Respondents who do not have checking accounts also were asked to discuss their reasons for not having checking accounts, as well as what might interest them in opening checking accounts with financial institutions.

- Many respondents indicated that they have checking accounts, and quite a few said they have some type of savings accounts or contribute to savings clubs, such as Christmas clubs. A number of respondents also indicated that they have credit cards, but fewer said they have either ATM or debit cards. Fewer respondents, however, said they have either mortgages or some type of long-term savings accounts, such as certificates of deposit or investment accounts.
- Seniors are the most likely to have a variety of financial accounts, including fee-free checking accounts. In fact, all respondents in the senior groups indicated that they have checking accounts. Although the majority of respondents in the SSI and disabled groups indicated that they have checking accounts, some respondents in each of these groups said they either do not have any accounts or have savings accounts but not checking accounts. Most respondents who have multiple accounts tend to use several financial institutions because of general convenience, higher interest rates on deposit accounts, lower interest rates on loans, and safety (not wanting to keep all their money in one financial institution).

“We have a number of accounts using a number of different banking institutions, savings and loans, small banks in our area. We both do different kinds of things and have to keep accounts, so we have some small accounts. I imagine we have split our holdings between about six banks.” (Senior, Kansas City)

“I retired about 8 years ago, a disability retirement from the government. At that time, I had a car loan, but once that was paid off, I just have my [government] check come to my house. I don’t have many obligations, so I don’t have a checking account. I don’t need one, and it seems to work for me.” (Disabled, San Diego)

“I opened up a checking account, and my credit has never been the greatest, so my bank offered me a program where they give you a VISA card that works off your checking. That’s just about it.” (SSI, Philadelphia)

- As indicated previously, quite a few respondents across all segments stated that they currently have or previously had ATM cards. Opinions about ATM cards are mixed. Respondents said the primary advantage of using an ATM card is convenience: using an ATM card is faster and more convenient than going to the bank, money is always available because ATMs operate 24 hours a day, and users can make more than one transaction at a time at the ATM. Some respondents said they like using the ATM because they can obtain money for unexpected purchases or emergencies. Others said

they use their ATM cards or debit cards at point-of-purchase terminals when purchasing gasoline, groceries, or other products, which they find convenient because it prevents them from depleting their cash on hand and is easier than writing a check.

“I like ATM cards because I don’t like going into banks. I’m impatient. I do not like to stand in line, and I don’t like being asked a lot of questions because sometimes they want your driver’s license or something. With the ATM card, I just put my card in [the machine], get my money out, make my deposit, and I’m done. When I make my deposit, the machine asks me if I want money back, and I just push the other button. To me, it’s great.” (Senior, San Diego)

“ATM cards are very convenient when you need money. I don’t understand why all institutions don’t have them so they can eliminate the charges that come with them. You have to have them.” (Disabled, Tampa)

“I found that when I went to Arizona to see my sons, I ran out of checks, so with my ATM card, I could just get what I needed right then rather than getting from your children because they have responsibilities of their own. I found this real convenient for me.” (SSI, Kansas City)

- Respondents also cited disadvantages to using ATM and debit cards, including the following: money is too accessible and users can lose control of spending, high ATM fees and charges, and difficulty in rectifying errors made at the ATM, such as dispersing the wrong amount of cash. A number of respondents said safety is an issue when using ATMs; they are concerned that they might be robbed or attacked at ATMs. Several respondents indicated that they do not use an ATM at night or avoid using ATMs that are “too accessible” and that invite muggers, such as walk-up or stand-alone ATMs in isolated areas.

“We don’t use the ATM for the prime reason we think it’s unsafe. We’ve seen many examples [of ATM robberies] in the newspapers.” (Senior, San Diego)

“Banks charge a lot for ATM cards. If you go to the 7-11 or some of the other stores and use an ATM card in their machine, you get charged by 7-11 and you get charged by your bank. It can get real expensive.” (SSI, Kansas City)

“I’ve never owned an ATM card and would rather not. I think they are a curse to humanity. I think that if you plan ahead a little bit you don’t need a machine. I think that it would be easy for me, if I didn’t have money in my wallet or I didn’t have a check, to go to the machine and get \$20, \$30, or \$40 out. I think that they are detrimental to society.” (Disabled, Tampa)

- Respondents who do not use an ATM or debit cards said that they either previously used one “too freely” and became financially overextended or they prefer obtaining cash using alternative methods, such as cashing a personal check at the grocery store.

Seniors, especially, said they prefer to discipline themselves to visit the bank once or twice a week to obtain cash rather than using an ATM.

“We have simply disciplined ourselves to have the money available when we are going to need it. We do cash personal checks when we purchase groceries at Vaughn’s, we have done that for years; but I don’t think ATMs are necessary.” (Senior, San Diego)

“Twenty-four-hour access to my money doesn’t work for me. I learned that 15 years ago. I had too much of a relationship with the ATM. Now I just keep my money in the credit union.” (SSI, Philadelphia)

- When asked to identify what they like about dealing with financial institutions, most respondents cited issues that are either service- or product-related. A number of respondents said that they like the level and quality of service they receive at their financial institutions, including friendly, personal, and helpful service. Product-related benefits are many and include the following: fee-free checking, low minimum-balance requirements for free checking, overdraft protection, interest-bearing checking accounts, high interest rates on deposit accounts, low interest rates on loans, automated telephone banking services, and a variety of products and services. Some respondents said they like their particular financial institutions because they have many branches conveniently located throughout the metropolitan area or have convenient hours of operation. Of interest is that some respondents said that an aspect of their financial institutions that they like is the fact that they offer direct-deposit services.

“I have what is called a Silver Account, and I don’t pay for anything. Checks, money orders, travelers checks—it’s all free and no service charges.” (Senior, Kansas City)

“Wells Fargo is great. You can go in there, and the tellers know you by name. They are very polite. If they know you were handicapped, like I had a bypass so I can’t stand very long, they take care of you.” (SSI, San Diego)

“The reason I bank where I do is it’s a small bank. I like small banks. They still have people that answer the telephone. You see the same people. They know you.” (Disabled, Tampa)

- Although most respondents who have relationships with financial institutions can cite some advantages or benefits of dealing with financial institutions, many cited disadvantages, most of which are also product- and service-related. Most often, respondents comment about poor service, such as rude, impersonal, and slow service as well as poor or inadequate problem resolution. Some respondents, especially seniors, complained about the lack of personalized service, that everything has become automated. In addition, respondents complained about high service charges and fees,

such as insufficient funds charges, high minimum-balance requirements, ATM charges, checking account service fees, and credit card fees.

“I’ve banked at the same bank for 35 years, and do you know they don’t even know me because all they use are temporary people. I don’t like that. It makes you feel terrible to think you bank at a place and they don’t even know you.” (Senior, Kansas City)

“I feel that since banks came along with the ATM card you don’t get any service at a bank anymore. To me, it’s like a bank don’t [sic] want you even coming into their place of business. Get your money and keep going. I’m offended by the fact that you go in the bank, and there’s one teller and a line going all the way around the corner, and everybody’s standing there, and nobody asks what you want. I have come to feel that the banks really don’t want me in there.” (SSI, Philadelphia)

- Other disadvantages of dealing with financial institutions mentioned by fewer respondents include the following: limited hours of operation, limited number of branches, inconvenient branch locations, and bank policies on opening accounts and applying for loans. In addition, in each group, several respondents commented about the number of mergers and acquisitions that are occurring in the banking industry and feel that has had adverse effects on the level and quality of services and products that are available to consumers.

“Banking hours are a problem. I would like to see them change the hours. Sometimes, at 3 o’clock you’re not able to get to the bank. That’s way too early. I would like to see evening hours or longer hours on Saturday.” (SSI, Philadelphia)

“I’ve gone through three banks already here in town. I was with San Diego Trust and Savings. That was sucked up by First Interstate. First Interstate was sucked up by Wells Fargo. You end up that you’re a virtual bouncing rubber ball.” (Disabled, San Diego)

- Respondents who do not have checking accounts said that either they cash their Federal benefit checks at grocery stores or sign them over to friends or relatives who have checking accounts and can cash the checks. Respondents who have savings accounts said that they cash their Federal benefit checks at banks where they have their savings accounts. Cashing a personal check is somewhat more challenging, according to respondents. They said that they either cash the checks at the banks on which the checks are drawn or sign the checks over to friends or relatives who have checking accounts for them to cash. For paying bills, respondents who do not have checking accounts said that they pay their bills either using cash or money orders. Respondents said they have identified the places where they can purchase money orders relatively inexpensively, such as at a post office or a convenience store. Thus, for them, purchasing money orders to pay bills is less expensive than paying the fees and service charges to maintain checking accounts.

“I pay for everything with cash, and all my bills are paid by money orders.” (SSI, Philadelphia)

“I bank with Peninsula Bank. They give you a free cashier’s check every day, and that’s how I do my business. I just try to space it out within a week. It costs me \$3 or \$4 at other banks. Mostly, I use cashier’s checks and cash, and it works pretty good.” (SSI, San Diego)

“I cash my government check at the grocery store. They charge me \$5 because the amount falls in a certain bracket. I deal with money orders as far as paying my bills. I don’t have that many. The maximum [number of bills] I would have is probably five, so to get them all is about \$10. For buying things, I usually deal with cash. I don’t have the money to afford luxuries, so basically I buy groceries and my money is about exhausted. Once I pay my rent, light, cable, phone, and buy groceries, I have maybe a couple hundred [dollars] to spend on myself. That’s what gets me through the month.” (SSI, Kansas City)

“I go to the bank where I have my savings account and cash my [government] check. I don’t go with personal checks at all, for me or taking them [from others]. They’re too much trouble. I deal strictly with money orders [to pay bills] and cash [from friends].” (Disabled, San Diego)

“I’ll use my girlfriend’s account to cash my check, or I will just go to the grocery store. My girlfriend will deposit personal checks in her account and give me the money. The bank charges \$6 to cash my disability check.” (Disabled, Tampa)

- Reasons given for not having a checking account were many and included the following: recently filing for bankruptcy, high service charges and fees for maintaining a checking account, high minimum-balance requirements for receiving fee-free checking, limited funds or fear of overdrawing the account, and a general distrust of banks. Some respondents who receive disability or SSI payments from the government said that they do not have checking accounts because they do not want the Federal government to know how much money they have. Others said that they do not maintain bank accounts because they are afraid the Federal government will reduce the amount of their Federal payments if they keep too much money in the bank. A few Federal benefit check recipients who do not have any bank accounts said they do not because the amount of their Federal payments are too small to warrant maintaining bank accounts. They said that once they cash the checks and pay outstanding obligations and essentials, such as rent, food, and utility bills, there is very little left to keep in bank accounts, especially if they have to pay service charges to maintain the accounts.

“I just started getting Social Security. To get a bank account, you have to spend so much out of it before a certain period of time or they [the Federal government] will deduct so much. I would just rather not deal with that. The little bit of money that I

do get, I cash it, I pay lights, rent, telephone, cable, whatever. There really isn't that much left." (Disabled, Tampa)

"The banks charge so much money to have an account. They charge you for checks, for telephone calls, everything. Sometimes they charge you up to \$2 [for a single transaction or service]. I'm a single parent, and every dollar, every cent matters. You need every bit of it [Federal check]." (Disabled, San Diego)

"A checking account was like a credit card to me because I knew that I could always get money whether I had it in the bank or not because I could postdate the check or just write a bad check. Getting people to accept it was the only problem." (SSI, Kansas City)

"I recently filed for bankruptcy, and I'm trying to protect what little I have. If I put money in a checking account the IRS will come after it, so I deal with cash and money orders." (Disabled, Tampa)

"I guess I'm afraid I'm going to overdraw [the account]. It's the same thing with going in and paying cash. If I go into a store for Christmas, I pay by cash, because if I pay by credit card, I'm afraid that I'm going to go so far up that I'm not going to be able to pay it in January. With a checking account, I'm afraid I might be keeping track and it would make me overdraw. I guess if I sat down with someone who knew checking and they explained it to me, I would be okay." (SSI, Philadelphia)

- Given these findings, it is not particularly surprising to find that a number of respondents who do not have checking accounts indicated that they might consider opening one if the service charges and fees were lower or if they could obtain fee-free checking. Others said they might consider opening bank accounts if they were assured that the Federal government would not reduce the amount of their payments because they were not spending the entire amount but rather establishing some type of savings account with uncommitted funds.

"If the banks didn't charge so much, I might consider getting a checking account or some type of bank account. I don't have enough money [to meet minimum balance requirements] for free checking, and the service charges are really expensive." (Disabled, Tampa)

"With SSI, they [the Federal government] tell you not to put too much in the bank. I've got a little safe in my room. If I could keep all my money in the bank, I might consider it, but the government is going to take what they think I don't need." (SSI, Philadelphia)

3.3 Determine Reasons for Receiving Federal Payments by Check, and Identify Obstacles to Receiving Payment by EFT

The moderator asked respondents whether they are familiar with direct deposit and asked them to discuss their understanding of direct-deposit services. Respondents also were asked whether they have used direct-deposit services, their experiences using it, and their reasons for discontinuing it. All respondents were asked why they do not use direct deposit for their Federal government check and what, if anything, might interest them in using direct deposit instead of receiving their Federal payments in the mail. Before discussing direct deposit in detail, the moderator read the following description and asked respondents to discuss their reactions to it:

“Direct deposit lets an organization like the Federal government send electronic payments to an individual’s checking or savings account instead of sending checks through the mail.”

- A number of respondents indicated that they are familiar with direct deposit, and several indicated that they have previously used or are currently using direct deposit. A number of seniors said they use direct deposit for pension or other retirement payments. Some respondents who are unemployed and receive disability or SSI payments from the Federal government said that they used direct deposit for their payroll checks when they were employed. In addition, a number of respondents said that they know someone who uses direct deposit services.

“My retirement check is direct-deposited.” (Senior, San Diego)

“I had direct deposit when I was working at the restaurant. It was great because my bank offers free checking when you have direct deposit.” (Disabled, Tampa)

“A lot of businesses, a lot of friends of mine that work, their businesses are requiring direct deposit. Instead of giving everybody paychecks now, they’re requiring that you have a checking account in order to use the direct deposit so they don’t have to fool with the stuff there. It’s automatically done. I know a lot of people who have done that.” (SSI, Kansas City)

- Respondents who currently use or previously used direct deposit said they did so because of general convenience and the following reasons: not having to go to the bank to deposit a payroll or pension check, the electronic payment is made earlier than the check was received, their bank offers fee-free checking to customers who have direct deposit, and direct deposit is safer than receiving checks in the mail or taking checks to the bank.

“Direct deposit was extremely convenient. When I was working for the school district, for the last 3 years they made it possible for my check to be directly deposited to the credit union. That beat the time I had to run to the credit union and stand in the long lines to cash my check. That worked well.” (Senior, San Diego)

“Direct deposit is very easy. If you get your check in the mail, you have to wait until the first working day of the month. If it comes in electronically, it sometimes comes in 1 or 2 days before the end of the month, which means you get the money early.” (Disabled, Tampa)

“With the direct deposit that I had years ago when my son was in the Air Force and I was receiving a check from him, I really liked that then because I didn’t have to sit around and wait on the mailman. It would mess up your whole day, sitting around waiting, but you didn’t want to let the check just sit there in the mailbox; at least I didn’t.” (SSI, Kansas City)

- Most seniors who use direct deposit for their pension or retirement checks indicated that they originally had direct deposit through their employer and decided to continue using direct deposit when they retired because it is more convenient than receiving their checks in the mail and then taking them to the bank for processing. Respondents who receive SSI or disability payments from the Federal government and previously used direct deposit said they stopped using direct deposit when they lost their jobs or moved to better, safer neighborhoods. They felt that direct deposit was no longer needed to protect their money.

“I had direct deposit when I was working and decided to keep it when I retired. My employer set up direct deposit for retirees.” (Senior, San Diego)

“I used to have direct deposit for my [government] check because I lived in a really bad neighborhood. I was concerned that someone would steal my check or shoot me on the way to the bank. I moved about a year or so ago. It’s more rural, and I don’t have to worry about anyone breaking into the mailbox, so I stopped the direct deposit.” (SSI, Kansas City)

- Regardless of whether they have ever used direct deposit, many respondents indicated that the primary advantage to using direct deposit is convenience. Convenience-related issues mentioned by a number of respondents include the following: saves time, money is immediately available, electronic payment is made earlier than check delivery and money is available sooner, and flexibility of being able to travel or plan events without worrying about being available to deposit the Federal payment. Some respondents said that an advantage to direct deposit is “guaranteed delivery,” that the electronic payment is always made on time, whereas mail delivery can be delayed or delivery of the check may be delayed.

“I’m getting tired of going to the check-cashing place and having to stand in line for so long. Sometimes I don’t remember to get my money order there, so I have to go to the post office [to purchase a money order]. That’s why I’m thinking about getting direct deposit for my [government] check so it goes right in.” (Disabled, San Diego)

“I don’t have direct deposit now, but I probably should. One of my retirement checks from the government went to my neighbor that has the same house number but a different street. Every once in awhile, he will bring my retirement check to me, so I think it [direct deposit] might be the safest thing to do.” (Senior, San Diego)

“My brother-in-law has been using direct deposit for years and has never had money problems. Like clockwork, that money is in his account every month. Many times, the money is there a day or two early. He keeps telling me I should look into it.” (SSI, Kansas City)

- Respondents are also quick to cite disadvantages to direct deposit. Quite a few respondents said that they do not like direct deposit because it takes control away from the user. Many think that the bank to which the money is sent is determined by the company issuing the payment rather than by the recipient and that the type of account to which the direct deposit is made cannot be changed. Other perceived disadvantages or deterrents to having direct deposit include the following: potential bank computer problems that might result in account errors, late electronic payments, inconsistent electronic payments, no way to confirm the deposit, and not being able to make deposits to multiple accounts from the single payment.

“I had direct deposit when I worked. I could only receive the money at the bank where my employer had established the direct deposit. Because all my other accounts were at another bank, I had to transfer money from the account where my direct deposit was to my other accounts. I didn’t like that, and I don’t need anyone telling me where I can and cannot bank.” (Senior, Tampa)

“I don’t think direct deposit would work for me. Typically, when I get my check, I cash it and make several deposits into the different accounts that I have.” (Senior, San Diego)

“We all make mistakes; are we not all human? There are always things that go wrong with computers. That would be the disadvantage that I would really hate. You’re counting on the check, you’re counting on them to put it into direct deposit, and somebody makes a mistake. Then they say you’re going to have to wait. You know how it is when everyone wants their money the first of the month. The rent, if you’re late, there’s a service charge, late charges. Before you know it, you’re in a minus situation because someone can’t backtrack your deposit. That’s the only disadvantage I would see.” (SSI, Kansas City)

- As illustrated by the comments, quite a few respondents indicated that they prefer to receive their Federal payments in the mail rather than by EFT because they need to confirm receipt of the payments; they prefer receiving the actual checks instead of statements indicating that the deposits have been made; they want more control over the deposits, such as to which accounts and in what amounts the deposit is made; and they

are concerned about lack of recourse if bank computer problems occur. A number of respondents said that they prefer to receive their Federal payments in the mail instead of by EFT because they like the psychological feeling associated with seeing and touching the checks, which they would not experience if they used direct deposit. Other reasons cited for not using direct deposit for Federal payments include the following: do not want the Federal government controlling how payments are received, do not understand how the process of direct deposit works, and have a perception that the enrollment process for direct deposit is difficult or time-consuming.

“How do I know the money’s there? When the check comes in the mail, that’s money, it’s real. Is the bank going to call me and let me know my money is there so I can start paying my bills? I need to know the money’s there.” (Senior, Kansas City)

“One of the things that bothers me is I don’t like to feel like I’m losing control. This feels like communism to me. I know it’s not supposed to, but that’s how I feel. As long as I have a choice . . . I don’t want the government telling me what I can do with my money.” (SSI, Kansas City)

“My veterans’ check comes through the mail because I don’t want the government messing up with my check. In other words, things are working now and there is an old saying if something ain’t broke, don’t fix it. If I don’t get my money through direct deposit, where do I go? Who do I see? If I get the check directly in the mail then I have it. It’s done with.” (Disabled, Philadelphia)

“What does it take to set it [direct deposit] up? There’s got to be a lot of paperwork involved, canceled checks and what not. It seems like such a hassle.” (Disabled, Philadelphia)

- Some respondents said direct deposit is not that convenient because the recipient still must go to the bank to obtain cash even if the payment is made electronically to the bank. Others said that they do not need to use direct deposit because they live in a safe neighborhood, their mail delivery is reliable, or because they perceive they do not have safety issues that would warrant using direct deposit. Of interest is that a number of seniors said that they do not use direct deposit for their Social Security checks because it is “mad money” that they use for golf or other pleasure activities and typically spend the entire amount within a few hours of cashing the check. Because they do not use their Social Security checks to cover major expenses or obligations, they do not feel that they need to use direct deposit. Some respondents who receive SSI or disability payments from the Federal government said the amount of their Federal payments is too small to warrant paying bank fees and service charges for maintaining bank accounts, so using direct deposit is a poor value for them.

“What I can’t figure out is where’s the time savings? Everybody keeps saying how convenient direct deposit is. I have to go to the bank to get the money out, so why

not just take the check there and deposit it when you get there?” (Senior, San Diego)

“I use direct deposit for my retirement check because it safeguards the money we use to pay major expenses like the mortgage. My Social Security check is my play money. It’s my money that I use to play golf. I cash that check and head straight to the golf course. Using direct deposit, I would have to cash a check at the greenskeeper and I can’t see doing that.” (Senior, San Diego)

“I have obligations, I have two kids. I’m using my money for rent, utilities, groceries . . . all the money goes directly into taking care of my kids, and I’m very grateful it’s there for me to be able to take care of my kids. But I don’t have a lot of money left over after our expenses, and what I do have I’m not paying to a bank in fees. If the government wants me to use direct deposit, let them pay the fees.” (SSI, Kansas City)

“I don’t get that much money where I’m going to pay a bank \$10 a month in fees. My bank doesn’t offer free checking for direct deposit.” (Disabled, Tampa)

3.4 Measure Interest in New EFT Delivery System

Respondents who do not have checking accounts were asked to discuss their reactions to the following concept: having an account established for them and being able to access the funds in the account with a plastic card that is similar to an ATM card. In addition, machines similar to an ATM would be available for Federal benefit check recipients so they can access the funds they receive from the government without having to go to the bank. The machines might be located in grocery stores, convenience stores, neighborhood check-cashing sites, or local post offices.

- Reactions to the new EFT delivery system concept were generally favorable among respondents who do not have bank accounts. A number of respondents who do not have bank accounts view the alternative EFT delivery system as more convenient and safer than their current method of cashing their Federal payments. Respondents who currently use or have previously used ATM cards like the ability to access their Federal payments with a plastic card because it is more convenient than going to the bank. Being able to use the plastic card at point-of-purchase also is appealing because respondents can purchase goods without depleting their cash on hand.

“I like that idea. Where do I sign up? I think it would be great.” (SSI, San Diego)

“I like it for the convenience. It’s a lot easier than having to worry about going to the MAC machine to get money out.” (SSI, Philadelphia)

- Despite the generally positive reactions, respondents raised questions, the answers to which they say ultimately will affect the likelihood of their using the proposed EFT delivery system. The questions include the following: whether there are service charges

or fees for the alternative delivery system and the amount, if checks will be issued for the account, if account statements will be issued, and questions about confirmation of deposit and security-related issues, including who is responsible for making electronic payments. Furthermore, some respondents who do not have bank accounts do not like the proposed EFT delivery system because they prefer to see the money by receiving their Federal payments in the mail or because the government will be able to track how they spend the money. Some said that the alternative EFT delivery system sounds expensive and assume that the cost of providing the service will be passed on to Federal benefit check recipients, which they cannot afford to pay.

“Are there fees involved? I need to know what it’s going to cost me before I can tell you whether I like the idea or not.” (Disabled, Philadelphia)

“I love the idea, but they’re [the Federal government] tracking you. I don’t like the way they’re tracking you. With cash, you can buy anything you want to buy. If you’ve got this card, everything you buy can be tracked. For some people that’s fine, but I don’t like it. It’s a privacy issue.” (SSI, Kansas City)

“Who do you talk to if the machine breaks down or doesn’t give you the right amount of cash?” (SSI, Philadelphia)

“Will there be statements or receipts or some kind of record? I would need checks, too. Will they be available?” (Disabled, Tampa)

- Many respondents, regardless of whether they have bank accounts, like the idea of locating ATMs for Federal benefit check recipients in grocery stores and convenience stores. Respondents said grocery and convenience stores are conveniently located for most consumers and have long hours of operation, which add to the overall amenity. Respondents also said that everyone must go to the grocery store or a convenience store, so being able to transact personal banking while visiting the store is appealing. Respondents said that they feel safe in grocery and convenience stores because generally there are many people and security is good. A number of respondents indicated that they currently cash their Federal benefit checks or personal checks at grocery stores, so they are familiar and comfortable with the idea of banking at those places.

“Consumers like convenience. We live in a society where people like that, they like the whole concept of having things done and having the convenience. I’ll be the first one to admit it.” (SSI, Philadelphia)

“Everybody goes to the grocery store. That would be the best because it’s the most convenient.” (SSI, San Diego)

“Grocery stores are a definite. I would probably change my direct deposit to be part of a system like that. It’s like having a wallet but not with you.” (Disabled, Tampa)

- Reactions to placing ATMs for Federal benefit check recipients at local post offices are mixed. Some respondents said that they like the idea because post offices are near their homes and they feel safe going there. Others, however, said that their local post offices are not convenient or are farther away than grocery or convenience stores. Some respondents also said that post offices are not that safe, citing recent shootings in local post offices. Others said that they would not use an ATM designated for Federal benefit check recipients if it is in a local post office because typically lines are long, service is slow, and they would worry about security and confidentiality—that is, people surmising why they are there.

“The post office in my neighborhood is further away than the grocery store. I would be concerned about safety, too. People are always getting shot in the post office.” (SSI, Philadelphia)

“Lines are too long in the post office. All those people would know why you’re there. I don’t think I would feel comfortable using a machine in the post office, plus they aren’t open as late as grocery stores.” (Disabled, San Diego)

“My post office is located just down the street from where I live. That would be convenient for me.” (SSI, Kansas City)

- Respondents said they do not like the idea of placing ATMs for Federal benefit check recipients at neighborhood check-cashing sites for several reasons, including the following: lack of security, disreputable clientele, and being associated with the clientele. Although some respondents said an appealing aspect of locating ATMs for Federal benefit check recipients at neighborhood check-cashing sites is the numerous locations throughout the community, which makes them convenient. Others assume they would pay higher service charges because, typically, check-cashing services charge higher fees than banks or other alternative check-cashing sources, such as grocery stores.

“Check-cashing places are expensive. They’re a ripoff. The fees would probably be higher if you used a machine there instead of at a grocery store.” (Disabled, San Diego)

“Well, you know you have to consider the types of folks that go to these places (neighborhood check-cashing services] and whether you want to be associated with them.” (SSI, Philadelphia)

3.5 Determine the Most Effective Messages for Encouraging Direct Deposit Among Current Federal Benefit Check Recipients

To determine the most effective methods for encouraging use of direct deposit, the moderator asked the respondents to identify messages that might encourage them or other Federal benefit check recipients to use direct deposit. As part of the discussion, respondents were asked to

brainstorm ways of overcoming objections they had raised to using direct deposit for their Federal payments.

- A number of respondents in each group indicated that offering some type of confirmation of deposit might encourage them to use direct deposit, such as the bank sending a receipt in the mail, the Federal government sending a statement or written notification of the deposit in the mail, and being able to telephone the bank to confirm the deposit. Several respondents whose banks have automated telephone response systems indicated that they would consider using the system to verify receipt of their Federal payments. Ultimately, a number of respondents indicated that having a reliable, consistent method of confirming receipt of the deposit might encourage them to use direct deposit for their Federal payments.

“I would like a deposit slip that will say that my monthly check is in the bank.”
(Disabled, Tampa)

“Being able to call my bank, using that menu thing [automated response system] would be fine. I use that all the time to see if checks have cleared and what my balance is. If I could use that to verify the deposit, that would be fine.” (Senior, San Diego)

- Quite a few respondents indicated that they are concerned about late electronic payments or no payments and the resulting bounced checks that occur due to insufficient funds. Therefore, in addition to being able to confirm the deposit, a number of respondents indicated that they would expect the bank to waive or the Federal government to pay fees or services charges incurred because of an inability to cover checks drawn before late payments. Furthermore, some respondents want the Federal government to take responsibility for resolving issues with the Credit Bureau that might result from writing checks drawn on insufficient funds that are due to late electronic payments.

“This is the only money I have. If it doesn’t show up, or if it’s late and I incur all these other charges because my rent’s late or my telephone [payment] is late, that’s a problem. I need to know who I can call if my money isn’t there and how fast they can get money in my account.” (SSI, Kansas City)

“It’s the government that’s making us use direct deposit. If they’re late sending the money, they should pay the charges. I don’t see why I should have to pay fees on bounced checks when the government promised me they’d have my money to me by the first.” (Disabled, Philadelphia)

“What about your credit? Say you have written all these checks on the check that you thought was going to be there; they all come back bounced. The government pays the fees, but your credit can virtually be ruined because you have had all these checks returned to you.” (Senior, San Diego)

- Several respondents who receive SSI or disability payments from the Federal government suggested offering a financial incentive to Federal benefit check recipients to encourage them to use direct deposit. Financial incentives mentioned most often include monthly credits, subsidizing or lowering bank fees and service charges, providing a one-time rebate for signing up for direct deposit, and increasing the amount of the monthly payment in direct proportion to the cost savings associated with more consumers using EFT for their Federal payments.

“If the government can benefit, give me some benefits, too, for letting you have my money direct-deposited. You spend less money in mail and all that other stuff. If you want to benefit from something, give me some benefit, too. It works both ways.” (SSI, Kansas City)

“If the government would help with bank fees, that would encourage me to use direct deposit. My bank doesn’t offer free checking for direct deposit, and I don’t have enough to meet the minimum [requirement for free checking]. Can they get the banks to waive the charges or just pay them?” (Disabled, San Diego)

- Some respondents indicated that they might consider using direct deposit for their Federal payment if the enrollment process were made easier, such as being able to enroll over the telephone or reducing the amount of paperwork. Although a number of respondents indicated that the enrollment process for direct deposit is easy and can be completed in a timely fashion, others said that they are not familiar with the enrollment process but assume that it is time-consuming and cumbersome. There is a perception that the process requires much paperwork that must be processed by several agencies before the recipient can begin receiving Federal payment by EFT. Thus, offering a financial incentive or an easy enrollment process might encourage some recipients to use direct deposit for their Federal payments.

“It’s easy to do [enroll in direct deposit], but it could be easier. They could let people enroll over the telephone, automatically, or over the Internet.” (Senior, San Diego)

“The enrollment process should take a shorter amount of time. In the past when I got involved with direct deposit, it took 3 weeks to a month to get the account set up and money coming in. I think that is too long a time. I think 2 weeks would be a reasonable amount of time.” (Disabled, Philadelphia)

- The subject of the upcoming Federal “mandate” that Federal benefit check recipients use direct deposit for Federal payments came up spontaneously, and much discussion ensued. In general, respondents have negative reactions to the proposed mandating of direct deposit because they perceive it as the Federal government’s attempt to control Federal government check recipients and to dictate how they receive their monthly payments. Although many respondents assume that the Federal government is issuing

the mandate to save money, most respondents also feel that consumers will not benefit from the cost savings. Rather, they say, the Federal government will use the money on other programs that will not affect the typical consumer. Therefore, they do not consider cost savings for the Federal government an enticing or credible message for encouraging Federal benefit check recipients to use direct deposit. Rather, as stated previously, respondents suggested that the Federal government offer some type of rebate to Federal payment recipients as an incentive to use EFT or apply the cost savings to programs that will benefit the typical consumer, such as supplementing the Social Security fund, supporting education programs, and lowering Federal taxes.

“What the Federal government will save by making us all use direct deposit will just be spent on something else. Why should senior citizens have to balance the budget anyway? That’s the way I feel about it.” (Senior, San Diego)

“The article I read said the government will save millions of dollars by making everyone use direct deposit, but I’m sure we’ll never see a dime of it. If you want to talk about long-term, sure maybe our grandchildren will see a lower deficit, but this isn’t going to help us.” (Disabled, Philadelphia)

“If I knew they [the Federal government] were going to use the money to improve our schools or help families stay together by increasing support, then I wouldn’t mind. But you don’t know how they’re going to spend the money.” (SSI, San Diego)

3.6 Determine Most Effective Vehicles for Communicating the Benefits of Direct Deposit to Federal Benefit Check Recipients

As part of the discussion, the moderator asked respondents whether they had seen or heard information about direct deposit and to identify the most effective media for conveying information about direct deposit. Respondents also were asked to discuss their reactions to the following as credible sources of information about direct deposit: the Federal government, their financial institutions, trade unions, and community groups. The moderator also asked respondents to identify key information that should be communicated in literature or marketing materials that may be developed to encourage use of direct deposit for Federal payments.

- Many respondents indicated they have received information about direct deposit as an insert in their Federal payment envelope. As noted previously, some have read recent newspaper articles about pending legislation regarding direct deposit of Federal payments. A few respondents said that they have seen information about direct deposit on television or in the branch offices of their financial institutions or have contacted someone at a Federal agency, such as Social Security, about direct deposit.

“I get something every month in my [government] check. There’s a little stub or card that tells all about direct deposit.” (SSI, Philadelphia)

“I saw something on television [about direct deposit], and there have been articles in magazines.” (Senior, San Diego)

- Respondents suggested a variety of media for conveying information about direct deposit of Federal payments. Many suggested continuing with Federal benefit check stuffers because they provide an ongoing opportunity to communicate with Federal benefit check recipients about the benefits of direct deposit. Several suggested sending letters to Federal benefit check recipients explaining the process of enrolling in direct deposit and the benefits associated with using the service. Other media suggested by some respondents include the following: articles in local newspapers, newspaper ads, television ads, an infomercial or a documentary on PBS, bank merchandising, articles in Federal newsletters, and flyers. Some respondents suggested incorporating testimonials by current EFT users, that might be developed to support the effort.

“They should continue with the cards in with the checks. Everyone gets a check every month. Maybe instead of a card, they could put a pamphlet or something where they talk about direct deposit in more detail.” (SSI, Kansas City)

“A written letter [from the Federal government] would be good. You have it right in front of you, and it’s explained to you in clear language.” (Senior, Tampa)

“I like the idea of television ads with people who are using direct deposit. Real people you can believe who talk about how direct deposit works and why they like it so much. That might encourage me [to use direct deposit].” (SSI, Philadelphia)

- Most respondents said that the Federal government is a credible information source about direct deposit of Federal payments, and that they would pay attention to information about direct deposit provided by the Federal government, especially if it is the agency that is issuing their government check (e.g., SSA, VA). A number of respondents indicated that they consider their local banks credible sources of information about direct deposit of Federal payments.

“I see information about direct deposit in my bank all the time. They’re the ones that will be responsible for accepting my money, so I would need to get information from them. Yeah, they would be a credible source.” (SSI, San Diego)

- Reactions to trade unions as a credible information source about direct deposit are mixed. Some respondents who belong to trade unions have favorable impressions and said that they would seriously consider information provided by their trade unions because the trade unions represent their members’ interests. Other trade union members, however, have less favorable reactions and said that some trade union representatives are disreputable individuals who are out for personal gain instead of protecting member interests.

“I like the idea of a trade union because they are there to represent their members. If I got information from my trade union, I would read it and think.” (Disabled, Tampa)

“You can’t trust unions. They’re out for nobody but themselves. I don’t know if I would trust anything a union said.” (SSI, San Diego)

- Most respondents said that community groups are not credible information sources for direct deposit of Federal payments simply because they do not see a connection between community groups and direct-deposit services. However, several seniors suggested that an endorsement by the AARP might encourage them to consider direct deposit, because the AARP is a credible and well-known advocacy group for seniors’ interests and protection.

“It’s not so much credibility as I don’t understand what a community group or civic organization has to do with banking or me getting my check. I don’t see the connection.” (SSI, Philadelphia)

“How about the AARP? They’re a good source [of information]. Let them send us some information.” (Senior, San Diego)

- Regardless of the medium selected, respondents said that there are a number of issues that must be addressed in materials on direct deposit of Federal payments. The issues include procedure for enrolling for direct deposit, consumer and recipient benefits of using direct deposit, how the Federal government will apply cost savings, direct deposit fees or charges, and confirmation processes or methods.

4. TELEPHONE SURVEY FINDINGS

4.1 Describe the Characteristics of Federal Benefit Check Recipients

Table 16 summarizes the characteristics of Federal benefit check recipients interviewed in the telephone survey overall and by whether the check recipient receives a retirement check, a disability check, or an SSI check. For this analysis, retirement checks include SSA checks (65 percent of retirement check recipients interviewed), Federal Civil Service Retirement checks (12 percent), veteran pension checks (12 percent), and Railroad Retirement checks (11 percent). SSA check recipients were not asked to specify the reason for their SSA payment, so all SSA check recipients were considered retirement beneficiaries even though some probably receive these benefits for a disability or because they are a surviving dependent. Disability checks include veterans' disability (81 percent of disability check recipients interviewed), Federal Civil Service disability (13 percent), and Railroad Retirement disability (6 percent). Some individuals, especially veterans, receive both a retirement check and a disability check. They are included in the profile of both types of check recipients.

Overall, Federal benefit check recipients are almost equally male (51 percent) and female (49 percent). However, the proportions vary by type of check. Retirement check recipients are about half male and half female, but disability check recipients are largely male (85 percent). SSI check recipients are predominantly female (63 percent).

Overall, the mean age of Federal benefit check recipients is 67 and the median age is 69. As expected, retirement check recipients are significantly older (mean age of 69) than disability check recipients (mean age of 61) or SSI check recipients (mean age of 58). Of interest is that very few check recipients are under the age of 55 (15 percent), although SSI check recipients (40 percent) and disability check recipients (35 percent) are significantly more likely to be under 55 than retirement check recipients (9 percent). Most Federal benefit check recipients are between the ages of 65 and 84 (69 percent). Relatively few are 85 or older (4 percent), although significantly more SSI check recipients are 85 or older (8 percent) than retirement check recipients (3 percent) or disability check recipients (1 percent).

Most Federal benefit check recipients live in either one-person (25 percent) or two-person (50 percent) households. Fourteen percent of these recipients live in three-person households, and 11 percent have four or more people in their households. Both the mean and the median household size overall and for all types of check recipients is two people. SSI check recipients are significantly more likely to live alone (38 percent) than either retirement check recipients (24 percent) or disability check recipients (16 percent).

Table 16. Demographic Characteristics of Federal Benefit Check Recipients (Telephone Survey) (N = Sample Size)

	Total (N=1002)	Retirement Check Recipients (N=793)	Disability Check Recipients (N=138)	SSI Check Recipients (N=146)
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	Total (N=1002)	Retirement Check Recipients (N=793)	Disability Check Recipients (N=138)	SSI Check Recipients (N=146)
Gender				
• Male	51%	50%	85%	37%
• Female	49%	49%	15%	63%
• No Answer or Refused	0%	1%	0%	0%
Mean Age	67 Years	69 Years	61 Years	58 Years
Mean Number of People in Household	2 People	2 People	2 People	2 People
Marital Status				
• Married	56%	61%	72%	19%
• Widowed	25%	25%	15%	28%
• Single	11%	7%	7%	33%
• Divorced or Separated	7%	5%	6%	19%
• No Answer or Refused	1%	2%	0%	1%
Percent With Children in Household	13%	11%	19%	18%
Mean Household Income	\$26,700	\$28,500	\$35,800	\$12,000
Location of Residence				
• Small Town	32%	33%	27%	28%
• City	30%	28%	28%	40%
• Suburb	24%	26%	15%	17%
• Rural Area	14%	13%	30%	15%
Ethnicity				
• White Non-Hispanic	84%	88%	82%	66%
• Black Non-Hispanic	8%	6%	10%	23%
• Native American	3%	3%	4%	3%
• Hispanic	1%	1%	1%	4%
• Asian or Pacific Islander	1%	0%	1%	3%
• Other Race	1%	0%	0%	0%
• No Answer or Refused	2%	2%	2%	1%
Primary Language Spoken In Home				
• English	98%	98%	99%	95%
• Spanish	1%	1%	0%	1%
• Vietnamese	0%	0%	0%	1%
• Chinese	0%	0%	0%	1%
• Other	1%	1%	0%	2%
• No Answer or Refused	0%	0%	1%	0%
Education				
• Less Than High School	24%	21%	17%	46%
• High School Diploma	41%	44%	34%	28%
• Some College or Trade School	17%	18%	22%	15%
• College Degree	10%	9%	16%	9%
• Some Postgraduate or Professional	2%	2%	2%	0%
• Postgraduate Degree	4%	4%	7%	0%
• No Answer or Refused	2%	2%	2%	2%

SSI recipients are most likely to live alone because they are least likely to be married. Although a majority of both disability check recipients (72 percent) and retirement check recipients

(61 percent) are married, less than one-fifth (19 percent) of SSI check recipients are married. Instead, SSI check recipients are significantly more likely to be single (33 percent) and divorced or separated (19 percent) than both retirement check and disability check recipients. SSI check recipients and retirement check recipients also are widowed (28 percent and 25 percent, respectively) significantly more often than disability check recipients (15 percent).

Most Federal benefit check recipients do not have children under 18 years of age in their households (87 percent). Disability check recipients (19 percent) and SSI check recipients (18 percent) are significantly more likely to have children in their households than retirement check recipients (11 percent) do, but children rarely are present. Among those with children, most have only one child (7 percent of all check recipients). Only 4 percent of check recipients have two or more children in their households, and this percentage does not vary by the type of check they receive.

Federal benefit check recipients vary in their living areas. Overall, similar numbers live in small towns (32 percent), cities (30 percent), and suburban areas (24 percent). Fewer benefit check recipients (14 percent) live in rural areas. However, this varies according to the type of check received. SSI check recipients are significantly more likely to live in a city (40 percent) than are recipients of other types of checks (28 percent), and disability check recipients are at least twice as likely to live in rural areas (30 percent) than are other check recipients (13 to 15 percent). Retirees are significantly more likely to live in suburban areas (26 percent) than are other check recipients (15 to 17 percent).

The vast majority of Federal benefit check recipients are white non-Hispanic (84 percent). Other racial and ethnic groups included in the sample are black non-Hispanics (8 percent), Native Americans or Alaskan natives (3 percent), Hispanics (1 percent), and Asians or Pacific Islanders (1 percent). Recipients of Federal retirement checks are significantly more likely than disability or SSI check recipients to be white non-Hispanic (88 percent). At the same time, SSI check recipients are least likely to be white non-Hispanic (66 percent). SSI check recipients include the most black non-Hispanics (23 percent), Hispanics (4 percent), and Asian or Pacific Islanders (3 percent). Noteworthy is that Hispanics and Asians are most likely underrepresented in this sample because there was no opportunity to interview Federal benefit check recipients who do not speak English.

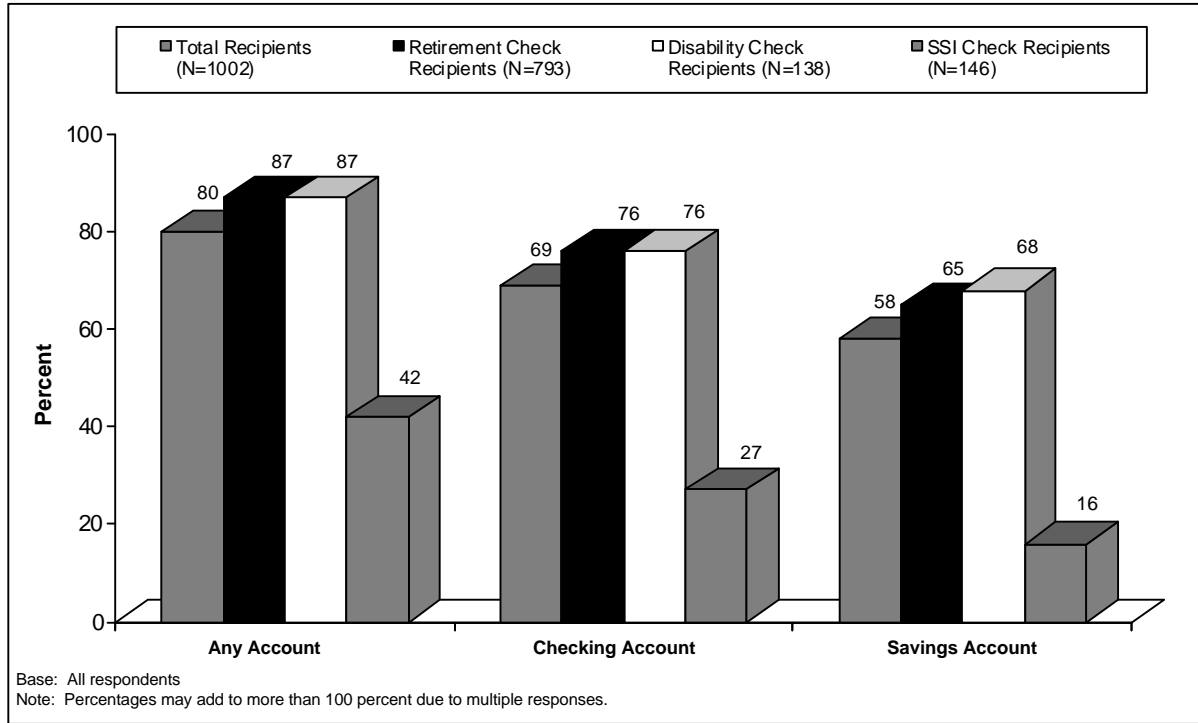
Consistent with the fact that telephone interviews were conducted only in English, nearly all respondents (98 percent) say English is the primary language spoken in their households. The only other language spoken primarily by at least one percent of respondents is Spanish (1 percent). The predominance of English as the primary language spoken in respondents' homes varies little by type of check received, although SSI check recipients are four percent less likely to speak English primarily (95 percent English-speaking) than are retirement check recipients (98 percent English-speaking) or disability check recipients (99 percent English-speaking). Among SSI check recipients, other languages spoken primarily by at least one percent include Spanish (1 percent), Vietnamese (1 percent), Chinese (1 percent), and French (1 percent).

About two-thirds of Federal benefit check recipients (65 percent) do not have more than a high school education. Nearly a quarter (24 percent) have not completed high school, and 41 percent have a high school diploma or a general equivalency diploma (GED) equivalent. Seventeen percent have some college or trade school education, 10 percent have a college degree, and 6 percent have some postgraduate education or a postgraduate degree. SSI check recipients are less educated than other check recipients. Almost half (46 percent) have not finished high school and less than a quarter (24 percent) do not have education beyond high school. Disability check recipients are the most educated. They are least likely to have less than a high school education (17 percent) and most likely to have some education beyond high school (47 percent). They also are most likely to have a college degree or some postgraduate education (25 percent). Retirement check recipients are in the middle; 21 percent have less than a high school education, and 33 percent have some education beyond high school. Significantly more than any other segment, retirement check recipients have high school diplomas but no higher education (44 percent).

The mean annual household income for Federal benefit check recipients is \$26,700, and the median income is \$20,000. Consistent with education level, income is lowest for SSI check recipients (mean of \$12,000) and highest for disability check recipients (mean of \$35,800). Retirement check recipients fall in the middle (mean of \$28,500). Three-quarters of the SSI recipients who reported their incomes have an annual household income of less than \$10,000 (75 percent). The household income figures include Federal benefit payment income.

4.2 Describe the Banking Relationships and Financial Habits of Federal Benefit Check Recipients and the Reasons That Some Do Not Have Bank Accounts

Overall, as shown in Figure 2, a majority of Federal benefit check recipients have some type of bank or financial institution account (80 percent), including checking accounts (69 percent) or savings accounts (58 percent). Eighteen percent do not have bank accounts, and two percent are not sure. The number of Federal benefit check recipients with some type of bank account varies by type of check received. Most retirement check recipients and disability check recipients (87 percent each) have bank accounts, but less than half of SSI check recipients have bank accounts (42 percent). A majority of retirement check recipients and disability check recipients have both checking accounts (76 percent each) and savings accounts (65 to 68 percent). However, only 27 percent of SSI check recipients have checking accounts, and 16 percent have savings accounts.

Figure 2. Types of Accounts Held by Federal Benefit Check Recipients

These patterns mean that unbanked Federal benefit check recipients are most likely to be SSI check recipients (48 percent of unbanked respondents), followed by SSA check recipients (29 percent), VA pension check recipients (12 percent), and VA disability check recipients (9 percent). Federal Civil Service Retirement check recipients compose 5 percent of the unbanked respondents, Railroad Retirement check recipients account for 4 percent, and Railroad disability check recipients represent 1 percent of unbanked respondents. None of the Federal Civil Service disability check recipients interviewed for this project were unbanked.

Federal benefit check recipients who do not have bank accounts differ from check recipients who have bank accounts in a number of ways, as shown in Table 17. In comparison to check recipients with bank accounts, unbanked check recipients have the following characteristics:

- Significantly more likely to be female (56 percent versus 47 percent)
- Significantly younger (mean of 62 versus mean of 68)
- Significantly more likely to be under 65 years old (44 percent versus 23 percent) and 85 or older (7 percent versus 3 percent), but significantly less likely to be between 65 and 84 (48 percent versus 73 percent)
- Significantly more likely to live alone (32 percent versus 24 percent)

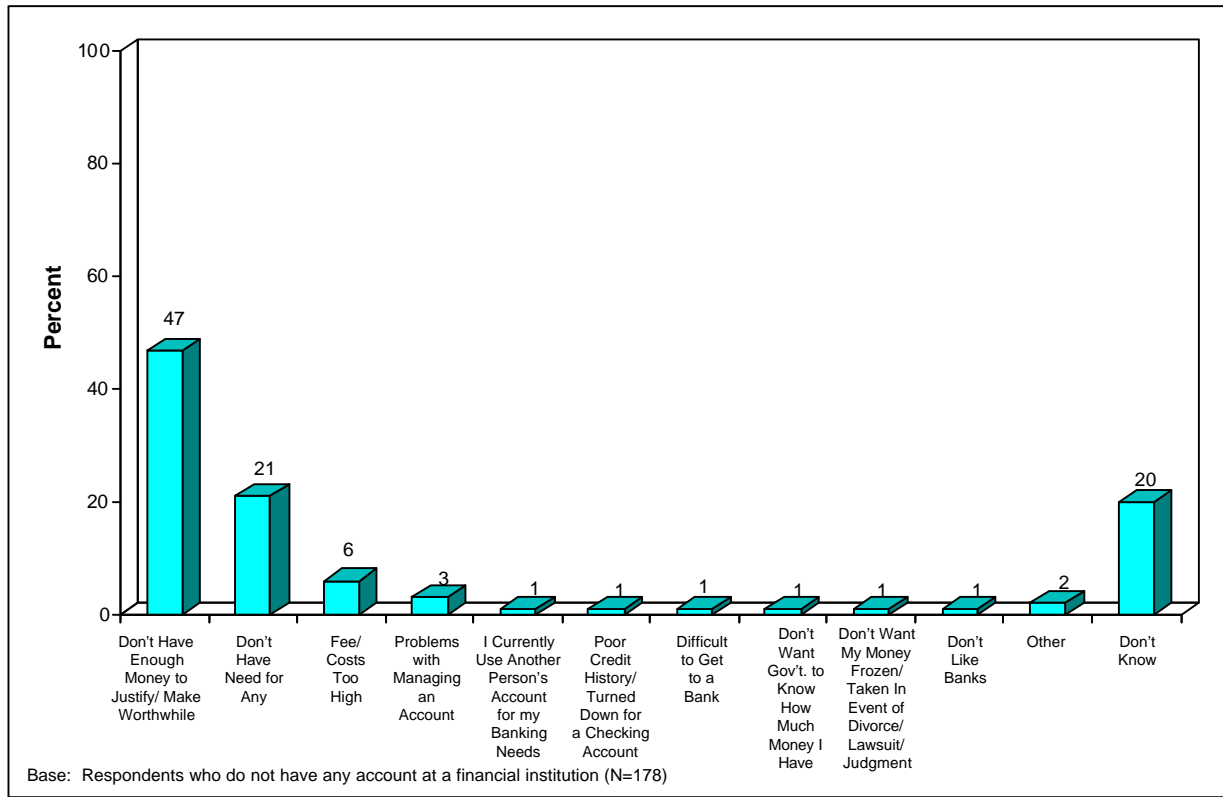
Table 17. Demographic Characteristics Of Those With and Without Bank Accounts (Telephone Survey)

	With Bank Account (N=806)	Without Bank Account (N=178)
Gender		
• Male	52%*	44%
• Female	47%	56%*
• Refused	1%	0%
Mean Age	68 Years*	62 Years
Mean Number of People in Household	2 People	2 People
Marital Status		
• Single	8%	21%*
• Married	62%*	35%
• Widowed	24%	30%
• Divorced or Separated	5%	13%*
• Refused	1%	1%
Percent with Children in Household	35%	47%
Mean Household Income	\$29,500*	\$14,500
Location of Residence		
• City	28%	38%*
• Suburb	25%	18%
• Small Town	32%	31%
• Rural Area	15%	13%
Ethnicity		
• Hispanic	1%	4%*
• White Non-Hispanic	88%*	68%
• Black Non-Hispanic	6%	21%*
• Asian or Pacific Islander	0%	2%
• Native American	4%	3%
• Other Race	0%	0%
• Refused	1%	2%
Primary Language Spoken in Home		
• English	98%	97%
• Spanish	1%	1%
• Vietnamese	0%	1%
• Other	1%	0%
Education		
• Less Than High School	20%	43%*
• High School Diploma	43%	35%*
• Some College or Trade School	18%	12%
• College Degree	10%	7%
• Some Postgraduate or Professional	2%	0%
• Postgraduate Degree	5%*	0%*
• Refused	2%	4%*

* Indicates significant difference between banked and unbanked at 95% confidence level.

- Significantly more likely to have a child under 18 in the household (47 percent versus 35 percent)
- Significantly less likely to be married (35 percent versus 61 percent) and significantly more likely to be single (21 percent versus 8 percent) and divorced or separated (13 percent versus 5 percent)
- Significantly more likely to live in a city (38 percent versus 28 percent)
- Significantly less likely to be white non-Hispanic (68 percent versus 88 percent) and significantly more likely to be black non-Hispanic (21 percent versus 6 percent) or Hispanic (4 percent versus 1 percent)
- Significantly more likely to have less than a high school education (43 percent versus 20 percent) and significantly less likely to have a high school diploma (35 percent versus 43 percent) or more than a high school education (19 percent versus 35 percent)
- Significantly more likely to have an annual household income of less than \$10,000 (44 percent versus 15 percent) and to have significantly lower mean income (\$14,500 versus \$29,500).

When those who do not have bank accounts were asked on an unaided basis why, most responded that they do not have enough money to justify an account or make it worthwhile (47 percent). The only other reason cited by more than 6 percent is that they do not have a need for an account (21 percent). Less frequently cited reasons are the fees are too high (6 percent), they have problems managing an account (3 percent), they currently use an account under another person's name (1 percent), they cannot get a checking account because of a poor credit history (1 percent), it is too difficult to get to a bank (1 percent), they do not want the government to know how much money they have (1 percent), they do not want money frozen as a result of a legal judgment (1 percent), and they harbor a general dislike of banks (1 percent). No other reason is given by at least 1 percent of the dependents. These results are shown in Figure 3.

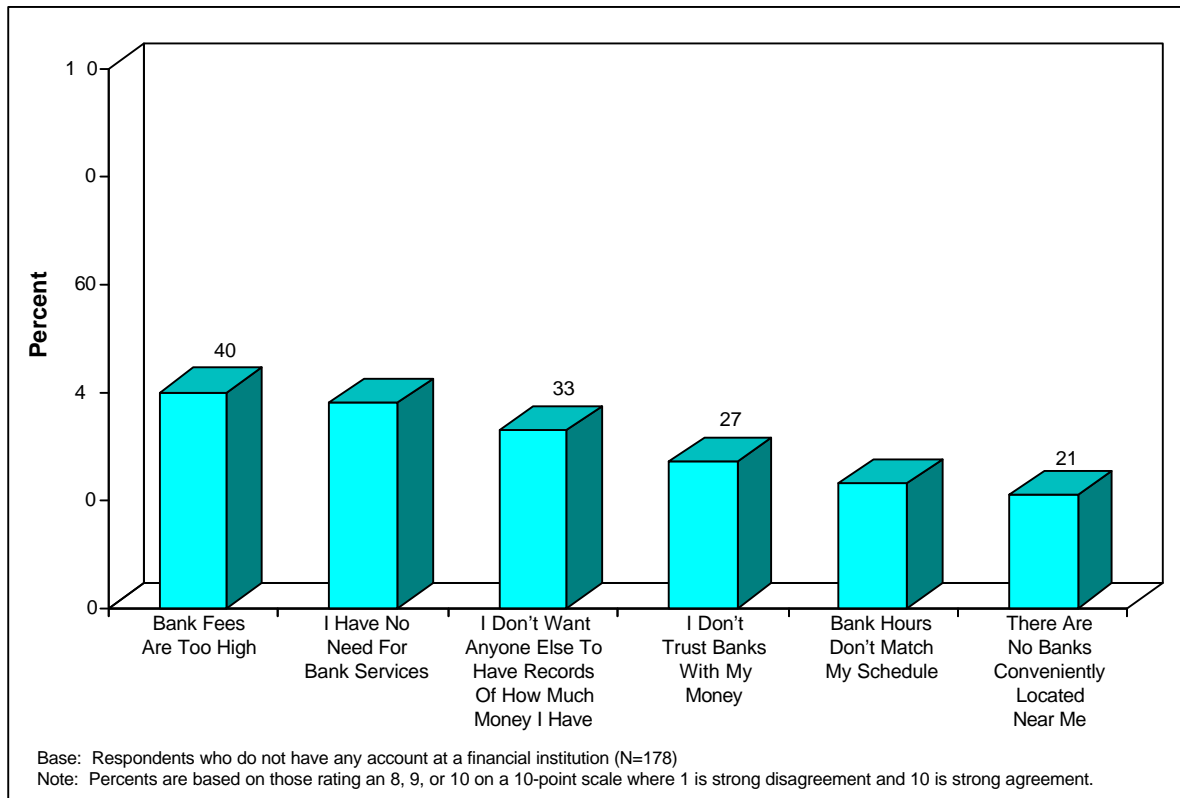
Figure 3. Reasons for Not Having An Account With a Financial Institution (Unaided)

To further understand the reasons that some Federal benefit check recipients do not have bank accounts, interviewers read a series of six statements to these individuals. They indicated their level of agreement with each statement by using a 10-point scale, 1 indicating strong disagreement and 10 strong agreement. The six statements are:

- I don't trust banks with my money.
- There are no banks conveniently located near me.
- I do not have need for bank services.
- Bank fees are too high.
- Bank hours don't match my schedule.
- I don't want anyone else to have records of how much money I have.

The extent of agreement with each statement is shown in Figure 4.

Figure 4. Agreement With Reasons for Not Having An Account With a Financial Institution (Aided)



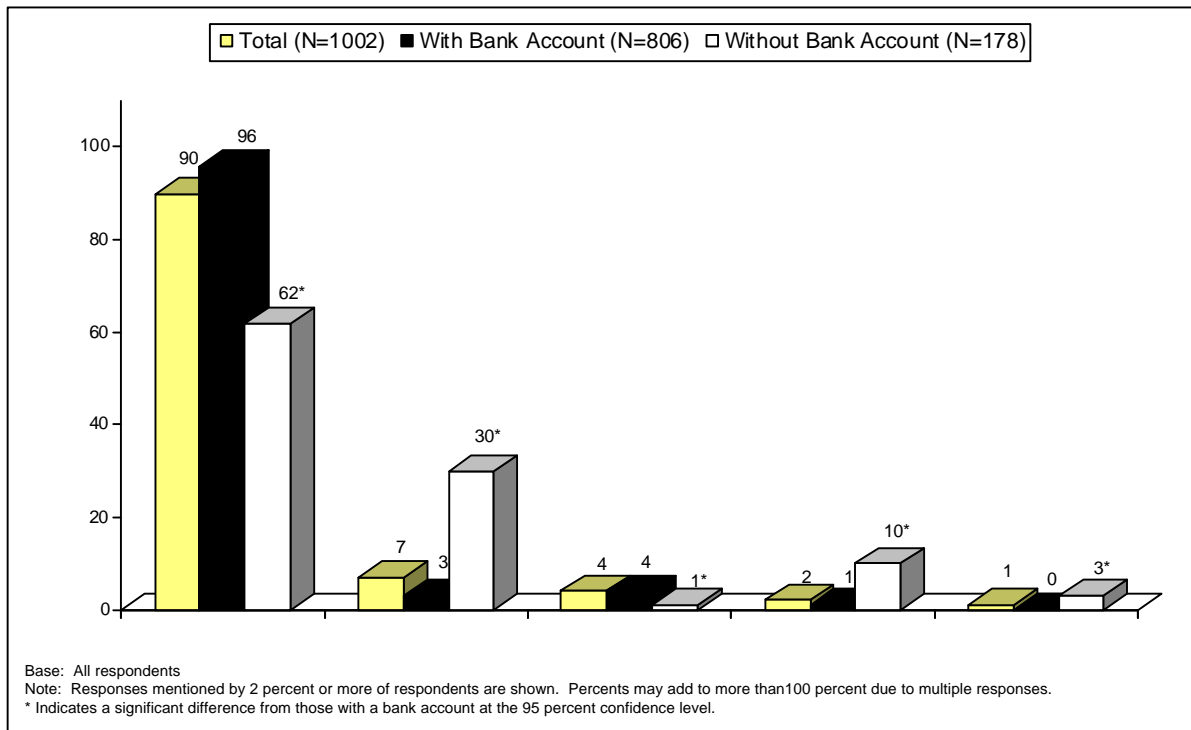
Unbanked check recipients agree most with the statements that bank fees are too high (40 percent rate this statement an 8, 9, or 10) and that they do not have need for bank services (38 percent). There is moderate agreement with the statements that they do not want other people to have records of how much money they have (33 percent) and that they do not trust banks with their money (27 percent). Convenience issues are the least important reasons, as indicated by the lower extent of agreement with the statements that bank hours do not match their schedules (23 percent) and that there are no banks located near them (21 percent). Thus, fees and lack of need for services are the major reasons for not having an account.

For the most part, there are few subgroup differences in the unaided or aided reasons for not having a bank account. The major difference is that check recipients under the age of 55 are more likely to consider high bank fees and inconvenient hours obstacles than check recipients over age 55 are.

Interviewers asked all Federal benefit check recipients on an unaided basis where they go most often to deposit or cash their government checks. Respondents named the single place used most often and all other places used regularly. As shown in Figure 5, banks are the most common place used overall (88 percent use most often, 90 percent use regularly), especially by those with bank accounts (95 percent most often, 96 percent regularly). Less than 5 percent of check recipients with bank accounts use all other places. Of interest is that even a majority of check

recipients who do not have bank accounts use banks most often (58 percent) and regularly (62 percent) to cash their Federal benefit checks. Unbanked check recipients also frequently use other places, especially grocery stores (23 percent most often, 30 percent regularly). Unbanked recipients also use check-cashing services (8 percent most often, 10 percent regularly) and other retail stores (2 percent most often, 3 percent regularly). Check recipients with bank accounts rarely use these places. Consistent with other research (see subsection 2.2 of this report), individuals who do not have bank accounts are significantly more likely to use grocery stores and check-cashing outlets than those who have bank accounts, but banks remain the most frequently used place for conducting financial business.

Figure 5. Places Where Federal Benefit Checks Are Deposited or Cashed (Unaided)

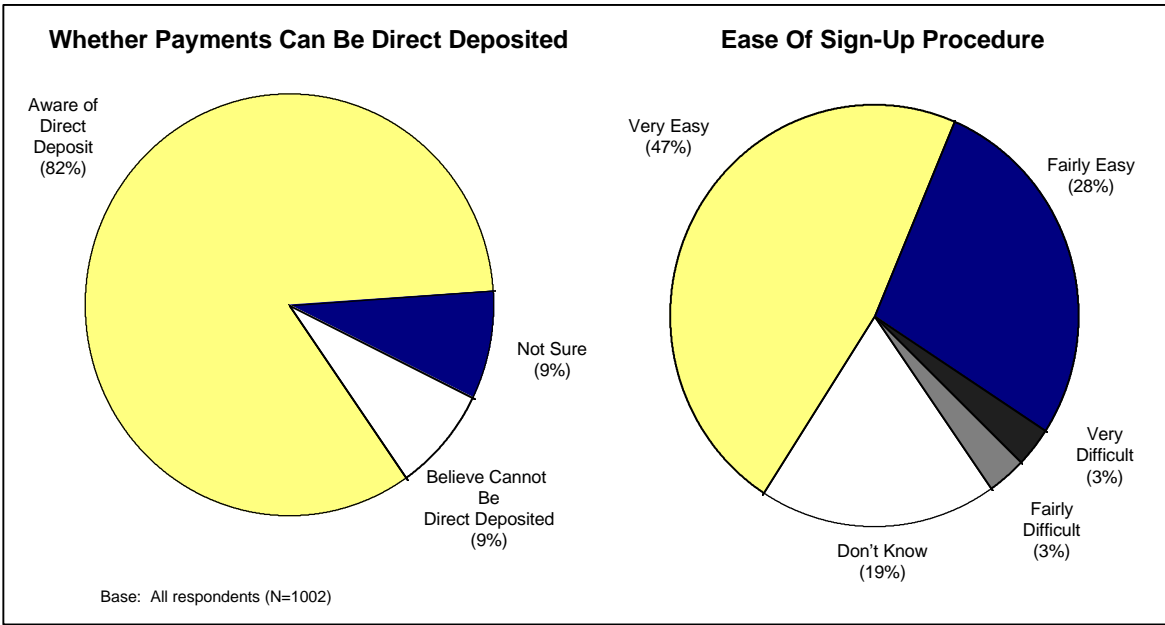


No doubt related to the characteristics of those without bank accounts, SSI check recipients use grocery stores and check-cashing services more often than other check recipients do, those under 55 years use them more often than older check recipients do, minorities use them more than white non-Hispanics do, and those with an annual household incomes of less than \$10,000 use them more than higher-income check recipients do. Those residing in cities use check-cashing services more than those living in other types of areas, no doubt because of the locations of these facilities.

4.3 Determine the Reasons for Receiving Federal Payments by Check and Identify the Obstacles to Receiving Payments by EFT

Lack of awareness of direct deposit is not a major obstacle that prevents current Federal benefit check recipients from receiving their benefit payments by EFT. As shown in Figure 6,

Figure 6. Awareness of Whether Regular Payments From Federal Government Can Be Deposited Directly and Ease of Sign-Up Procedure



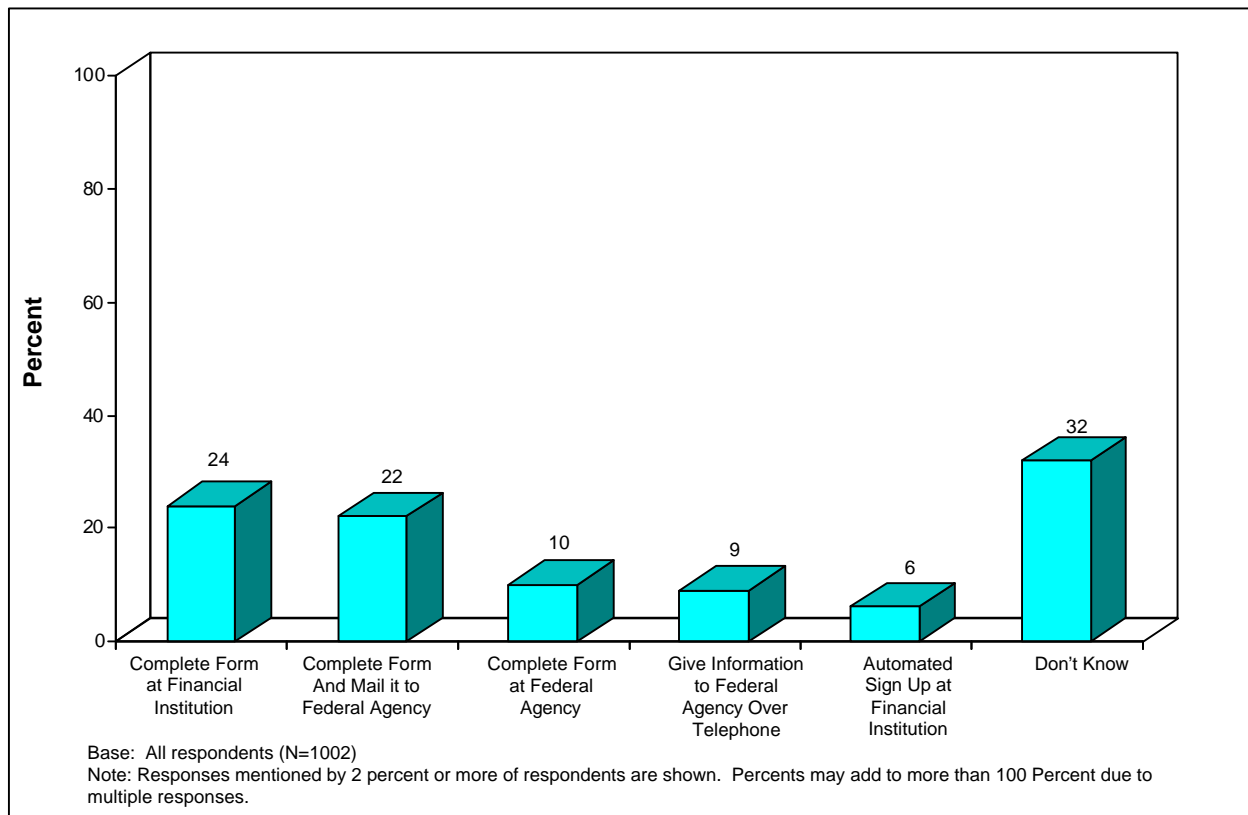
82 percent know that their Federal benefit checks can be deposited directly into their accounts. This leaves relatively few who either believe that their Federal payment cannot be deposited directly (9 percent) or are not sure (9 percent). Those with bank accounts (86 percent) are more aware of the ability to deposit a Federal benefit check directly than those without bank accounts are (69 percent). Most likely related to this fact, awareness of direct deposit is higher among those under the age of 75 than those 75 or older, among those with a household income of at least \$10,000 than those with a lower income, among males more than females, and among retirement and disability check recipients than SSI check recipients.

Perceptions of the sign-up procedures for direct deposit also do not appear to be a major obstacle to receiving Federal benefit checks by EFT. When asked to rate the sign-up procedures for direct deposit on a four-point scale consisting of very easy, fairly easy, fairly difficult, and very difficult, three-quarters (75 percent) said that signing up is either very easy (47 percent) or fairly easy (28 percent). Almost none (6 percent) said that signing up is fairly difficult (3 percent) or very difficult (3 percent), although nearly one-fifth (19 percent) are not sure how easy or difficult sign-up procedures are. Figure 6 shows these results.

Those with bank accounts feel that signing up for direct deposit of their government checks (78 percent say fairly easy or very easy) is significantly easier than those without bank accounts do (66 percent say fairly easy or very easy). Again, most likely related to ease of deposit, the sign-up procedure is perceived as easier among respondents under age 75, among respondents with household incomes of at least \$10,000, among males more than females, among white non-Hispanics more than minorities, and among retirement and disability check recipients more than SSI check recipients.

When asked on an unaided basis how a person can arrange for direct deposit of Federal benefit payments into a bank account, nearly a third of check recipients (32 percent) did not know (see Figure 7). Awareness is highest for completing a written form and more limited for automated sign-up procedures. Check recipients are most aware of completing a form at their financial institutions (24 percent aware) or completing a form and mailing it to the Federal agency issuing their payments (22 percent aware). Fewer stated that a recipient can complete a form at the Federal agency (10 percent). Less than one-tenth of check recipients are aware of telephone sign-up procedures (9 percent) or automated sign-up at their financial institutions (6 percent) for direct deposit of Federal payments. Thus, the already widely held perception that direct deposit enrollment is easy might be increased if the government and financial institutions promote telephone and automated sign-up procedures to check recipients.

Figure 7. Awareness of Sign-Up Procedures for Direct Deposit of Federal Payments (Unaided)

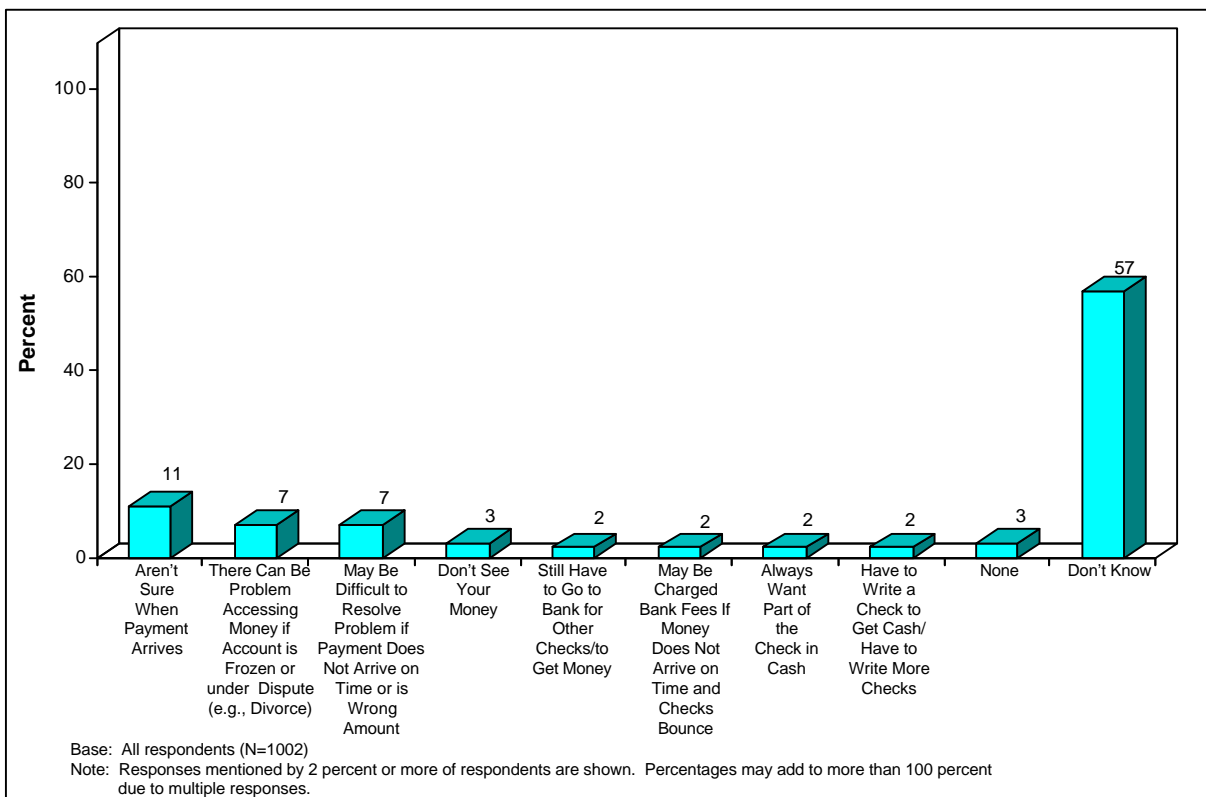


There are almost no differences across subgroups in awareness of various sign-up procedures. Disability check recipients are more likely to be aware of mailing a form to a Federal agency than other check recipients are. Unbanked respondents, SSI check recipients, check recipients 75 years or older, and check recipients with annual household incomes of less than \$10,000 are least likely to be aware of sign-up procedures.

So that respondents' perceptions of the obstacles to having their Federal benefit checks deposited directly can be understood, all check recipients were asked, on an unaided basis, what they think

are the major disadvantages of direct deposit. Responses appear in Figure 8. A majority (57 percent) said they do not know the disadvantages because they have not had direct deposit for these payments. The major disadvantages named include that they are not sure when their payments arrive (11 percent), that there can be problems accessing the money if the account is frozen or under dispute (7 percent), and that resolving a problem if the payment does not arrive on schedule may be difficult (7 percent). Other disadvantages named by 2 percent or more of check recipients are that they do not see their money (3 percent), they still have to go to the bank for other financial business (2 percent), they always want part of their checks in cash (2 percent), they would have to write a check to get cash and would use more checks (2 percent), and there may be charges or fees if the payment does not arrive in time and their checks bounce (2 percent). Named by 1 percent each are that getting to the bank is inconvenient, that they do not want other family members to know the amount of their Federal payments, that they would not know the amount of their deposits, that direct deposit would be difficult to change if they changed banks, and that they have a general dislike of direct deposit. Three percent said that there are no disadvantages to having regular Federal payments deposited directly.

Figure 8. Perceived Disadvantages of Direct Deposit for Regular Federal Payments (Unaided)



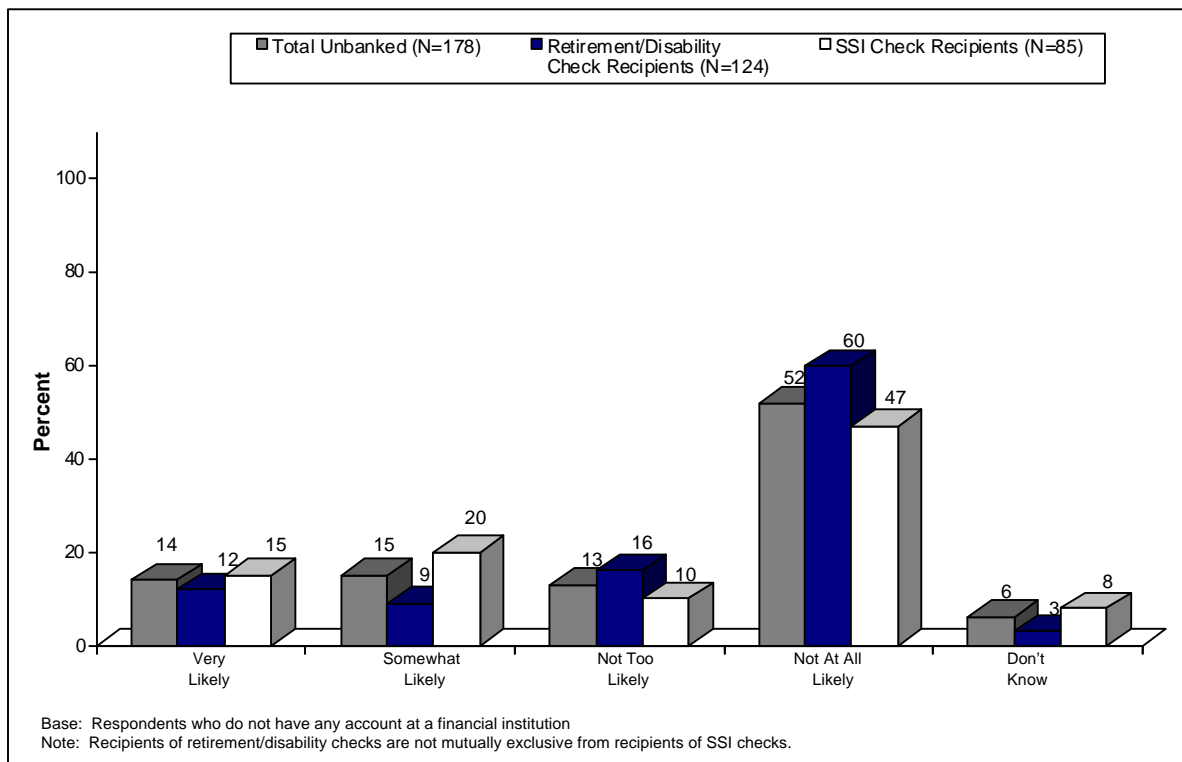
The perceived disadvantages of receiving Federal payments by direct deposit vary little by subgroup. Unbanked check recipients are least likely to know of disadvantages, and, related to

this fact, SSI check recipients, check recipients with household incomes of less than \$10,000, and city residents are among the least likely to know of direct deposit's disadvantages.

4.4 Measure Interest in a New EFT Delivery System

In an effort to encourage EFT of regular Federal benefit payments, current benefit check recipients who do not have a banking relationship were asked to express their interest in a new EFT delivery system involving a debit card. This program was described to unbanked check recipients as a way that the Federal government could deposit their benefit payments in an account accessible at a bank, a check-cashing center, a post office, or other institution. They were told that a card would be issued in the recipient's name, that the card could be used to access the account, and that the card could be used instead of cash in selected stores or businesses or could be used at ATM machines to withdraw cash. The likelihood of signing up for this new delivery system if it were available was measured on a four-point scale consisting of very likely, somewhat likely, not too likely, and not at all likely. Results are shown in Figure 9.

Figure 9. Likelihood of Enrolling for a Debit Card (Telephone Survey)



Unbanked check recipients are not very likely to sign up for this new EFT delivery system. A majority (52 percent) said they would not be at all likely to sign up for it, and two-thirds (65 percent) said they are not at all or not too likely to sign up. Only about one-third (29 percent) said that they would be very likely (14 percent) or somewhat likely (15 percent). Six percent are not sure. Thus, at first look, offering a debit account and card to unbanked Federal benefit check

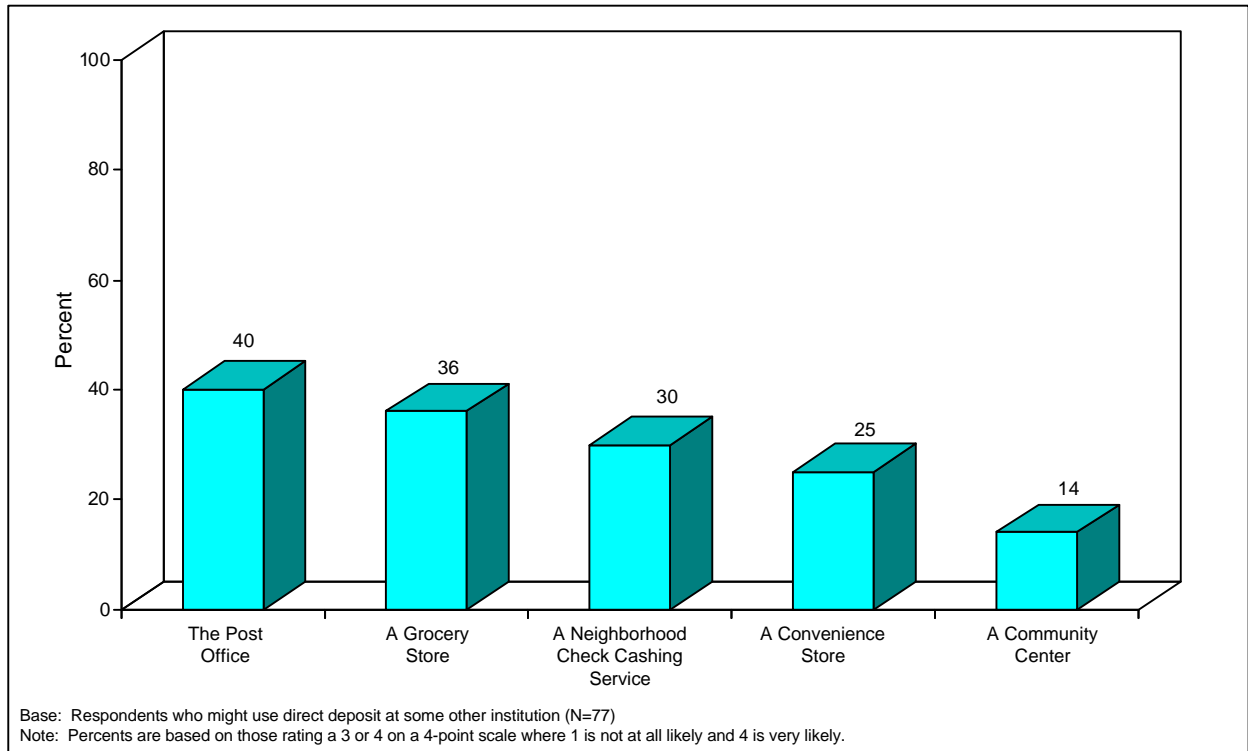
recipients would not motivate most of them to stop receiving their current benefit check payments through the mail.

Unbanked SSI check recipients are more likely to use the new EFT delivery system (35 percent somewhat or very likely) than unbanked retirement or disability check recipients (21 percent somewhat or very likely). Related to this fact, unbanked check recipients under 75 years of age are more likely to sign up for the new delivery system than are older check recipients. However, despite the higher interest in the new program among selected segments, of note is that a majority of unbanked check recipients in all segments is still unlikely to sign up for the debit account and card.

Among the limited number of unbanked check recipients who indicated that they might consider using the new EFT delivery system (all except those responding that they were not at all likely to sign up for it), interest was measured for several delivery sites for EFT. The sites were post offices, community centers, grocery stores, convenience stores, and neighborhood check-cashing centers. For each site, interviewers asked the respondents about the likelihood of their signing up for the program if the Federal payment went directly into an account at each site. Likelihood was measured using the same four-point scale of very likely, somewhat likely, not too likely, and not at all likely.

As shown in Figure 10, interest in the possible delivery sites varies. Interest is strongest in post offices (40 percent somewhat or very likely) and grocery stores (36 percent somewhat or very likely). There is also some interest in neighborhood check-cashing services (30 percent somewhat or very likely) and convenience stores (25 percent somewhat or very likely). There is relatively little interest in receiving EFT at community centers (14 percent somewhat or very likely). Noteworthy is that the data on the likelihood of using the new debit account and card in each location are based only on those individuals who would be likely to consider the program at all. Therefore, if these numbers are adjusted for all unbanked check recipients, interest in any particular site is much lower (16 percent somewhat or very likely in using EBT at post offices) and less for other sites.

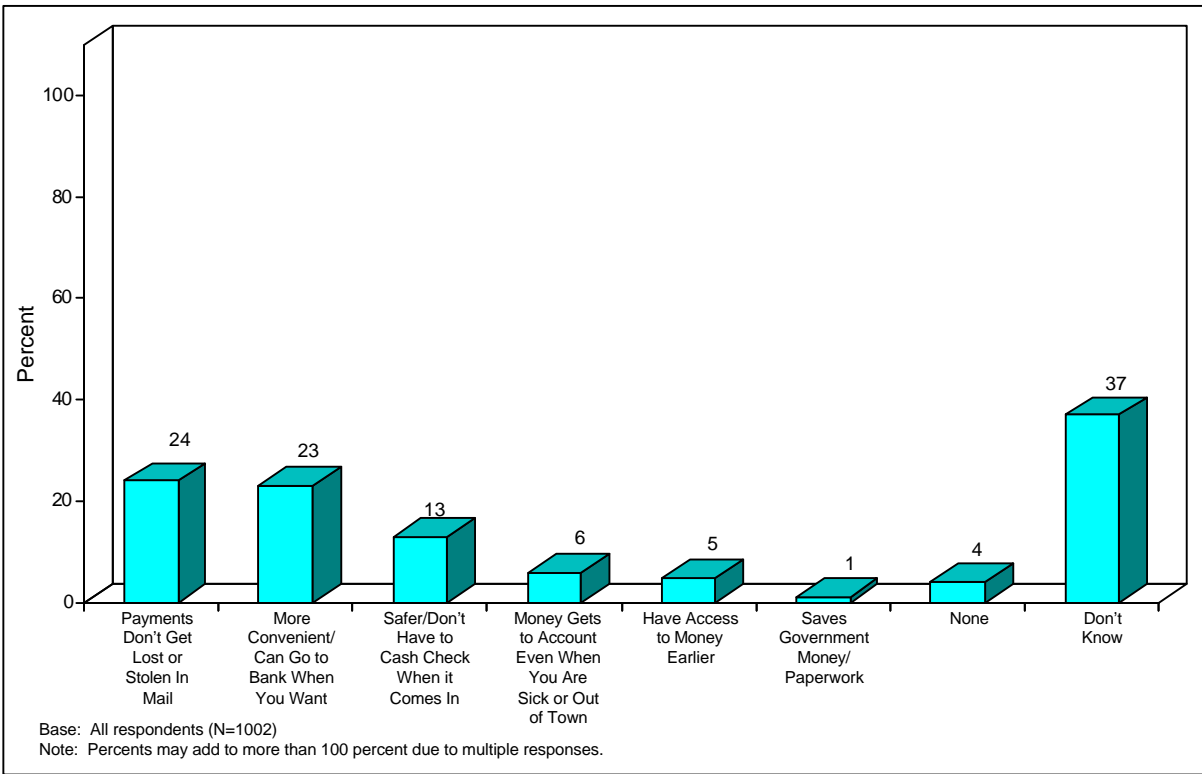
Likelihood to Sign Up for Direct Deposit of Federal Benefit at Selected Locations



4.5 Determine Most Effective Messages for Encouraging Direct Deposit Among Current Federal Benefit Check Recipients

As the first step in determining the messages that might be most effective in encouraging Federal benefit check recipients to use direct deposit for their benefit payments, all Federal benefit check recipients were asked, on an unaided basis, what they think are the major advantages of direct deposit of their regular Federal payments. Of interest is that, in general, Federal benefit check recipients can name more advantages (as shown in Figure 11) than disadvantages (as shown in Figure 8) of direct deposit for their Federal payments. This is evident in the smaller percentage of respondents who know of no advantages (37 percent) than know of no disadvantages (57 percent) and the higher rate of mentioning specific advantages.

Figure 11. Perceived Advantages of Direct Deposit for Regular Federal Payments (Unaided)



The primary perceived advantages of direct deposit for a recipient's Federal benefit check are that payments are not lost or stolen in the mail (24 percent) and that direct deposit is more convenient because recipients can go to the bank whenever they want (23 percent). Other advantages named by check recipients are that direct deposit is safer because recipients do not have to cash the checks when they arrive (13 percent), the money is in the account even when recipients are sick or out of town (6 percent), and recipients can have access to their money earlier (5 percent). The only other advantage mentioned by at least 1 percent of respondents is that direct deposit saves the government money and reduces paperwork (1 percent). Four percent indicate that there are no advantages to direct deposit of their Federal benefit checks.

There are few differences across subgroups in the perceived advantages associated with direct deposit. Those without bank accounts are less likely to know about the advantages of direct deposit than those with bank accounts. Check recipients living in a city are more likely than other check recipients to cite the safety of their payments as an advantage of direct deposit. Those under the age of 55 and those with household incomes of \$50,000 or more are most likely to name the convenience of going to the bank whenever they want as an advantage.

To further understand the messages that might be most motivating in persuading current check recipients to have their Federal benefit checks deposited directly, each respondent was read six statements and asked to rate each statement on how persuasive it would be in convincing them to

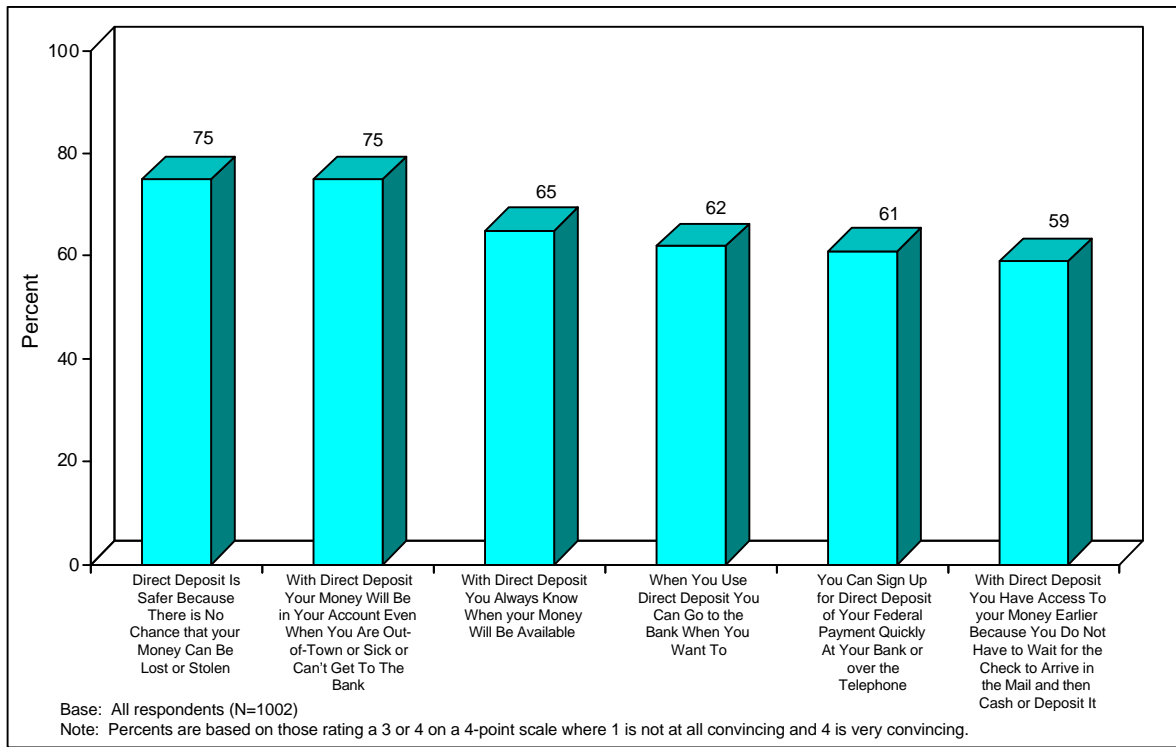
deposit their Federal benefit checks directly. The order of the six statements was varied across respondents to prevent order bias. The six statements are:

- With direct deposit, recipients always know when their money will be available.
- With direct deposit, recipients have access to their money earlier because there is no wait for the check to arrive in the mail and then to cash or deposit it.
- Direct deposit is safer because there is no chance that money can be lost or stolen.
- When direct deposit is used, recipients can go to the bank whenever they want to.
- With direct deposit, the money will be in the account even when recipients are out of town, sick, or cannot get to the bank.
- Recipients can sign up for direct deposit of Federal payments quickly at their bank or over the telephone.

Each statement was rated on a four-point scale consisting of very convincing, somewhat convincing, not too convincing, and not at all convincing.

Figure 12 shows that all of the statements would strongly influence check recipients to have their Federal benefit checks deposited directly. Two statements are most convincing: “Direct deposit is safer because there is no chance the deposit can be lost or stolen” (75 percent find somewhat or very convincing); “With direct deposit, the money will be in the account even when recipients are out of town, sick, or cannot get to the bank” (75 percent find somewhat or very convincing).

Figure 12. Convincing Statements for Persuading Check Recipients to Use Direct Deposit for Their Federal Benefit Payments (Aided)



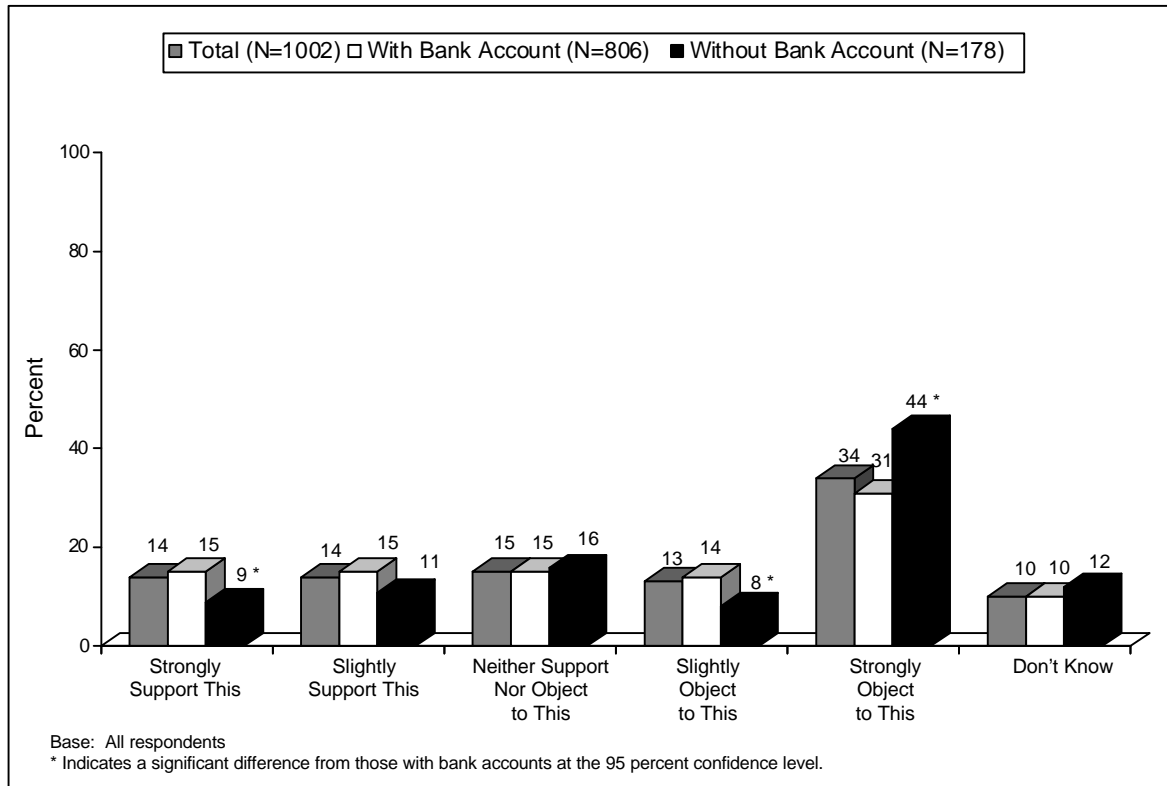
All other statements are somewhat or very convincing to slightly less than two-thirds of Federal benefit check recipients. Of these, always knowing their money will be available is slightly more convincing (65 percent) than being able to go to the bank when they want to (62 percent), being able to sign up for direct deposit quickly at the bank or over the telephone (61 percent), and having access to their money earlier (59 percent).

The likely power of these messages varies by age group but not by other demographic subgroups. Check recipients under the age of 55 find each of these messages most convincing, and significantly more convincing than those 75 years or older. Check recipients between 55 and 74 also are significantly more likely than older recipients to find the messages of knowing when their money will be available and having earlier access to their money convincing.

To understand the effect of the mandatory EFT law on Federal benefit check recipients and attitudes toward direct deposit of their payments, interviewers told all respondents that Congress had passed a law that requires that most Federal payments be electronic. Then, interviewers asked their reactions to this law using a five-point scale consisting of strongly support, slightly support, neither support nor object, slightly object, and strongly object. Overall, more Federal benefit check recipients object to this law (47 percent slightly or strongly object it) than support it (28 percent slightly or strongly support it). See Figure 13. Fifteen percent neither support nor object to this law, and 10 percent do not know how they feel. Negative feelings about this law are illustrated not only by the fact that more object to it than support it, but also by the fact that more than one-third (34 percent) **strongly** object to this law. Thus, without additional materials

for educating check recipients about the benefits of EFT, information about the law is more likely to anger check recipients than to encourage them to sign up for direct deposit.

Figure 13. Attitudes Toward Legislation That Requires Federal Payments To Be Made Electronically (Telephone Survey)

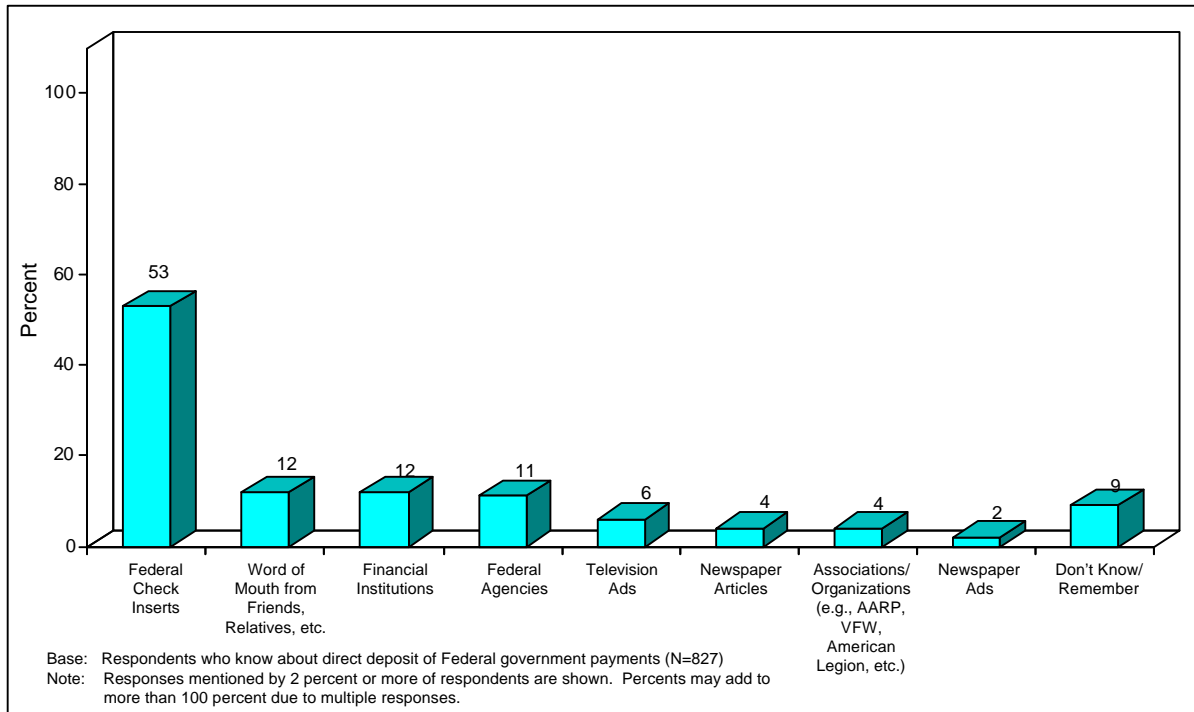


As might be expected, check recipients who do not have bank accounts object to the mandatory EFT law even more (44 percent strongly object) than check recipients who have a banking relationship (31 percent strongly object). Retirement check recipients object to the law more than SSI check recipients (36 percent versus 31 percent strongly object). Otherwise, there are no significant differences in attitudes toward this law across subgroups.

4.6 Determine the Most Effective Vehicles for Communicating the Benefits of Direct Deposit to Federal Benefit Check Recipients

To determine how effective different media have been in communicating direct deposit messages to Federal benefit check recipients, interviewers asked, on an unaided basis, those who indicated that they are aware that their Federal benefit checks could be deposited directly where they heard or saw information about direct deposit. Inserts with the Federal benefit checks are the primary vehicle through which Federal benefit check recipients have learned about opportunities for direct deposit (53 percent named this method). This is shown in Figure 14.

Figure 14. Sources of Information About Direct Deposit of Federal Payments (Unaided)



No other vehicle is named by more than 12 percent, indicating that no other vehicle has been significant in building awareness for government payment by EFT. Among the other vehicles, the most frequently recalled are word of mouth from friends, relatives, and coworkers (12 percent named this method), financial institutions (12 percent), and Federal agencies (11 percent). Much of this information is likely to be from FMS posters and informational brochures on display in Federal buildings and local benefit offices. The only other sources recalled by 2 percent or more are television ads (6 percent); newspaper articles (4 percent); information from associations or organizations, such as AARP, Veterans of Foreign Wars (VFW), and American Legion (4 percent); and newspaper ads (2 percent). The low awareness of these vehicles suggests that public service announcement (PSA) campaigns and public relations efforts to place articles in the press have had only limited success.

There are few differences across subgroups in the sources from which recipients learned about direct deposit of Federal benefit checks. Disability check recipients are more likely than retirement or SSI check recipients to have learned about direct deposit from inserts with their checks and are less likely to have learned about it from television ads. SSI check recipients and check recipients with household incomes of less than \$10,000 per year also are least likely to recall where they heard about direct deposit of Federal benefit checks.

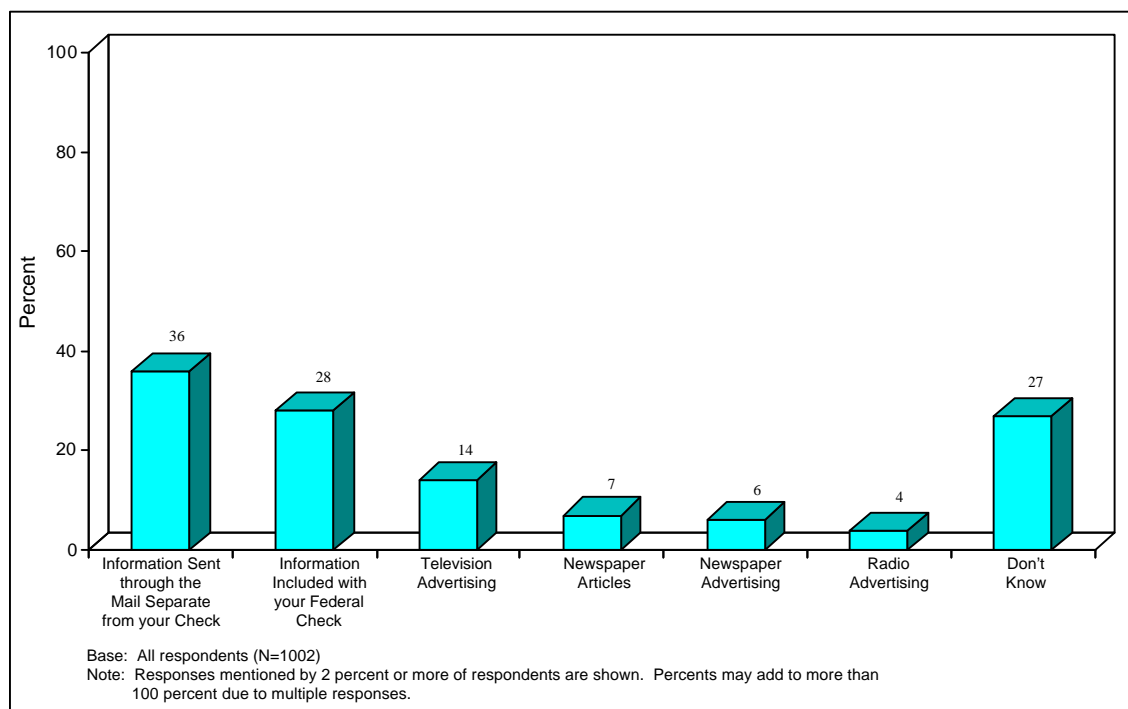
Interviewers asked respondents, on an unaided basis, what are the best ways for the Federal government to inform them about the consequences of the mandatory EFT law. This question was asked to identify what media formats (e.g., television, radio, print) are most effective in

educating and informing benefit check recipients about direct deposit. The research indicates that the effectiveness of the message is directly related to the media format used. The end purpose of asking this question is to determine if there are additional media or communication vehicles that the Federal government should use or use more than in the past.

In fact, Federal benefit check recipients recommend the use of media different from those they recalled to date, as shown in Figure 15. The most frequently recommended vehicle for information about direct deposit of Federal benefit payments is information sent separately from the checks through the mail (36 percent). Information sent with the checks is the second most frequently recommended vehicle (28 percent). Television advertising (14 percent), newspaper articles (7 percent), newspaper advertising (6 percent), and radio advertising (4 percent) are the other media that some Federal benefit check recipients feel would be effective in reaching them. No other vehicles are named by more than 1 percent. More than a quarter (27 percent) are not sure which media would be most effective.

Again, the media suggested to communicate the benefits of directly depositing Federal benefit checks vary little by subgroups. Those under 55 years of age are more likely than older check recipients to suggest mailings separate from the check and inserts with the Federal benefit checks as effective means of reaching them. Those with an income of at least \$25,000 are also more likely to recommend newspaper articles than lower-income respondents. Otherwise, there are no significant differences across subgroups.

Figure 15. Best Ways for Federal Government To Explain Consequences of Mandatory EFT Legislation (Unaided)



5. MAIL SURVEY FINDINGS

5.1 Describe the Characteristics of Federal Benefit Check Recipients

Table 18 summarizes the types of Federal benefit check recipients who responded to the mail survey. In keeping with the large population of Social Security retirement check recipients, more than half of the mail survey respondents receive a Social Security retirement check (57 percent). SSI check recipients are the next-largest segment of mail survey respondents (28 percent), followed by veteran's disability check recipients (10 percent), Federal Civil Service retirement check recipients (9 percent), Railroad Retirement check recipients (9 percent), veteran's pension check recipients (6 percent), Civil Service disability check recipients (2 percent), and Railroad disability check recipients (1 percent). These percentages add up to more than 100 because some respondents receive more than one type of Federal benefit check.

**Table 18. Type of Federal Check
(N = Sample Size)**

Agency	Total Mail Survey (N=754)	Retirement Check Recipients (N=526)	Disability Check Recipients (N=101)	SSI Check Recipients (N=207)
• Social Security Retirement	57%	81%	43%	30%
• Veterans Pension	6%	9%	8%	3%
• Railroad Retirement	9%	13%	2%	2%
• Federal Civil Service Retirement	9%	13%	9%	1%
• Railroad Disability	1%	1%	7%	0%
• Civil Service Disability	2%	1%	18%	1%
• Veterans Disability	10%	8%	77%	3%
• Supplemental Security Income	28%	13%	8%	100%

In comparison to the telephone survey respondents, whose numbers were dictated by predetermined targets for the number of interviews to be completed by agency, the mail survey includes more Social Security retirement check recipients (57 percent versus 51 percent), more SSI check recipients (28 percent versus 15 percent), and fewer veteran's pension check recipients (6 percent versus 9 percent). These differences in type of check recipient by methodology are the result of a disproportionately large mailing to SSI check recipients (21 percent versus 15 percent) and a disproportionately small mailing to VA check recipients (12 percent versus 15 percent) based on the number of names for which telephone numbers were not available.

Table 19 presents the demographic characteristics of mail survey respondents and compares them with the demographic profile of telephone survey respondents. Mail survey respondents vary from telephone survey respondents in several ways. Nearly all of the differences can be attributed to differences between SSI check recipients and other check recipients and are the result of the higher proportion of SSI check recipients in the mail survey than in the telephone survey. The mail survey respondents are more often female (54 percent versus 49 percent), younger (mean of

64 years versus 67 years), lower income (mean of \$19,700 versus \$26,700), less often white non-Hispanic (70 percent versus 84 percent), more often black non-Hispanic (17 percent versus 8 percent) and Hispanic (7 percent versus 3 percent), and less educated (38 percent have not completed high school versus 24 percent). In addition, more mail survey respondents are from rural areas (23 percent) than telephone survey respondents (14 percent).

Table 19. Demographic Characteristics of Federal Benefit Check Recipients (Mail Survey)

	Total Phone Survey (N=1002)	Total Mail Survey (N=754)	Retirement Check Recipients (N=793)	Disability Check Recipients (N=138)	SSI Check Recipients (N=146)
Gender					
• Male	51%	46%	47%	80%	28%
• Female	49%	54%*	53%	20%	72%
Mean Age	67 Years	64 Years	69 Years	62 Years	57 Years
Mean Number of People in Household	2 People	2 People	2 People	2 People	2 People
Percent with Children in Household	13%	17%*	12%	12%	27%
Mean Household Income	\$26,700	\$19,700	\$21,500	\$26,100	\$10,600
Location of Residence					
• City	30%	33%	28%	39%	44%
• Suburb	24%	18%*	21%	14%	9%
• Small Town	32%	26%*	28%	19%	24%
• Rural Area	14%	23%*	23%	28%	23%
Ethnicity					
• White Non-Hispanic	84%	70%*	75%	75%	51%
• Black Non-Hispanic	8%	17%*	13%	17%	33%
• Native American	3%	3%	4%	0%	2%
• Hispanic	3%	7%*	6%	6%	9%
• Asian/Pacific Islander	1%	2%	1%	0%	4%
• Other Race	1%	1%	1%	2%	1%
Education					
• Less Than High School	24%	38%*	38%	26%	53%
• High School Diploma	41%	33%*	33%	36%	28%
• Some College or Trade School	17%	19%	19%	27%	13%
• College Degree	10%	4%*	4%	5%	3%
• Some Postgraduate or Professional	2%	3%	3%	2%	3%
• Postgraduate Degree	4%	3%	3%	4%	0%

*Indicates a significant difference from telephone survey at the 95 percent confidence level.

5.2 Describe the Banking Relationships and Financial Habits of Federal Benefit Check Recipients and the Reasons That Some Do Not Have Bank Accounts

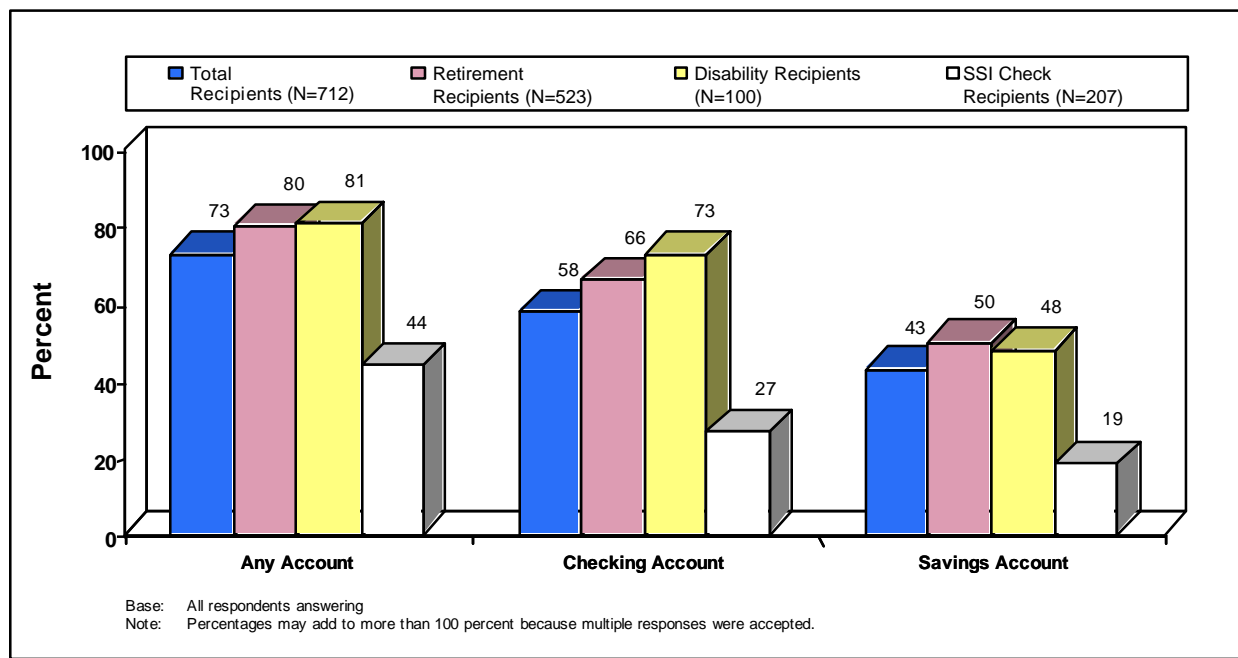
A majority of Federal benefit check recipients who responded to the mail survey have some type of bank or financial institution account (73 percent), most often a checking account (58 percent) or a savings account (43 percent). Few have other types of accounts such as a loan (13 percent), a certificate of deposit or money market account (3 percent), or an individual retirement account (1

percent). See Figure 16 for these results. The types of accounts are similar for mail survey respondents and telephone survey respondents, but significantly more mail survey respondents are unbanked (27 percent) than telephone survey respondents (18 percent), and fewer mail survey respondents have each type of account.

In findings that parallel the telephone survey results, both retirement check recipients and disability check recipients are significantly more likely to have accounts at financial institutions (80 percent and 81 percent, respectively) than SSI check recipients (44 percent). Retirement check recipients and disability check recipients also have checking and savings accounts at significantly higher rates (48 percent checking accounts and 73 percent savings accounts) than SSI check recipients (27 percent checking accounts and 19 percent savings accounts). Given the higher proportion of SSI check recipients in the mail survey sample than in the telephone survey sample, this finding largely explains the differences in the number of unbanked respondents across the two samples.

The unbanked Federal benefit check recipients responding to the mail survey are more often SSI check recipients (59 percent) and Social Security Administration retirement check recipients (46 percent). Less often, these unbanked recipients receive veterans pension checks (10 percent), veterans disability checks (8 percent), Railroad Retirement pension checks (3 percent), Civil Service disability checks (2 percent), Civil Service pension checks (2 percent), or Railroad disability checks (1 percent). Because many survey respondents receive more than one type of Federal benefit check, the percentages add up to more than 100.

Figure 16. Types of Accounts Held by Federal Benefit Check Recipients



Mail survey findings confirm that the Federal check recipients without banking accounts differ significantly from those with accounts. As shown in Table 20, unbanked Federal benefit check recipients have the following characteristics:

- Significantly more often female (60 percent) than those with accounts (53 percent)

Table 20. Demographic Characteristics of Those With and Without Bank Accounts (Mail Survey)

	With Bank Account (N=517)	Without Bank Account (N=195)
Gender		
• Male	47%	40%*
• Female	53%	60%*
• Refused	0%	0%
Mean Age	66 Years	60 Years*
Mean Number of People in Household	2 People	2 People
Percent with Children in Household	14%	26%*
Mean Household Income	\$23,000	\$10,600*
Location of Residence		
• City	28%	45%*
• Suburb	22%	8%*
• Small Town	27%	24%
• Rural Area	23%	23%
Ethnicity		
• Hispanic	5%	12%*
• White Non-Hispanic	77%	52%*
• Black Non-Hispanic	11%	33%*
• Asian/Pacific Islander	1%	2%
• Native American	4%	1%*
• Other Race	2%	0%
Education		
• Less Than High School	31%	59%*
• High School Diploma	35%	25%*
• Some College or Trade School	21%	14%*
• College Degree	5%	2%
• Some Postgraduate or Professional	5%	0%*
• Postgraduate Degree	3%	0%*

Base: Differs slightly for each demographic on the basis of those answering.

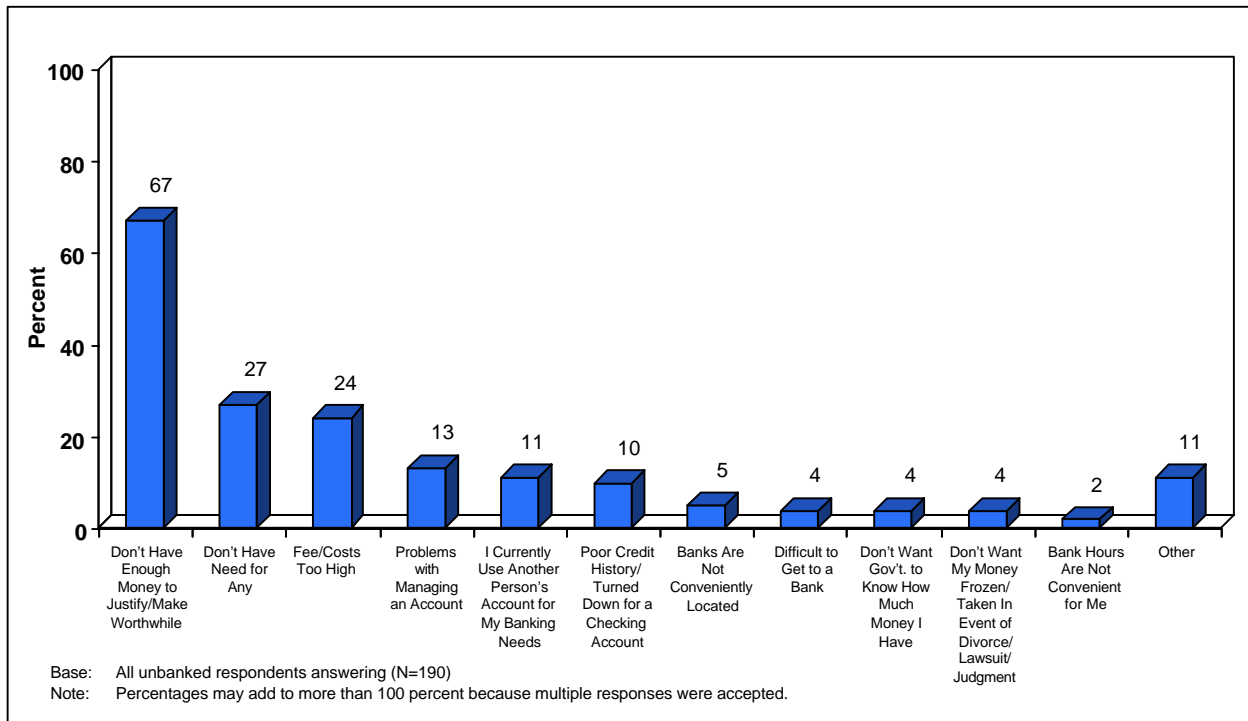
*Indicates a significant difference from those with bank accounts at the 95 percent confidence level.

- Significantly younger (mean of 60 years) than those with accounts (mean of 66 years)
- Significantly more often between the ages of 25 and 54 (34 percent versus 18 percent) and significantly less often between the ages of 65 and 74 (24 percent versus 39 percent)
- Significantly less educated (59 percent did not complete high school versus 31 percent)

- Significantly lower income (mean of \$10,600; 78 percent have annual household incomes under \$10,000) than those with accounts (mean of \$23,000; 34 percent have annual household incomes under \$10,000)
- Less often white non-Hispanic (52 percent versus 77 percent) and more often Hispanic (12 percent versus 5 percent) and black non-Hispanic (33 percent versus 11 percent)
- Significantly more often from a city (45 percent versus 28 percent) and significantly less often from a suburban area (8 percent versus 22 percent)
- Significantly more often living alone (37 percent) than those with accounts (26 percent) and significantly less likely to live in a two-person household (26 percent versus 48 percent)
- Significantly more likely to have at least one child under 18 living with them (26 percent) than those with accounts (14 percent).

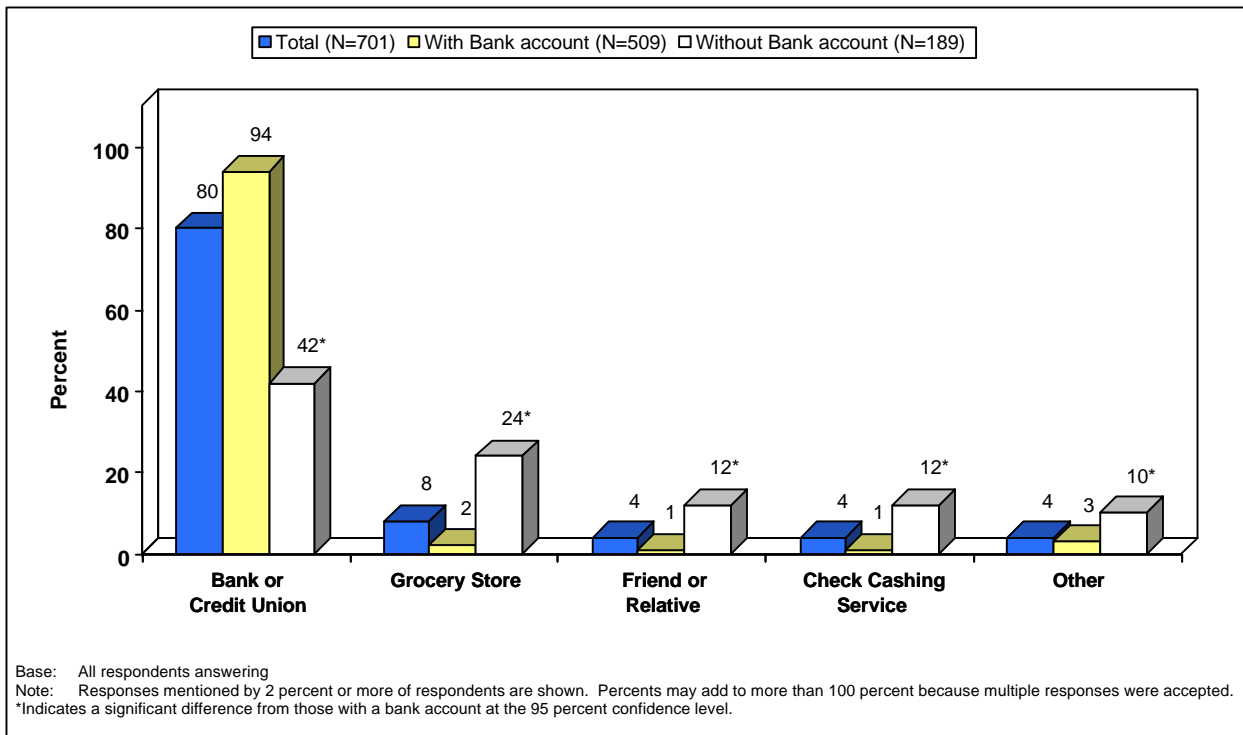
These findings are consistent with the telephone survey results as to how Federal check recipients with and without financial institution accounts differ. These results also are consistent with the expected differences between these two populations based on the secondary data review.

Figure 17 shows the reasons why Federal benefit check recipients without financial institution accounts do not have accounts. As was the case in the telephone survey, the most frequently named reason for not having an account is not having enough money to make it worthwhile (67 percent). Other frequently cited reasons are that they do not need accounts (27 percent), the fees or costs are too high (24 percent), they have problems managing accounts (13 percent), they use another person's account for their banking needs (11 percent), and they cannot qualify for checking accounts (10 percent). Reasons cited by 5 percent or fewer of the unbanked respondents include inconvenient bank locations (5 percent), fear of having the account frozen in a legal judgment (4 percent), limited mobility or difficulty getting to a bank (4 percent), concern that the government will learn how much money they have (4 percent), and inconvenient bank hours (2 percent).

Figure 17. Reasons for Not Having An Account With a Financial Institution

These reasons are named in nearly the same rank order as in the telephone survey, but all reasons are named more often in the mail survey than in the telephone survey. The higher rate of mentioning each reason is due to the response categories being prelisted in the mail survey instead of being solicited on an unaided basis in the telephone survey. The consistency of responses across the two methodologies confirms that these reasons are the major reasons for not having bank accounts.

When asked where they typically go to deposit or cash their Federal benefit checks, mail survey respondents, like telephone survey respondents, stated that they most often go to banks or credit unions (80 percent). Federal check recipients use grocery stores next most often (8 percent), followed by a check-cashing services or outlets (4 percent), and friends or relatives (4 percent). Less than 1 percent of respondents use any other place most often to deposit or cash their government checks (see Figure 18).

Figure 18. Places Where Federal Benefit Checks Are Deposited or Cashed

Not surprisingly, the places used to deposit or cash Federal checks vary significantly between those with bank accounts and those without accounts. Nearly all Federal check recipients with financial accounts use banks or credit unions most often to deposit or cash their checks (94 percent). In contrast, less than half of unbanked Federal check recipients use banks or credit unions most often (42 percent), although they still use banks or credit unions more often than any other type of place. Almost no mail survey respondents with bank accounts use other places to deposit or cash their checks, but unbanked respondents often use grocery stores (24 percent), check-cashing services or outlets (12 percent), and friends or relatives (12 percent). These responses are also consistent with the telephone survey results.

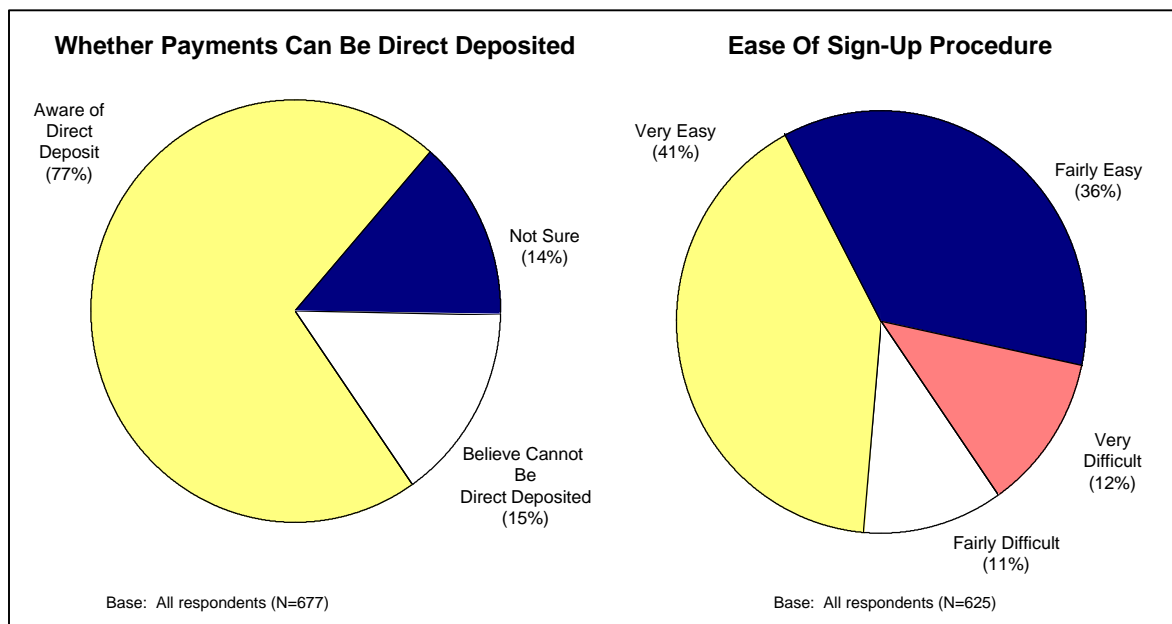
The places used to deposit or cash Federal checks also vary by demographics but not as dramatically. The use of banks or credit unions increases with income and, except for those 75 years or older, increases with age. At the same time, use of grocery stores, check-cashing outlets or services, and friends or relatives is highest among Federal check recipients under 55 years of age and those with an annual household income of less than \$10,000. Urban check recipients compose the great majority of those who use check-cashing services or outlets. SSI check recipients, being disproportionately unbanked, are less likely than retirement or disability check recipients to deposit or cash their checks at banks or credit unions and are more likely to deposit or cash their checks at grocery stores, check-cashing services or outlets, and liquor stores (see Figure 18).

5.3 Determine the Reasons for Receiving Federal Payments by Check and Identify the Obstacles to Receiving Payment by EFT

As also shown in the telephone survey results (see Figure 7), lack of awareness of direct deposit is not a major obstacle preventing Federal benefit check recipients from receiving their payments by EFT. As shown in Figure 19, 71 percent of mail survey respondents indicate that they think payments from the Federal government can be deposited directly into banks or credit union accounts. Fifteen percent believe this is not the case, and 14 percent are not sure. Federal check recipients with bank or credit union accounts are significantly more aware of the availability of direct deposit (83 percent aware) than the unbanked (38 percent aware). Related to this, more retirement and disability check recipients believe they can use direct deposit for their Federal checks (76 percent) than SSI check recipients (57 percent) do, and awareness of direct deposit increases with income. This finding is consistent with previously reported findings from the telephone survey.

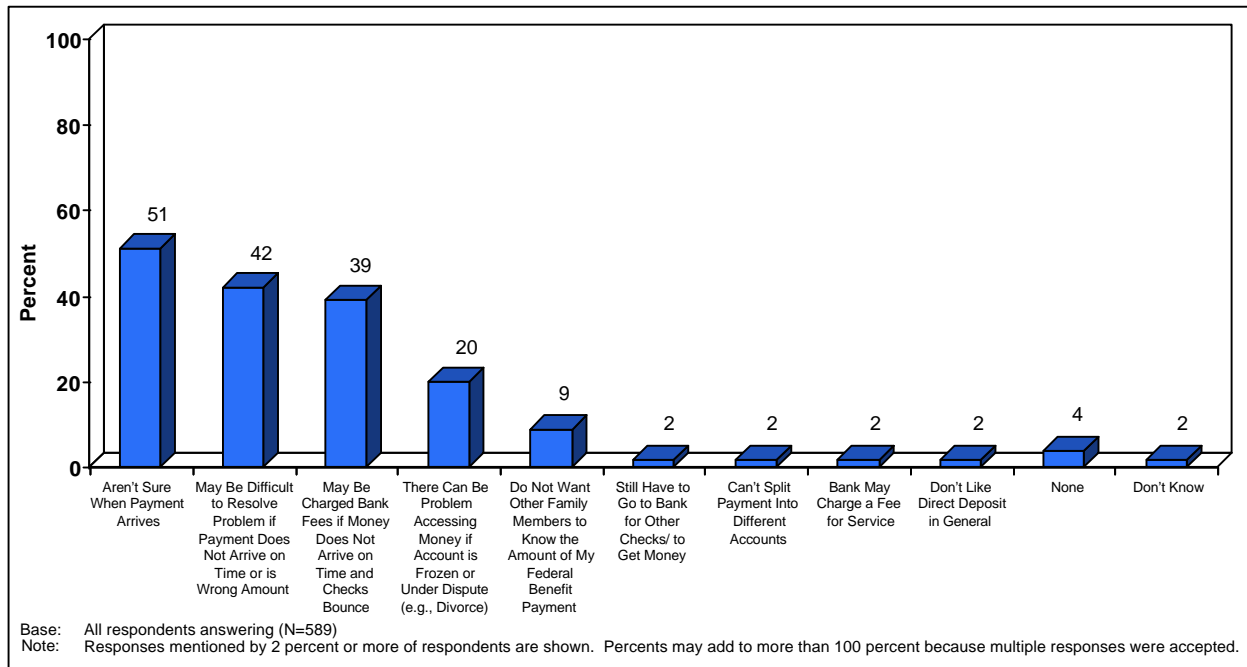
Most mail survey respondents believe that the sign-up procedure for direct deposit is fairly or very easy (77 percent), but they are less likely to believe that the sign-up process is easy than the telephone survey respondents do (see Figure 7 for telephone results and Figure 19 for mail results). Most notably, more mail survey respondents than telephone survey respondents believe that the sign-up process is fairly or very difficult (23 percent compared with 6 percent of telephone survey respondents). This difference is most likely due to the larger number of unbanked respondents to the mail survey, because unbanked respondents are significantly more likely to rate the sign-up procedure for direct deposit as fairly or very difficult (38 percent) than those with accounts (13 percent).

Figure 19. Awareness of Whether Regular Payments From the Federal Government Can Be Deposited Directly and the Ease of Sign-Up Procedure



When asked what are the major disadvantages of direct deposit for regular Federal payments, the major reason given was that one cannot be sure when the money is in the bank (51 percent). Other frequently named disadvantages, as shown in Figure 20, are that payment recipients do not

Figure 20. Perceived Disadvantages of Direct Deposit for Regular Federal Payments



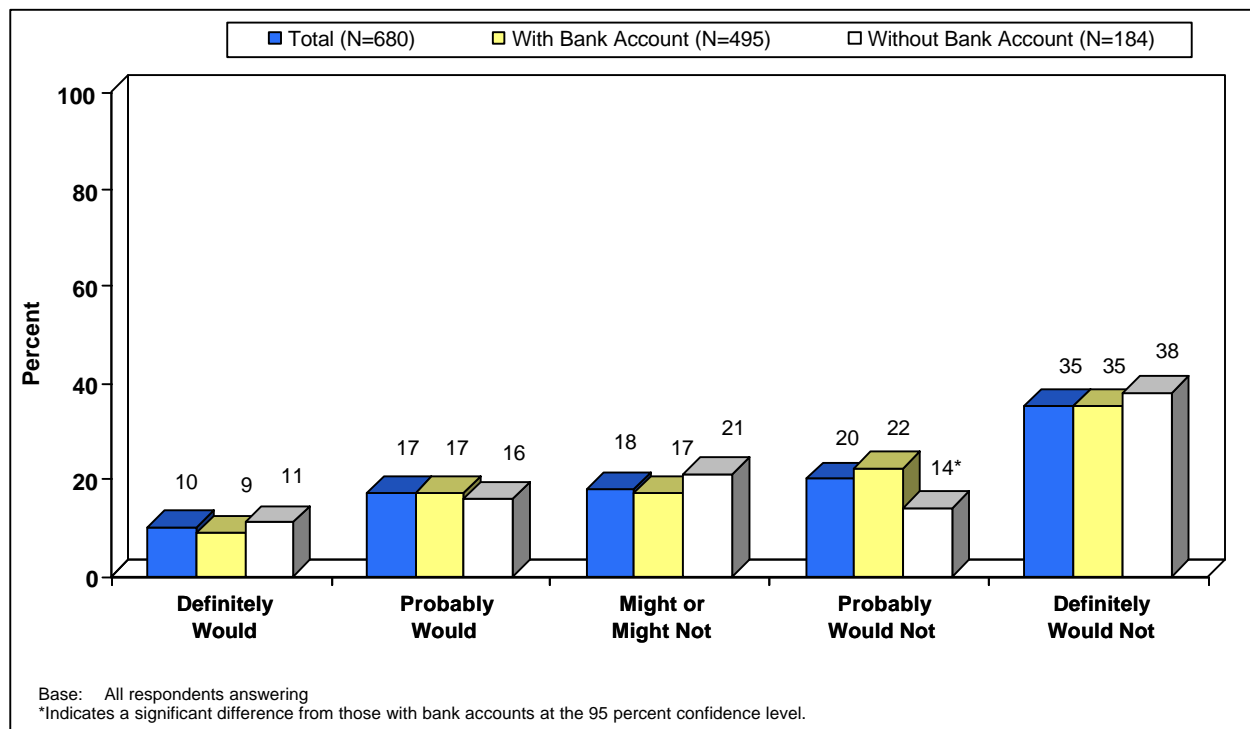
know how to resolve problems if the payment does not arrive on time or is the wrong amount (42 percent), payment recipients fear they will be charged bank fees if the money does not arrive on time and checks bounce (39 percent), they fear there may be a problem accessing their money if the account is frozen or under dispute (20 percent), and they do not want other family members to know the amount of their Federal payment (9 percent). These perceived disadvantages are the same ones named in the focus groups and by telephone survey respondents. However, because these disadvantages were prelisted for respondents in the mail survey, many more mail respondents than telephone respondents indicated that each was a disadvantage. In addition, mail survey respondents report more concern about their payments not arriving on time and the complications arising from problems with EFT than telephone respondents did. They are more worried about having their accounts frozen.

There are few differences in the perceived disadvantages of direct deposit across respondent subgroups. Federal check recipients with bank accounts are more concerned about knowing when the money arrives than those without accounts. Higher-income respondents are more concerned than those earning less than \$10,000 per year about knowing when the money arrives and the possibility that they may lose access to their money if their account is frozen. SSI check recipients and check recipients under 65 years old also are most concerned about bank fees if a check bounces as a result of an EFT problem.

5.4 Measure Interest in a New EFT System

To measure the possible effect of a new EFT delivery system on acceptance of EFT for regular Federal payments, the survey asked all mail respondents to rate their interest in a new EFT system. Respondents used a 5-point scale to indicate their interest: definitely would, probably would, might or might not, probably would not, and definitely would not. The new system was described as an account at a bank, a check-cashing center, a post office, or other institution where Federal benefit payments could be deposited and then accessed through use of a card. This account and card would be in the person's name and would be used in selected stores and businesses or at ATM machines to withdraw cash. As shown in Figure 21, interest in the new EFT system is relatively weak among mail survey respondents. Only about a quarter of current Federal check recipients would definitely or probably sign up for this new account if offered (27 percent), and more than half probably or definitely would not sign up for it (55 percent). Although the telephone survey differed in the scale used to measure the likelihood of signing up for the program (it used a 4-point scale), and in the types of Federal check recipients who were asked the question (only unbanked check recipients were asked about their interest), the results of both surveys are similar (see Figure 9).

Figure 21. Likelihood of Enrolling for a Debit Card (Mail Survey)

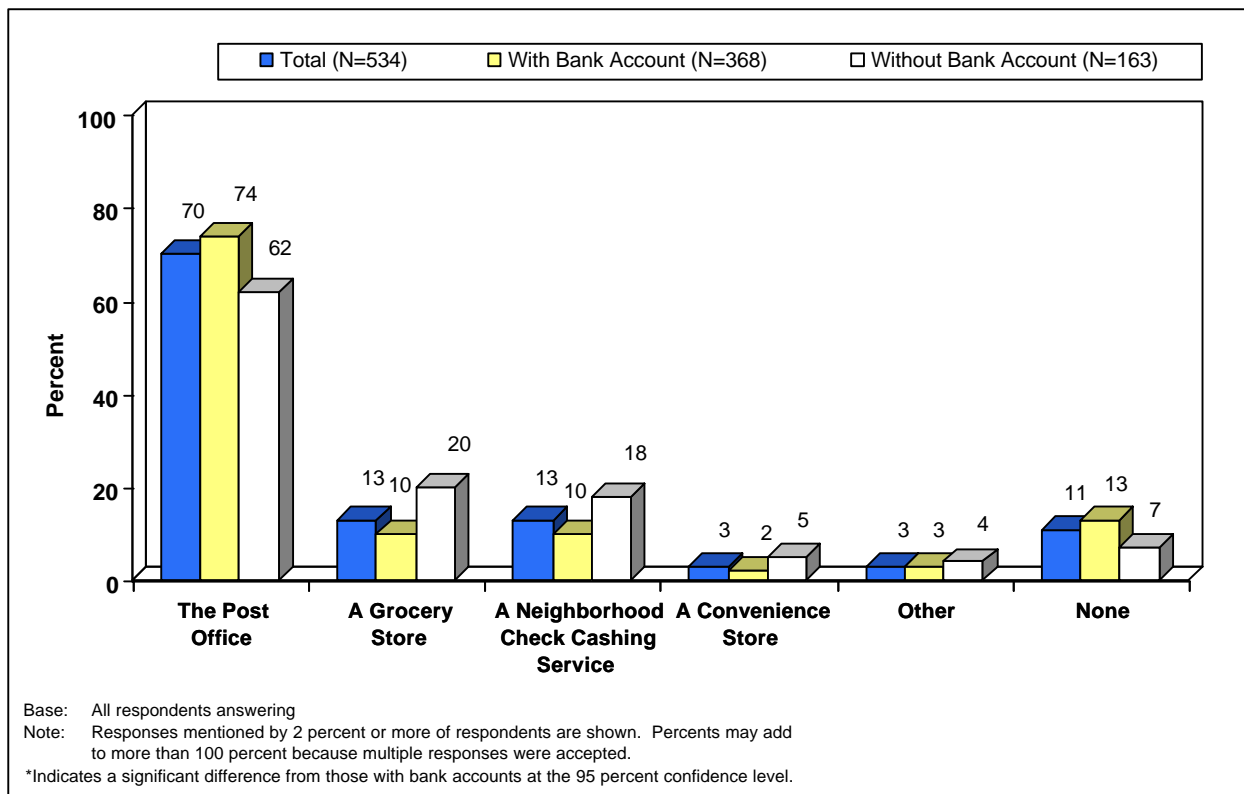


Of note is that interest in this new system does not vary according to whether the check recipient has an account at a financial institution. Those with the greatest interest in the new system are SSI check recipients (33 percent definitely or probably would sign up for it), those under 55 years of age (46 percent definitely or probably would) and city residents (34 percent definitely or probably would). Interest in the program does not vary by income or gender, but it decreases

with age. Thus, while interest is not particularly strong among any segment, it is most appealing to some of the target segments.

Respondents indicated their preferences for a place to access this new type of account by checking the types of places they would use to get their Federal payments. The list included a post office, a grocery store, a neighborhood check-cashing service, a convenience store, a community center, and other places that the respondent could specify. Respondents could check as many of these places as they would likely use. As shown in Figure 22, a post office is preferred most often by a wide margin (70 percent). No other place would be used by even one-fifth of mail survey respondents. The only other places that would be used by more than a few respondents are a grocery store (13 percent) and a neighborhood check-cashing service (13 percent). Eleven percent indicated that they would use none of these places. Only 3 percent would use a convenience store; 3 percent named some other place; and 1 percent would use a community center. In comparison to respondents in the telephone survey and the focus groups, mail survey respondents expressed much lower interest in grocery stores as a place to obtain their Federal payments and a much stronger preference for a post office (see Figure 10).

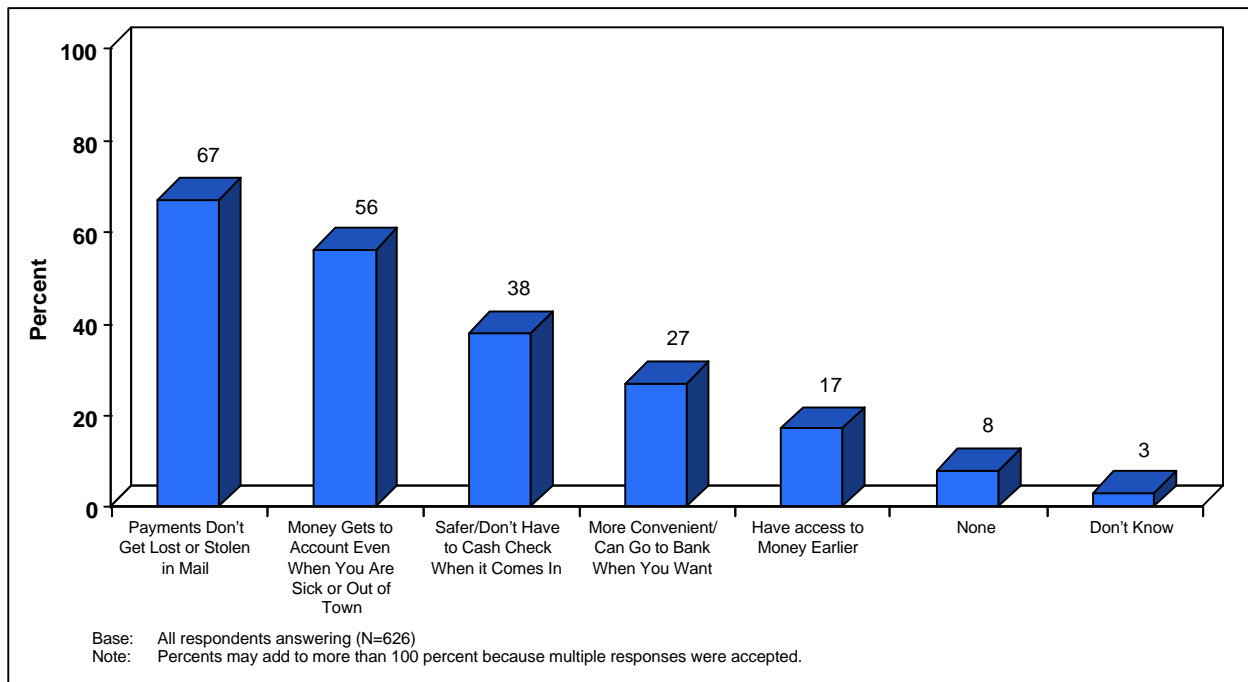
Figure 22. Likelihood of Signing Up for EFT of Federal Benefit Payments at Selected Locations (Mail Survey)



5.5 Determine the Most Effective Vehicles for Encouraging Direct Deposit Among Current Federal Benefit Check Recipients

All mail survey respondents indicated the advantages of having their regular Federal payments direct deposited so that messages consistent with their perceptions could be developed. As shown in Figure 23, safety and convenience are the two primary advantages associated with direct deposit. Mail respondents especially appreciate that their payments cannot get lost or stolen in the mail (67 percent) and that the money goes to their accounts even when they are sick or out of town (56 percent). Other advantages that are frequently associated with direct deposit are that it is safer because the check does not need to be cashed when it comes in (38 percent), it is more convenient because you can go to the bank when you want (27 percent), and it provides earlier access to the money (17 percent). These key advantages are the same as those mentioned by telephone survey respondents (see Figure 11), but all are cited more often by mail survey respondents, and the ranking of these advantages varies slightly across the two samples. One can assume that the higher rate of mentioning each advantage by mail survey respondents is related to the fact that these advantages were prelisted on the mail survey rather than being solicited on an unaided basis in the telephone survey. Regardless of the exact ranking of the perceived advantages, safety and convenience are clearly the primary advantages among both groups.

Figure 23. Perceived Advantages of EFT for Regular Federal Payments

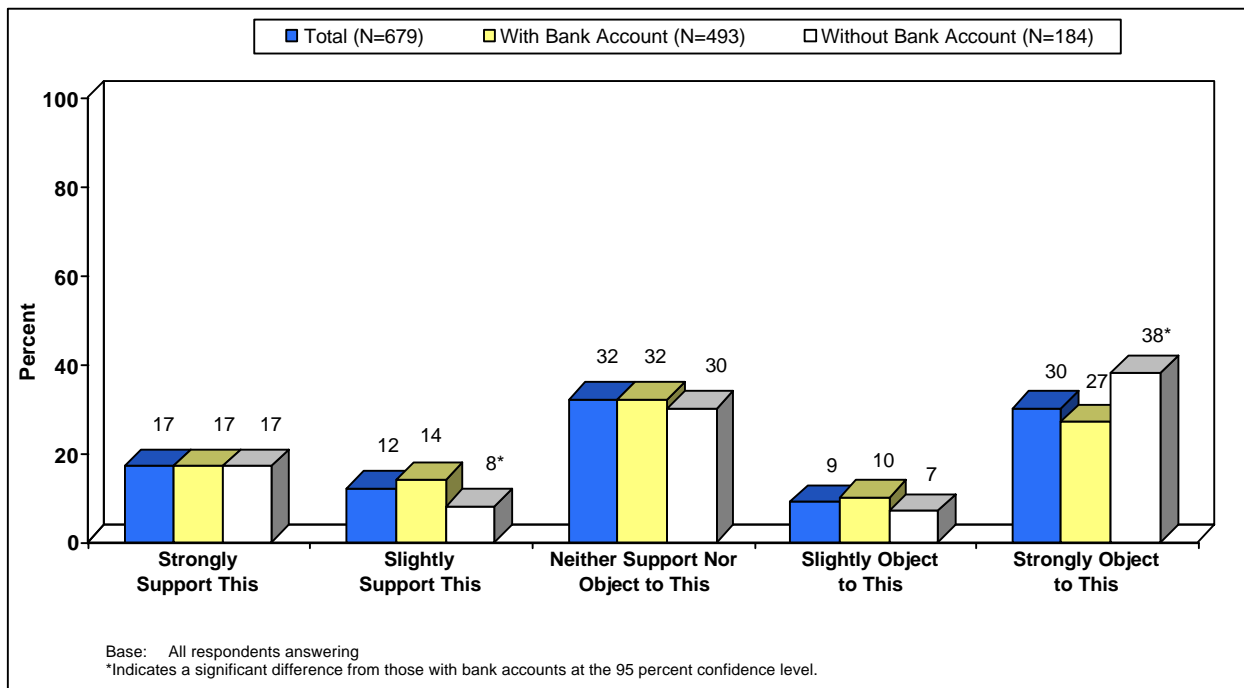


The perceived advantages associated with direct deposit vary little by respondent subgroups. Not surprisingly, those with bank accounts perceive virtually all advantages more than those without bank accounts; and those without accounts indicate that there are no advantages to direct deposit more often (13 percent) than those with accounts (6 percent). Most likely related to this difference between those with bank accounts and those without is that higher-income Federal check recipients perceive all advantages more than those earning less than \$10,000. The only exception is that lower-income respondents and city and suburban residents are more likely than

other groups to value direct deposit because they feel safer if they do not have to go to the bank when the check arrives.

Reactions to the mandatory EFT law were assessed by informing all mail respondents that Congress had passed a law that requires most Federal payments to be made electronically and then measuring their reactions on a 5-point scale consisting of strongly support, slightly support, neither support nor object, slightly object, and strongly object. As was the case in the telephone survey, more respondents object to the law (39 percent slightly or strongly object) than support it (29 percent strongly or slightly support it), although objection to the law is not nearly as strong among mail survey respondents as among telephone survey respondents (47 percent slightly or strongly object). This is because many more mail respondents neither support nor object to the law (32 percent) than telephone survey respondents do (15 percent). As also was the case among telephone survey respondents, many more mail survey respondents strongly object to the law (30 percent) than slightly object to it (9 percent). These findings are depicted in Figure 24.

Figure 24. Attitudes Toward Legislation That Requires Federal Payments To Be Made Electronically (Mail Survey)



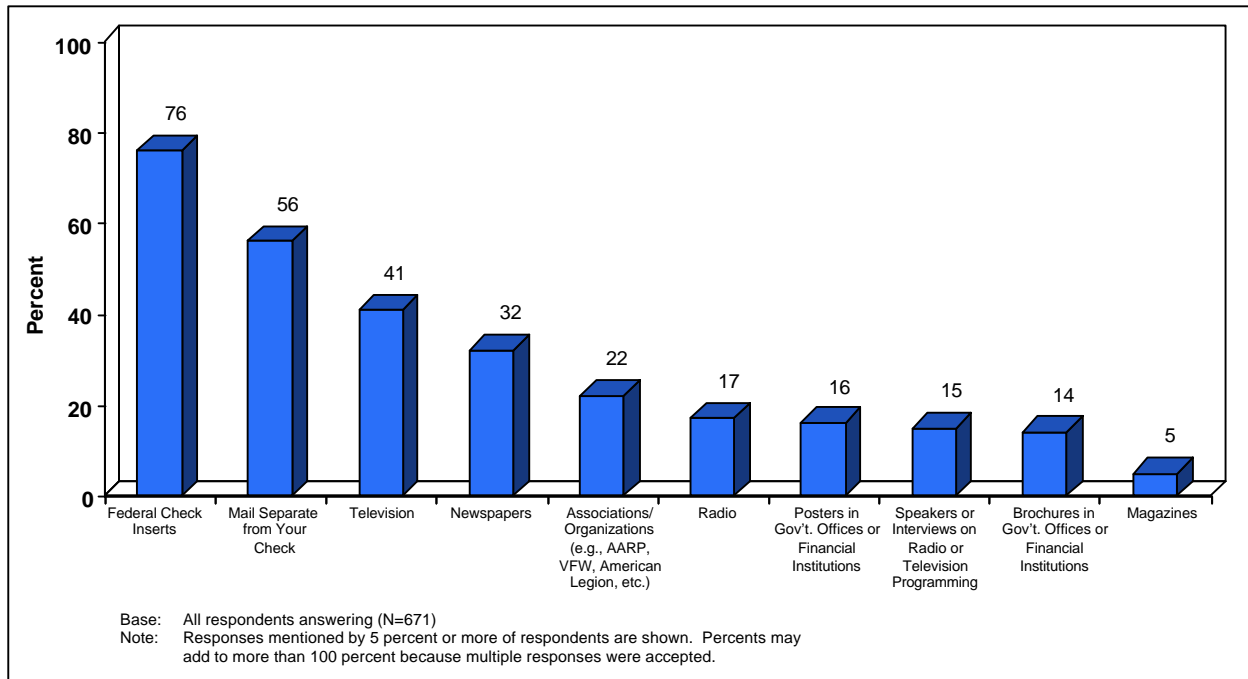
Also consistent with the findings from the telephone survey, Federal check recipients without bank or credit union accounts object to the law more strongly (45 percent object strongly or slightly to it) than those with bank accounts (37 percent object strongly or slightly). Other subgroups that also are most resistant to the new law are retirement check recipients (42 percent object strongly or slightly), check recipients 65 years or older (45 percent object strongly or slightly), and those living in suburban areas, small towns, or rural areas (42 percent object strongly or slightly).

5.6 Determine the Most Effective Vehicles for Communicating the Benefits of Direct Deposit to Federal Benefit Check Recipients

To determine which communication vehicles would be most effective in informing Federal benefit check recipients about direct deposit, the survey asked respondents to indicate which vehicles on a list of possible communication vehicles would be the best way for the Federal government to tell them about the mandatory EFT law. The list included information inserted with the Federal check; information sent through the mail separately from the check; brochures in government offices or financial institutions; information from organizations, such as AARP, veterans organizations, and unions; speakers or interviews on radio or television; signs on buses, subways, or trains; newspapers; radio; television; magazines; posters in government offices or financial institutions; and other means that the respondent could specify. Respondents could indicate up to five choices from the list.

As shown in Figure 25, the two most popular choices of vehicles for communicating about the mandatory EFT law are information included with the Federal benefit check (76 percent) and information sent through the mail but separately from the check (56 percent). Other frequently named vehicles include television (41 percent); newspapers (32 percent); information from organizations, such as AARP, veterans organizations, and unions (22 percent); radio (17 percent); posters in government offices or financial institutions (16 percent); speakers or interviews on radio or television programs (15 percent); and brochures in government offices or financial institutions (14 percent). Named less often are magazines (5 percent); signs on buses, subways, and trains (4 percent); and other vehicles (3 percent). These responses closely parallel the responses given by telephone survey respondents (see Figure 15), although, given the list of choices presented to mail survey respondents, the percentages are much higher for all vehicles in this methodology than in the telephone survey.

Figure 25. Sources of Information About Direct Deposit of Federal Payments



Information sent with the Federal check and information sent through the mail separately from the check are the two most preferred means of learning about the mandatory EFT law among all subgroups of survey respondents. However, there are differences across subgroups in the types of communication vehicles that would be most effective in reaching them. Specifically, retirement and disability check recipients favor check inserts most, and SSI check recipients prefer information sent through the mail separately from their checks more than retirement or disability check recipients do. Retirement and disability check recipients also indicate that information from organizations that they belong to are effective means of reaching them more often than SSI check recipients do. Disability check recipients also like both brochures and posters in government offices or financial institutions more than any other type of check recipients do. Retirement check recipients are especially likely to prefer newspapers, television, and speakers on radio or television programs as ways to reach them. Those with bank accounts and with higher household incomes are more likely than the unbanked and lower income respondents to be reached by check inserts and information distributed through organizations and newspapers. Younger check recipients (under 55 years) are reached more often than older check recipients through brochures or posters in government offices or financial institutions.

6. CONCLUSIONS AND RECOMMENDATIONS

After assessing the results of the demographic study, Booz·Allen & Hamilton and Shugoll Research have established target segments for direct-deposit marketing programs. They are presented in the order of priority. Justifications for this ranking are included, as are the messages that should be most effective in reaching each segment and the vehicles that are recommended for conveying the messages.

6.1 Segment 1: Retirement Check Recipients, Including Social Security Administration, Federal Civil Service Retirement, Veterans Administration Pension, and Railroad Retirement Board Pension

6.1.1 Justification for Top Priority

1. This segment accounts for more than three-quarters of all Federal benefit check recipients. Thus, changes in attitudes and behavior among this segment has a far greater effect on total EFT numbers than changes in other segments.
2. Nearly all of this segment has bank accounts, in part because of low-cost or free accounts for senior citizens or special rates. Thus, lack of bank accounts, one of the most difficult obstacles to overcome, is not a major issue for this segment.
3. The attitudes of this segment against direct deposit are not firmly held; there is room to change them. This segment seems willing to consider direct deposit if their major concerns are addressed.
4. A number of the benefits associated with direct deposit are especially applicable to senior citizens. This means that there are clear advantages that marketing programs can promote.
5. The media patterns of this group are clearly defined. Therefore, messages can be targeted specifically to this group.

6.1.2 Messages To Be Communicated to This Segment

1. More than any other segment, this segment is composed of individuals who are very comfortable receiving their Federal payments by mail and are somewhat reluctant to change. Because almost none have had problems receiving their Federal payments during the years they have been receiving checks, the Federal government must reassure them that having their payments directly deposited will not create problems for them. One way to do this might be to communicate the extremely low rate of payment nonreceipt using EFT.
2. Members of this segment want to know when a payment is received, the amount of the payment, and whom they can contact if there is a problem. They also want to be

assured that they will not be charged fees or penalties, including fees for bounced checks, if there is a problem with payment transfer. Thus, FMS needs to consider what type of notification system is feasible and to what extent the Federal government or financial institutions will be responsible for this notification. Among the options that should be considered are a one-time notification of payment amount, payment date, and Federal government number to call in case of a problem; a voice information system at the recipient's financial institution that can be called 24 hours a day to verify the transfer; and monthly deposit verifications or bank statements. FMS also should be prepared to answer questions about who will pay bank fees if there is a problem with the direct deposit.

3. Safety is a major issue for retirees, especially those living in high-crime areas. Safety is an issue both in terms of checks that are stolen from mailboxes and the personal safety of check recipients returning from the bank after cashing their checks. Thus, the message that direct deposit is safer than checks is powerful for this segment.
4. Convenience is another message that can be particularly meaningful for retirement check recipients. Many in this segment may have periods of illness or injury that hinder their ability to go to the bank, and many travel frequently. Thus, the message that payments go into their accounts whether or not they can get to the bank may be presented as a strong advantage of direct deposit. It may even be presented as a way of planning for times when they may be less mobile.
5. Retirement check recipients should be assured that they can still go to the bank whenever they want to get cash and conduct their financial business. The ability to go when they want can be communicated as greater freedom and independence to bank on their own schedules and terms.

6.1.3 Vehicles To Be Used in Reaching This Segment

1. Like all segments, this segment is best reached through printed inserts with checks and other direct mail sent to check recipients but separately from the checks. Large print should be used for these materials to assist those who are visually impaired.
2. This segment reads newspapers more often than younger segments do and can be reached more effectively than other groups through newspaper articles and newspaper ads.
3. Publications targeted primarily, or exclusively, to senior adults represent an opportunity to reach this segment.
4. Certain radio and television programs are targeted to an older population and may be used to reach this segment. Public relations stories, public service announcements (PSAs), and paid advertising are possibilities, depending on the communication budget available to FMS.

5. The Federal government should use organizations such as AARP and local or regional senior groups as intermediaries to help educate Federal retirement check recipients about the benefits of direct deposit and possibly assist with sign-up procedures. If these organizations have senior centers, posters for direct deposit can be displayed there, brochures can be distributed, and talks on the subject can be given. Publications from these organizations may serve as vehicles for placing ads and articles. State, Federal, and local government agencies serving senior citizens also may serve as clearinghouses for information.
6. Because word of mouth can be a valuable tool, especially in overcoming fears about how well a new technology will work, FMS could encourage group discussions about direct deposit at senior centers, banks, Federal agency offices, etc., enabling retirees to interact and to discuss their experiences with checks and direct deposit.

6.2 Segment 2: Disabled Check Recipients, Including Disabled Veterans, Disabled Federal Employees, Disabled Railroad Workers, and Disabled SSA and SSI Check Recipients

6.2.1 Justification for Second Priority Segment

1. This segment, although relatively small, has characteristics that predispose it toward direct deposit. In fact, the benefits of direct deposit for this segment are so great that most Federal disability check recipients contacted for the focus groups already used direct deposit.
2. Although marketing materials and vehicles may need to be tailored for these check recipients according to type, severity, and source of disability, a number of targeted organizations and publications can be used in reaching this segment.
3. Nearly all members of this segment have bank accounts. Thus, one of the most difficult obstacles to direct deposit is not an issue for them.

6.2.2 Messages To Be Communicated to This Segment

1. Convenience is clearly the most important benefit of direct deposit for disabled check recipients. Disabled individuals have more difficulty than others in getting to banks and conducting their business once there. Thus, the convenience of depositing their money automatically to their accounts each month is a major advantage for this segment that should be stressed.
2. For reassuring this segment about payment receipt by direct deposit, they should receive notification of the amount and dates of EFT, a name and number to contact in case of problems, and information about policies on responsibility for bank fees if fees result from problems with direct deposit.

3. An easy sign-up procedure, although not as important as not having to go to the bank, is still an important benefit for this segment. Telephone enrollment procedures, in particular, should be communicated to this segment.

6.2.3 Vehicles To Be Used in Reaching This Segment

1. Like all segments, this segment is best reached through check inserts and other direct mail sent to check recipients separately from the checks.
2. This segment, which also is largely age 55 or older, reads newspapers more often than younger segments do and thus can be reached effectively through newspaper articles and ads. Certain radio and television programs that are targeted to this population's demographics also may reach this segment. A combination of PSAs, paid advertising, and placement of public relations stories is recommended for these print and broadcast media.
3. A number of publications are targeted primarily or exclusively to disabled individuals, senior adults, and veterans. Because these groups constitute the majority of this segment, these publications can be used to reach these specific groups. Thus, a combination of public relations stories, PSAs, and advertisements in these publications should be used.
4. Organizations such as Paralyzed Veterans Association, Disabled American Veterans, and other support groups can be used as intermediaries to help educate Federal disability check recipients about the benefits of direct deposit, and they could assist with sign-up procedures. If these organizations or other service organizations, such as the American Legion or Veterans of Foreign Wars (VFW), have membership centers, posters for direct deposit can be displayed there, brochures can be distributed, and talks on the subject can be given. Ads and articles can be placed in publications from these organizations, and their information and referral services also may be for EFT information clearinghouses.

6.3 Segment 3: Unbanked Federal Benefit Check Recipients, Especially SSI Check Recipients Under 55 Years of Age

6.3.1 Justification for Third Priority Segment

1. This segment represents at least one-fifth of current Federal benefit check recipients, probably more, assuming that unbanked individuals are likely to be underrepresented in this research. The size of this segment mandates attention.
2. This segment also represents the most economically disadvantaged of all check recipients. Thus, they are most in need of help in the transition to EFT.

3. Overall, this segment is the youngest, so converting their payments to direct deposit or another type of EFT will be more cost-effective over time.
4. This is the most difficult segment to convert because messages alone will be insufficient in obtaining their consent to deposit their Federal benefit payments directly. Any strategy must include offering these individuals an account where their Federal payments can be deposited and accessed.
5. This segment is least likely to trust the Federal government and financial institutions. Thus, messages will need to be communicated carefully to prevent alienating these check recipients.

6.3.2 Messages To Be Communicated to This Segment

1. Before this segment can be convinced to use direct deposit or another EFT method, the recipient must have an account of some kind. Because the major obstacle to having a bank account is the associated high fees, especially if there is a minimum balance that is not maintained, FMS should consider negotiating with financial institutions for a type of base account that these individuals can use at little or no cost. If the Federal government is successful in making special bank accounts available to this segment, the existence of such accounts and the benefits of safety and convenience must be communicated to the unbanked so that they will sign up for accounts.
2. Interest in a debit account and card is minimal and, according to the enrollment levels in previous voluntary pilot programs, the expense of setting up such a program from the benefit recipients' point of view probably is not worthwhile. However, because most unbanked Federal benefit check recipients still use banks to cash their Federal benefit checks, this is an option worth considering. If offered, the availability of debit accounts and cards must be communicated frequently to targeted consumers.
3. Many of the unbanked Federal benefit check recipients have had financial problems. These problems often contribute to their inability to open checking accounts at financial institutions. Thus, the type of account that is developed for this segment ideally should be structured so that it is difficult or impossible to overdraw the account. Assuming that the special accounts for this segment are structured in this way, the ease of obtaining and maintaining these accounts should be emphasized.
4. Privacy of information is a major issue for this segment, both privacy of financial information from the Federal government and, in some cases, privacy from other family members. Thus, the message should stress that the Federal government will not have access to information on account balances or consumer-initiated transactions.
5. Given the lack of trust that this segment has in both the Federal government and financial institutions, messages must be worded very carefully to prevent alienating the check recipients. The Federal government may want to use testimonials from

individuals highly respected by this segment or use advertisements and PSAs jointly sponsored by trusted consumer or community organizations to add credibility to the messages. Candidates for performing testimonials could include respected community leaders, city and state political figures, and local clergy. Before a spokesperson is selected, however, the message and the messenger should be evaluated for suitability of delivering messages to the “man on the street.”

6. More than any other segment, this group is likely to require an incentive to establish an account and sign up for direct deposit or EFT. The Federal government or financial institutions, or both, should investigate the feasibility of sharing some of the savings associated with EFT with current check recipients to encourage them to sign up for direct deposit. If an incentive is available to consumers, this will need to be clearly communicated for it to have an effect on behavior.

6.3.3 Vehicles To Be Used in Reaching This Segment

1. Like all other segments, the best way to reach this segment is through printed check inserts and other direct mail sent separately from the checks. Given the relatively low education level of this segment, all direct mail pieces should be easy to read and understand.
2. This segment is disproportionately female, minority (especially black non-Hispanic), urban, single, and lower income. Thus, FMS should use specific media that are targeted to these demographics. The media include radio and television programming, billboards, public transit advertising, and selected magazines.
3. Local community groups and child welfare, job training, and other social service organizations might be helpful in reaching this segment to communicate the benefits of direct deposit or other EFT mechanisms. These groups may be especially useful if direct deposit or EFT can be integrated into a full educational program on household finances and wise money management.

6.4 Segment 4: Federal Benefit Check Recipients Who Are Not English Speakers

6.4.1 Justification for Fourth Priority Segment

1. The current research provides little information on the size, characteristics, attitudes, and media use of this segment. Yet, the secondary data review suggests that some Federal check recipients are not English speakers and that minorities, including Hispanics and Asian-Americans who may not speak English, are disproportionately likely to be unbanked. This suggests that non-English speakers are likely to be an important segment for the Federal government to reach with messages about EFT. However, additional research is needed to determine the optimal messages and vehicles to use in reaching this segment.

In summary, Booz-Allen & Hamilton and Shugoll Research have concluded the four segments of the FMS study, including the demographic results describing the designated target groups within the U.S. population who receive Federal benefit checks.

APPENDIX A: FOCUS GROUP SCREENER

OMB CONTROL # 1510-0068

SHUGOLL RESEARCH

BAH6

02

7475 Wisconsin Avenue
 Suite 200
 Bethesda, Maryland 20814
 301-656-0310

CIRCLE

Philadelphia - SSI	4 pm	1
Philadelphia - Disabled	6 pm	2
Tampa - Retired	4 pm	3
Tampa - SSI	6 pm	4
Kansas City - Retired	4 pm	5
Kansas City - Disabled	6 pm	6
San Diego - Retired	10 am	7
San Diego - SSI	4 pm	8
San Diego - Disabled	6 pm	9

FINANCIAL MANAGEMENT SERVICE SCREENER
 (FINAL 12/11/96)

RESPONDENT NAME: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

TELEPHONE: _____

DATE RECRUITED: _____ RECRUITED BY: _____

CONFIRMED BY: _____ DATE CONFIRMED: _____

Hello, this is _____ calling from Shugoll Research, a market research company on behalf of the Financial Management Service of the Department of the Treasury. This is not a sales call. We are conducting a 3-minute survey about federal payments and would greatly value your opinions.

1. Do you or does someone in your household currently receive regular payments from any of the following federal programs? (READ LIST)

	CIRCLE ONE PER ROW		
	<u>Yes</u>	<u>No</u>	
Social Security Administration	1	2	→(IF ANY YES CIRCLED, QUALIFIES FOR RETIRED GROUP)
Veterans Pension	1	2	
Railroad Retirement	1	2	
Federal Civil Service Retirement	1	2	
Veterans Disability	1	2	→(IF ANY YES CIRCLED, QUALIFIES FOR DISABLED GROUP)
Railroad Disability	1	2	
Civil Service Disability	1	2	
Supplemental Security Income	1	2	→(IF YES CIRCLED, QUALIFIES FOR SUPPLEMENTAL INCOME GROUP)

(INTERVIEWER NOTE: ASK TO SPEAK TO PERSON IN HOUSEHOLD WHO RECEIVES REGULAR FEDERAL GOVERNMENT PAYMENTS. RESPONDENTS MAY QUALIFY FOR MORE THAN ONE GROUP. CHECK WITH SUPERVISOR TO DETERMINE WHICH GROUP TO RECRUIT TO)

2. How do you receive these payments from the federal government? (READ LIST)

CIRCLE

- | | | | |
|---------------|---|---|---------------------------|
| | By direct deposit where the money
is electronically sent to a bank or
financial institution | 1 | →(THANK AND
TERMINATE) |
| OR | By check | 2 | →(CONTINUE) |
| (Do Not Read) | Don't know | 3 | →(THANK AND
TERMINATE) |

3. Who decides whether you receive the payment by check or by direct deposit? (READ LIST)

CIRCLE ONE

- | | | | |
|----|---------------------------------|---|--|
| | You decide yourself | 1 | →(CONTINUE) |
| | Someone else helps you decide | 2 | |
| OR | Someone else makes the decision | 3 | →(ASK TO SPEAK WITH THAT
PERSON. BEGIN AGAIN) |

4a. Do you currently have a checking or savings account at any bank, credit union or other financial institution?

CIRCLE

- | | | |
|-----|---|--|
| Yes | 1 | |
| No | 2 | →(IF NO IS CIRCLED, QUALIFIES AS A NON-BANK USER.
RECRUIT
AS MANY AS POSSIBLE, UP TO 5 PER GROUP.) |

4b. Which types of accounts do you have? (READ LIST)

CIRCLE ONE NUMBER PER ROW

	<u>Yes</u>	<u>No</u>	<u>DK</u>
Savings account	1	2	3
Checking account	1	2	3
Loan	1	2	3

5. To ensure we have opinions from a variety of people, please tell me which of the following categories includes your age. (READ LIST)

	<u>CIRCLE ONE</u>	
Under 18	1	→(THANK AND TERMINATE)
18 to 29	2	
30 to 39	3	
40 to 59	4	→(RECRUIT A MIX OF AGES FOR DISABLED AND SUPPLEMENTAL INCOME GROUPS)
60 to 69	5	
70 to 80	6	
Over 80	7	→(THANK AND TERMINATE)
Refused	8	→(THANK AND TERMINATE)

6. Do you consider yourself to be: (READ LIST)

	<u>CIRCLE ONE</u>	
Hispanic	1	
White, not Hispanic	2	
Black, not Hispanic	3	→(RECRUIT A MIX FOR ALL GROUPS. MUST RECRUIT A MINIMUM OF 4 MINORITIES PER GROUP AND WOULD LIKE AT LEAST 1 HISPANIC PER GROUP)
Asian or Pacific Islander	4	
American Indian or Alaskan native	5	
OR Other _____	6	
Refused	7	

7. Do you live in a: (READ LIST)

	<u>CIRCLE ONE</u>	
City	1	
Suburb	2	→(RECRUIT A MIX IN EACH GROUP IF POSSIBLE)
Small town	3	
OR Rural area	4	
(DO NOT READ) Don't know	5	

8. And, can you please tell me which one of the following categories includes your total household annual income before taxes? (READ LIST)

	<u>CIRCLE ONE</u>	
Less than \$10,000	1	→(RECRUIT A MIX FOR RETIREMENT AND DISABLED GROUP. RESPONDENTS IN SUPPLEMENTAL GROUP CAN ALL BE LESS THAN \$10K)
\$10,000 to \$24,999	2	
\$25,000 to \$50,000	3	
OR Over \$50,000	4	
Refused	5	

- 9a. Have you ever participated in a group discussion for research purposes?

	<u>CIRCLE</u>	
Yes	1	→(ASK Q.9b)
No	2	→(SKIP TO Q.10)

- 9b. What was the topic of the discussion?

 (IF ABOUT BANKING PRACTICES OR GOVERNMENT CHECKS,
 ASK Q. 9c. IF OTHER, SKIP TO Q.10)

- 9c. How long ago did you participate in this research discussion?

 (IF 6 MONTHS OR LESS, THANK AND TERMINATE)

10. (Interviewer records gender based on first name and sound of person's voice)

	<u>CIRCLE</u>	
Male	1	→(RECRUIT 5 TO 7 PER GROUP)
Female	2	→(RECRUIT 7 TO 9 PER GROUP)

INVITATION

We would like to invite you to participate in a group discussion with 8 or 9 other people, similar to yourself, to discuss new ways to deliver payments to people who currently receive Federal Government checks. Your participation in this group will help the Federal Government understand the needs and concerns of people who receive government checks on a regular basis.

This discussion group will be held on (day/date) at (time) in (general location). The discussion group will last about 2 hours. You will be paid \$25 for participating. Would you be interested and available to attend this meeting?

- CIRCLE
- | | | |
|-----|---|--|
| Yes | 1 | →(GIVE DIRECTIONS, ADDRESS, PARKING OR PUBLIC TRANSPORTATION INFORMATION. THANK RESPONDENT AND TELL RESPONDENT THAT WE LOOK FORWARD TO SEEING THEM ON (DATE) AND (TIME)) |
| No | 2 | →(THANK AND TERMINATE) |

APPENDIX B: TOPIC GUIDE

Topic Guide
Attitudes Toward EFT
Federal Program Check Recipients
OMB CONTROL # 1510-0068

Introduction

Hi! My name is _____ and I am a focus group moderator with an independent market research firm located in Bethesda, Maryland. I am conducting a series of nine focus groups on behalf of the Financial Management Service of the Department of the Treasury in four cities including Philadelphia, Tampa, Kansas City, and San Diego. In these discussion groups we are meeting with individuals like yourself to explore your impressions of and attitudes toward the services provided by banks and other financial institutions. I'll explain this in more detail in just a few minutes.

Has anyone ever participated in a focus group before? (Ask for show of hands.) Let me review a couple of ground rules for our session this evening.

- Everything you say will be kept confidential.
- We will only use our first names.
- We will be here for about 2 hours. There will not be a formal break. If you need to stand up and stretch, please feel free to do so.
- There will be no smoking.
- These group sessions are being audiotaped and videotaped. The tapes will help me keep a record of our discussion.
- Please avoid side conversations.
- Please speak in a voice at least as loud as mine.
- There is a one-way mirror and some observers are present.

The most important thing about this group discussion is the exchange of ideas and opinions. There are no wrong answers, just be honest. Please feel free to say what you feel. Again, there are no wrong answers.

Purpose of Groups

As I mentioned earlier, our purpose tonight is to talk about your opinions and attitudes toward the services provided by banks and other financial institutions. We will also talk about the way you currently receive your payments from the Federal Government.

Introduction of Participants

Before we get started, I would like you to introduce yourselves. Please give your first name only, tell us where you live, and how long you have lived in _____. Each of you can also tell us a little bit about yourself.

Discussion

Financial Services/Products Used

1. What types of accounts and financial products and services do you have?

Probe: Checking accounts? Savings accounts? Loans?

With what type(s) of financial institutions? (e.g., bank, credit union)

Check cashing? Purchase of money orders? Other services?

2. What do you like about dealing with financial institutions? What don't you like?

Probe: Ease of access? (e.g., branch location, hours of operation, ATM use, etc.)

Fees/service charges?

Checkbook balancing?

Record keeping?

Safety/Security?

3. If you do not have an account, how do you manage your money?

Probe: How do you cash checks?

How do you pay bills?

How do you pay for goods and services?

4. Why don't you have an account at any bank?

5. What might interest you in opening an account?

Attitudes Toward Direct Deposit/EFT

1. Are any of you familiar with direct deposit? (Ask for a show of hands and acknowledge number of hands)
2. Can you tell me what direct deposit is?

So that we all understand exactly what we will be talking about, let's review what direct deposit is. Direct deposit lets an organization like the Federal Government send electronic payments to an individual's checking or savings account instead of sending checks through the mail.

1. Does anyone bank with a financial institution that offers direct deposit to its customers? (Ask for a show of hands and acknowledge number of hands)
2. Have any of you ever used, or do you know of anyone who has ever used, direct deposit? (Ask for a show of hands and acknowledge number of hands)
3. For those of you who have used direct deposit, why did you decide to use direct deposit?

Probe: What factors influenced your decision?

Why do you no longer use direct deposit?

4. Did you know that you can use direct deposit for federal payments? (Ask for a show of hands and acknowledge number of hands)
5. Why don't you use direct deposit for your federal payments?

Probe: If you do have an account, why do you prefer to receive checks?

(List problems/concerns about using direct deposit as mentioned by respondents on flip chart)

6. What are your opinions of direct deposit?

Probe: Are there advantages to using direct deposit?

Are there disadvantages to using direct deposit?

(List advantages/disadvantages on flip chart as respondents identify them)

7. What are the experiences of people you know that have used direct deposit?

I have several statements to show you about direct deposit. Please tell me your reactions to each statement.

- Statement 1: Direct deposit means I do not have to go to the bank when I get my payment. I can go when I want to.

Probe: Would this influence your decision to use direct deposit?

- Statement 2: With direct deposit, I know when my money will be available.

Probe: Would this influence your decision to use direct deposit?

- Statement 3: Using direct deposit is safer than receiving checks in the mail and cashing them.

Probe: Would this influence your decision to use direct deposit?

Interest in Direct Deposit/EFT Services

Now I'd like to discuss the problems in using direct deposit that you mentioned earlier. (Refer to list of problems/concerns on flip chart.) Taking each problem one at a time, let's discuss what might be done to solve these problems. (Discuss problems one by one and list possible solutions on flip chart.)

1. Earlier, some of you indicated that you do not have bank accounts. Based on our discussion so far, please tell me whether you have changed your feelings about direct deposit.

Probe: Is there anything else that would influence you to open an account for direct deposit?

The Federal Government is considering different ways to offer direct deposit. Please give me your reactions to the following:

- Method 1: Direct deposit could be available through a non-bank such as the Post Office.

Probe: What would you like/dislike about this? Why do you feel this way?

- Method 2: Direct deposit could be available through a neighborhood check cashing service.

Probe: What would you like/dislike about this? Why do you feel this way?

- Method 3: Direct deposit could be available through a store, such as a grocery store or a convenience store.

Probe: What would you like/dislike about this? Why do you feel this way?

- Method 4: Direct deposit could be accessed using plastic cards/debit cards at ATMs and POS terminals.

Probe: What would you like/dislike about this? Why do you feel this way?

2. Is there another way that you would like to see direct deposit offered that we haven't discussed? If so, please offer this suggestion to us.
3. Out of all of the possibilities, which one do you like the best? Why? (Method 1, 2, 3 4 or other? Ask for show of hands and record count.)
4. **(Refer to list from brainstorming session)** Let's look at the solutions you suggested earlier. Please identify the top three or four solutions that would most influence your decision to use direct deposit.

(Record answers on flip chart)

Encouraging Use of Direct Deposit

1. Have you seen information about direct deposit before today? Where?
2. The Federal Government feels it is important to tell individuals about direct deposit including how to enroll and how to use the service. Which would be the best way to tell this information to you?

Probe: Letter or federal check insert?
Articles in local newspapers?
Television and/or radio advertising?
Posters in financial institutions?
Account statement stuffers?

3. Information about direct deposit is available from a variety of organizations. Which source of information would most influence your decision to use direct deposit for your federal payments?

Probe: Information from the Federal Government?
Information from your financial institution?
Information from your trade union?
Information from community groups?
Information from church groups?

False Close

I need to leave the room for a few seconds to find out if we have any additional questions. While I'm out of the room, please discuss any other ideas you might have that would influence you to use direct deposit. Would (one of group) write down the ideas on the flip chart?

Closing

(Upon returning, review and discuss ideas on flip chart and summarize discussion.) Do you have any other thoughts or comments before we close? Thank you for sharing your ideas with me this evening. You have been very helpful. Please see the hostess on your way out. Goodnight and thanks again.

ALTERNATIVE METHODS OF RECEIVING GOVERNMENT PAYMENTS

Direct deposit could be available through a non-bank such as the Post Office.

Direct deposit could be available through a neighborhood check cashing service.

Direct deposit could be available through a store, such as a grocery store or a convenience store.

Direct deposit could be accessed using plastic cards/debit cards at ATMs and POS terminals.

APPENDIX C: TELEPHONE QUESTIONNAIRE

SHUGOLL RESEARCH
 7475 Wisconsin Avenue
 Suite 200
 Bethesda, Maryland 20814
 (301) 656-0310

OMB CONTROL # 1510-0068

<u>List</u>	<u>CIRCLE</u>
SSA	1
SSI	2
Veterans	3
OPM	4
RRB	5

EFT AWARENESS AND ATTITUDE STUDY
(FINAL 3/10/97)

RESPONDENT NAME: _____
 TELEPHONE: _____ INTERVIEWER: _____
 MONITORED BY: _____ VALIDATED BY: _____
 START TIME: _____ END TIME: _____
 LENGTH: _____ DATE: _____

(ASK TO SPEAK TO NAME ON LIST OR GUARDIAN/CARE GIVER FOR NAME ON LIST)

Hello, this is _____. I'm calling from Shugoll Research on behalf of the Financial Management Service of the Department of the Treasury. This is not a sales call. We are conducting an important survey about Federal payments like Social Security and would greatly value your opinions. This research is strictly for statistical purposes.

1. First, do you or does anyone in your immediate family work in advertising, public relations or market research?

CIRCLE

Yes 1 →(THANK AND TERMINATE)
 No 2 →(CONTINUE)

- 2a. Do you currently receive a Federal government check?

CIRCLE

Yes	1	
No	2	→(SKIP TO Q.3a)
Don't know	3	

2b. What type of check do you receive? Do you receive: (READ ONLY THOSE APPROPRIATE TO SAMPLE FILE)

	CIRCLE ONE NUMBER PER ROW	
	<u>Yes</u>	<u>No</u>
Social Security	1	2
Veterans Pension	1	2
Railroad Retirement	1	2
Federal Civil Service Retirement	1	2
Veterans Disability	1	2
Railroad Disability	1	2
Civil Service Disability	1	2
Supplemental Security Income	1	2

↓
 (IF ANY CIRCLE
 IN BOX, SKIP TO
 Q.3c. CHECK
 LIST SOURCE. IF
 NO CIRCLE IN
 BOX,
 CONTINUE)

3a. Do you make financial decisions for a family member or another person who receives any of the following types of Federal payments? (READ ONLY THOSE APPROPRIATE TO SAMPLE FILE)

	CIRCLE ONE NUMBER PER ROW	
	<u>Yes</u>	<u>No</u>
Social Security	1	2
Veterans Pension	1	2
Railroad Retirement	1	2
Federal Civil Service Retirement	1	2
Veterans Disability	1	2
Railroad Disability	1	2
Civil Service Disability	1	2
Supplemental Security Income	1	2

↓
 (CONTINUE
 CHECK LIST)

↓
 (THANK AND
 TERMINATE)

SOURCE)

- 3b. Do you decide whether _____'s (INSERT NAME FROM LIST) Federal payments are sent by check or by direct deposit into a bank account?

	<u>CIRCLE</u>	
Yes	1	→(READ STATEMENT BEFORE Q.3c, THEN SKIP TO Q.4)
No	2	→(THANK AND TERMINATE)
Don't know	3	

For the remainder of this interview, please answer all questions from the perspective of _____'s (INSERT NAME FROM LIST) care giver or financial guardian and refer only to _____'s (INSERT NAME FROM LIST) Federal payments.

- 3c. Who decides whether you receive these Federal payments by check or by direct deposit? (READ LIST)

	<u>CIRCLE ONE</u>	
You decide yourself	1	
Someone else helps you decide	2	→(CONTINUE)
OR Someone else makes the decision	3	→(ASK TO SPEAK WITH THAT PERSON. BEGIN AGAIN)
(DO <u>NOT</u> READ) Don't know/can't say	4	→(THANK AND TERMINATE)

4. How are these federal payments received? (READ LIST)

	<u>CIRCLE</u>	
By direct deposit where the money is sent to your bank	1	→(THANK AND TERMINATE)
OR By check through the mail	2	→(CONTINUE)
(DO <u>NOT</u> READ) Don't know	3	→(THANK AND TERMINATE)

5. Do you currently have any account at a bank, credit union or other financial institution?

	<u>CIRCLE</u>	
Yes	1	→(CONTINUE)
No	2	→(SKIP TO INSTRUCTION BEFORE Q.7a)
Don't know	3	

6. Which types of accounts do you have? (READ LIST)

	<u>CIRCLE ONE NUMBER PER ROW</u>		
	<u>Yes</u>	<u>No</u>	<u>Don't Know</u>
Savings account	1	2	3
Checking account	1	2	3
Other (SPECIFY IF YES) _____	1	2	3

IF CODE 2 IS CIRCLED IN Q.5, CONTINUE. IF CODE 1 OR 3 IS CIRCLED IN Q.5, SKIP TO Q.8

- 7a. Why don't you have any accounts with a bank, credit union or other financial institution?
(DO NOT READ. PROBE FULLY)

	<u>CIRCLE ALL</u>
Fees/costs too high	1
Don't have enough money to justify/make worthwhile	2
Don't have need for any	3
Not conveniently located	4
Hours not convenient	5
Don't want government to know how much money I have	6
Don't want my money frozen/taken in event of divorce/lawsuit/judgment	7
I currently use another person's account for my banking needs	8
Problems with managing an account	9
Poor credit history/turned down for a checking account	10
Other (SPECIFY) _____	
<hr/>	
Don't know	11

7b. There are a number of reasons why some people do not have bank accounts. Using a 1 to 10 scale where 1 is disagree strongly and 10 is agree strongly, please tell me if the following reasons explain why you don't have an account at a financial institution. The first reason is: (READ LIST BEGINNING WITH "X")

<u>ROTATE</u>		<u>CIRCLE ONE NUMBER PER ROW</u>										
		<u>Agree</u>					<u>Disagree</u>					<u>DK</u>
<u>*</u>		<u>Strongly</u>								<u>Strongly</u>		
_____	I don't trust banks with my money	10	9	8	7	6	5	4	3	2	1	11
_____	There are no banks conveniently located near me	10	9	8	7	6	5	4	3	2	1	11
_____	I have no need for bank services	10	9	8	7	6	5	4	3	2	1	11
_____	Bank fees are too high	10	9	8	7	6	5	4	3	2	1	11
_____	Bank hours don't match my schedule	10	9	8	7	6	5	4	3	2	1	11
_____	I don't want anyone else to have records of how much money I have	10	9	8	7	6	5	4	3	2	1	11

* MEANS ORDER IN WHICH ITEMS IN LIST ARE READ IS RANDOMIZED ACROSS RESPONDENTS TO PREVENT ORDER BIAS

8. Now, think about the financial business that you need to do on a regular basis, such as cashing checks, paying bills and getting cash. Where do you go most often when you need to deposit or cash your Federal checks? (DO NOT READ. CIRCLE ONE UNDER Q.8 IN GRID BELOW)

9. Do you sometimes go to another place to deposit or cash your Federal checks? Where?
(DO NOT READ. CIRCLE ALL UNDER Q.9 IN GRID BELOW)

	<u>Q.8</u> CIRCLE ONE	<u>Q.9</u> CIRCLE ALL
ATM machine (not at bank or credit union)	1	1
Bank	2	2
Check cashing service	3	3
Credit union	4	4
Employer	5	5
Friend or relative	6	6
Grocery store	7	7
Liquor store	8	8
Other retail store	9	9
Pawn broker	10	10
Other (SPECIFY)	_____	_____
Don't know	11	11
None	12	12

10. To the best of your knowledge, can regular payments from the Federal government be deposited directly into a bank or credit union account?

	<u>CIRCLE ONE</u>	
Yes	1	→(CONTINUE)
No	2	→(SKIP TO Q.12a)
Not sure	3	

11. Where have you seen or heard information about direct deposit of Federal government payments? (DO NOT READ)

	<u>CIRCLE ALL</u>
Associations/organizations (e.g., AARP, VFW, American Legion, etc.)	1
Federal agencies	2
Financial institutions	3
Federal check inserts	4
Magazines ads	5
Magazines articles	6
Newspaper ads	7
Newspaper articles	8
Radio ads	9
Television ads	10
Word-of-mouth from friends, relatives, etc.	11
Other (SPECIFY) _____	_____
Don't know/remember	12
None	13

- 12a. Do you know how you can sign up to have Federal checks direct deposited into a bank account? (DO NOT READ. PROBE FULLY)

	<u>CIRCLE ALL</u>
Complete form at Federal agency	1
Complete form and mail it to Federal agency	2
Complete form at financial institution	3
Give information to Federal agency over telephone	4
Automated sign-up at financial institution	5
Other (SPECIFY) _____	_____
Don't know	6

12b. Do you think the sign-up procedure for direct deposit is: (READ LIST)

	<u>CIRCLE ONE</u>
Very easy	4
Fairly easy	3
Fairly difficult	2
OR Very difficult	1
(DO <u>NOT</u> READ) Don't know	5

13. What do you think are the major advantages of having direct deposit for regular Federal payments? (DO NOT READ. PROBE FULLY)

	<u>CIRCLE ALL</u>
Payments don't get lost or stolen in mail	1
Have access to money earlier	2
Money gets to account even when you are sick or out of town	3
More convenient/can go to bank when you want	4
Safer/don't have to cash check when it comes in	5
Other (SPECIFY) _____	

Don't know	6

-
14. What do you think are the major disadvantages of having direct deposit for regular Federal payments? (DO NOT READ. PROBE FULLY)

CIRCLE ALL

- | | |
|--|---|
| Aren't sure when payment arrives | 1 |
| There can be problem accessing money if account is frozen or under dispute (e.g., divorce) | 2 |
| Don't want other family members to know amount of federal payment | 3 |
| May be charged bank fees if money does not arrive on time and checks bounce | 4 |
| May be difficult to resolve problem if payment does not arrive on time or is wrong amount | 5 |
| Other (SPECIFY) _____ | |
| <hr/> | |
| Don't know | 6 |

15. Next, I'd like to read you several statements about direct deposit. Please tell me how much each statement would convince you to get direct deposit for your Federal payments. Would you find it very convincing, somewhat convincing, not too convincing or not at all convincing to know that: (READ LIST BEGINNING WITH "X")

CIRCLE ONE NUMBER PER ROW

<u>ROTATE</u>	<u>Very Convincing</u>	<u>Somewhat Convincing</u>	<u>Not too Convincing</u>	<u>Not at all Convincing</u>	<u>DK</u>
_____ With direct deposit you always know when your money will be available	4	3	2	1	5
_____ With direct deposit you have access to your money earlier because you do not have to wait for the check to arrive in the mail and then cash or deposit it	4	3	2	1	5
_____ Direct deposit is safer because there is no chance that your money can be lost or stolen	4	3	2	1	5
_____ When you use direct deposit you can go to the bank when you want to	4	3	2	1	5
_____ With direct deposit, your money will be in your account even when you are out-of-town or sick or can't get to the bank	4	3	2	1	5
_____ You can sign up for direct deposit of your Federal payment quickly at your bank or over the telephone	4	3	2	1	5

16. (REFER BACK TO Q. 5. IF CODE 1, SKIP TO Q. 18. IF CODE 2 OR 3, CONTINUE) The Federal government is considering different ways to make electronic payments. One possibility might be that Federal payments could be deposited into an account at a bank, check cashing center, post office or other institutions. A card would be issued in the person's name that could be used instead of cash in selected stores and businesses or at ATM machines to get cash. If this type of account and card were available, how likely would you be to sign up for it? Would you be: (READ LIST)

		<u>CIRCLE ONE</u>	
	Very likely	4	
	Somewhat likely	3	
	Not too likely	2	
OR	Not at all likely	1	→(SKIP TO Q.18)
(DO <u>NOT</u> READ)	Don't know	5	

17. The Federal government is considering the use of other places where Federal payments could be direct deposited. If your Federal payment went directly into an account at one of the following places, how likely would you be to sign up? Would you be very likely, somewhat likely, not too likely or not at all likely to have your Federal payment sent to: (READ LIST BEGINNING WITH "X")

		<u>CIRCLE ONE NUMBER PER ROW</u>				
<u>ROTATE</u>		<u>Very Likely</u>	<u>Somewhat Likely</u>	<u>Not Too Likely</u>	<u>Not At All Likely</u>	<u>DK</u>
_____	The Post Office	4	3	2	1	5
_____	A neighborhood check cashing service	4	3	2	1	5
_____	A grocery store	4	3	2	1	5
_____	A convenience store	4	3	2	1	5
_____	A community center	4	3	2	1	5

18. Congress has passed a law that would require that most Federal payments be made electronically. Do you: (READ LIST)

	<u>CIRCLE ONE</u>
Strongly support this	5
Slightly support this	4
Neither support nor object to this	3
Slightly object to this	2
OR Strongly object to this	1
(DO <u>NOT</u> READ) Don't know	6

19. What are the best ways for the Federal government to tell you about the consequences of this law? (DO NOT READ, PROBE AS NEEDED)

	<u>CIRCLE ALL</u>
Information included with your Federal check	1
Information sent through the mail separate from your check	2
Newspaper articles	3
Magazine articles	4
Newspaper advertising	5
Magazine advertising	6
Information from organizations you belong to such as AARP, veterans organizations or unions	7
Speakers or interviews on radio or television programs	8
Radio advertising	9
Television advertising	10
Brochures in government offices or financial institutions	11
Transit signs	12
Posters in government offices or financial institutions	13

20. These last few questions are for statistical purposes only. How many people live in your household? (DO NOT READ LIST)

	<u>CIRCLE</u>	
One	1	→(SKIP TO Q.22)
Two	2	
Three	3	
Four	4	
Five	5	
Six or more	6	
Refused	7	→(SKIP TO Q.22)

21. How many of your household members are children under the age of 18?

(RECORD NUMBER) _____

22. What is your marital status? (READ LIST ONLY IF NECESSARY)

	<u>CIRCLE</u>
Single	1
Married	2
Widowed	3
OR Divorced or separated	4
(DO <u>NOT</u> READ) Refused	5

23. Do you live in a: (READ LIST)

	<u>CIRCLE ONE</u>
City	1
Suburb	2
Small town	3
OR Rural area	4
(DO <u>NOT</u> READ) Don't know	5

24. We want to be sure that we talk to a variety of people. Can you please tell me, are you: (READ LIST)

	<u>CIRCLE</u>
Hispanic	1
White, not Hispanic	2
Black, not Hispanic	3
Asian or Pacific Islander	4
Native American or Alaskan Native	5
OR Other (SPECIFY) _____	6
(DO <u>NOT</u> READ) Refused	7

25. What is the primary language spoken in your home? (DO NOT READ)

	<u>CIRCLE</u>
English	1
Spanish	2
Vietnamese	3
Chinese	4
Korean	5
Other (SPECIFY) _____	
Refused	6

26. Which of the following categories includes your age? (READ LIST)

	<u>CIRCLE</u>
18 to 24	1
25 to 34	2
35 to 44	3
45 to 54	4
55 to 64	5
65 to 74	6
75 to 84	7
OR 85 or older	8
(DO <u>NOT</u> READ) Refused	9

27. What level of schooling have you completed? (DO NOT READ)

	<u>CIRCLE ONE</u>
Less than high school	1
High school diploma	2
Some college or trade school	3
College degree	4
Some post-graduate or professional education	5
Post-graduate or professional degree	6
Refused	7

28. Which of the following categories best describes your total annual household income before taxes? Please stop me when I read the one that you are in. Is it: (READ LIST)

	<u>CIRCLE</u>
Under \$10,000	1
\$10,000 to \$24,999	2
\$25,000 to \$49,999	3
\$50,000 to \$74,999	4
\$75,000 to \$99,999	5
OR \$100,000 or more	6
(DO <u>NOT</u> READ) Refused/don't know	7

29. Record Gender of Respondent (If Self) OR Record Gender of Person who is check recipient. (INTERVIEWER NOTE: YOU MAY ASK THE CAREGIVER/GUARDIAN GENDER OF CHECK RECIPIENT IF NECESSARY.)

	<u>CIRCLE ONE</u>
Male	1
Female	2

READ AND THEN COMPLETE INFORMATION ON PAGE 1: THANK YOU VERY MUCH FOR YOUR TIME AND YOUR ANSWERS.

**APPENDIX D: MAIL SURVEY QUESTIONNAIRE, COVER LETTER, AND
POSTCARDS**

OMB CONTROL # 1510-0068

INSTRUCTIONS: Please check the box or boxes that reflect your answer or write your response on the lines provided.

1. What type of Federal benefit check(s) do you receive? *(Check All That Apply)*

- | | | | |
|----------------------------------|--------------------------|------------------------------|--------------------------|
| Social Security Retirement | <input type="checkbox"/> | Railroad Disability | <input type="checkbox"/> |
| Veterans Pension | <input type="checkbox"/> | Civil Service Disability | <input type="checkbox"/> |
| Railroad Retirement | <input type="checkbox"/> | Supplemental Security Income | <input type="checkbox"/> |
| Federal Civil Service Retirement | <input type="checkbox"/> | Veterans Disability | <input type="checkbox"/> |

None → **(IF NONE, PLEASE STOP AND RETURN SURVEY IN THE ENCLOSED ENVELOPE)**

2. Do you have an account at a bank, credit union or other financial institution?

Yes → **(PLEASE ANSWER QUESTION 3, THEN GO TO QUESTION 5)**

No → **(PLEASE GO TO QUESTION 4)**

3. Which types of accounts do you currently have? *(Check All That Apply)*

- | | | | |
|------------------|--------------------------|-------------|--------------------------|
| Savings account | <input type="checkbox"/> | Other _____ | <input type="checkbox"/> |
| Checking account | <input type="checkbox"/> | None | <input type="checkbox"/> |
| Loan | <input type="checkbox"/> | | |

4. Why do you not have any accounts? *(Check All That Apply)*

- | | | | |
|--|--------------------------|---|--------------------------|
| I can not qualify for a checking account | <input type="checkbox"/> | I do not need an account | <input type="checkbox"/> |
| I do not have enough money to make it worthwhile | <input type="checkbox"/> | I currently use another person's account for my banking needs | <input type="checkbox"/> |
| I do not want my money frozen or taken in the event of a divorce, lawsuit, or legal judgment | <input type="checkbox"/> | I have problems managing an account | <input type="checkbox"/> |
| Banks are not conveniently located | <input type="checkbox"/> | The fees or costs are too high | <input type="checkbox"/> |
| I do not want the government to know how much money I have | <input type="checkbox"/> | Bank hours are not convenient for me | <input type="checkbox"/> |
| Other (PLEASE EXPLAIN) | _____ | | |

5. Where do you usually go to deposit or cash your Federal benefit checks? *(Check One)*

- | | | | |
|---------------------------------|--------------------------|--------------------|--------------------------|
| Bank or credit union | <input type="checkbox"/> | Grocery store | <input type="checkbox"/> |
| Check cashing service or outlet | <input type="checkbox"/> | Liquor store | <input type="checkbox"/> |
| Employer | <input type="checkbox"/> | Other retail store | <input type="checkbox"/> |
| Friend or relative | <input type="checkbox"/> | Pawnbroker | <input type="checkbox"/> |
| Other (SPECIFY) | _____ | | |

6. Do you think that payments from the Federal government can be deposited directly into a bank or credit union account? *(Check One)*

- Yes No Not sure

7. Do you think the sign-up procedure for Direct Deposit is: *(Check One)*

- Very easy Fairly easy Fairly difficult Very difficult

8. What do you think are the major advantages of having Direct Deposit for Federal benefit payments? *(Check All That Apply)*

- | | | | |
|---|--------------------------|---|--------------------------|
| The payments do not get lost or stolen in the mail | <input type="checkbox"/> | It is more convenient because I can go to the bank when I want | <input type="checkbox"/> |
| The money goes to my account even when I am sick or out of town | <input type="checkbox"/> | It is safer because I do not have to cash my check when it comes in | <input type="checkbox"/> |
| I can get my money earlier | <input type="checkbox"/> | | |
| Other (PLEASE EXPLAIN) _____ | | | |

9. What do you think are the major disadvantages of having Direct Deposit for Federal benefit payments? *(Check All That Apply)*

- | | | | |
|--|--------------------------|--|--------------------------|
| I do not want other family members to know the amount of my Federal benefit payment | <input type="checkbox"/> | I may be charged bank fees if money does not arrive on time and my checks bounce | <input type="checkbox"/> |
| There may be a problem accessing money if the account is frozen or under dispute (e.g., divorce) | <input type="checkbox"/> | I do not know how to resolve problems if the payment does not arrive on time or if the payment is for the wrong amount | <input type="checkbox"/> |
| I am not sure when the payment is in the bank | <input type="checkbox"/> | | |
| Other (PLEASE EXPLAIN) _____ | | | |

10. The Federal government is considering different ways to make electronic payments. One possibility might be that Federal benefit payments could be deposited into an account at a bank, check cashing center, post office, or other institutions. A card would be issued in your name that you could use in selected stores and businesses, or at ATM machines to withdraw cash. If this type of account and card were available, would you sign up for it? *(Check One)*

Definitely would Probably would Might or might not Probably would not Definitely would not

11. If you could get your Federal benefit payment at the following places, which places would you use? *(Check All That Apply)*

The Post Office A convenience store
 A grocery store A community center
 A neighborhood check cashing service

12. Congress has passed a law that would require that most Federal benefit payments be made electronically. What is your level of support for this law? *(Check One)*

Strongly support this law Slightly object to this law
 Slightly support this law Strongly object to this law
 Neither support nor object to this law

13. What are the best ways for the Federal government to tell you about this law? *(Check Your Top 5 Choices)*

Information included with your Federal benefit check	<input type="checkbox"/>	Brochures in government offices or financial institutions	<input type="checkbox"/>
Signs on buses, subways and trains	<input type="checkbox"/>	Radio	<input type="checkbox"/>
Newspapers	<input type="checkbox"/>	Television	<input type="checkbox"/>
Information from organizations you belong to such as AARP, veterans' organizations, or unions	<input type="checkbox"/>	Magazines	<input type="checkbox"/>
Information sent through the mail separate from your check	<input type="checkbox"/>	Speakers or interviews on radio or television programs	<input type="checkbox"/>
		Posters in government offices or financial institutions	<input type="checkbox"/>
Other (PLEASE EXPLAIN)	_____		

14. These last few questions are for statistical purposes only. How many people live in your household? **(RECORD NUMBER)** _____

15. How many of your household members are children under the age of 18? **(RECORD NUMBER)** _____

16. Where do you live? *(Check One)*

City Suburb Small Town Rural area

17. What is your racial background? *(Check One)*

Hispanic	<input type="checkbox"/>	Asian or Pacific Islander	<input type="checkbox"/>
White, not Hispanic	<input type="checkbox"/>	Native American or Alaskan Native	<input type="checkbox"/>
Black, not Hispanic	<input type="checkbox"/>	Other (SPECIFY) _____	

18. Which of the following categories includes your age? (*Check One*)

- 18 to 24 35 to 44 55 to 64 75 to 84
 25 to 34 45 to 54 65 to 74 85 or older

19. What level of education have you completed? (*Check One*)

- | | | | |
|------------------------------|--------------------------|---|--------------------------|
| Less than high school | <input type="checkbox"/> | College degree | <input type="checkbox"/> |
| High school diploma | <input type="checkbox"/> | Some post-graduate or
professional education | <input type="checkbox"/> |
| Some college or trade school | <input type="checkbox"/> | Post-graduate or professional
degree | <input type="checkbox"/> |

20. Which of the following categories includes your total annual household income before taxes? (*Check One*)

- | | | | | | |
|----------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------------|
| Under \$10,000 | <input type="checkbox"/> | \$25,000 to \$49,999 | <input type="checkbox"/> | \$75,000 to \$99,999 | <input type="checkbox"/> |
| \$10,000 to \$24,999 | <input type="checkbox"/> | \$50,000 to \$74,999 | <input type="checkbox"/> | \$100,000 or more | <input type="checkbox"/> |

21. Are you: (*Check One*) Male Female

THANK YOU FOR YOUR ANSWERS. PLEASE RETURN THE SURVEY IN THE ENCLOSED PRE-ADDRESSED, POSTAGE-PAID ENVELOPE BEFORE JULY 21, 1997.

June 24, 1997

Dear Federal Benefit Recipient:

The Department of the Treasury needs your help. There is a new law that will require us to send most benefit payments electronically, starting January 1, 1999.

We are conducting an important survey to learn why you receive your benefit payments by check rather than by Direct Deposit into a banking account. You were selected from a small sample of Federal benefit check recipients to help us develop safe, convenient, and better ways to send Federal benefit payments electronically. Your survey answers will directly influence our payment processes.

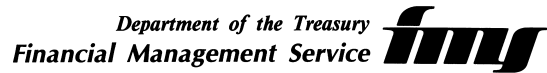
But we need to hear from you. Would you please take a few minutes to answer all the enclosed survey questions? **Your answers will be CONFIDENTIAL. Please do not include your name or address on the survey.**

Please complete the survey and return it in the enclosed postage-paid, pre-addressed envelope **by July 21, 1997**. Your responses are important to us. If you have any questions, please contact Eleanor Kelly at (202) 874-9536.

Thank you for your assistance.

Sincerely,

Larry D. Stout
Assistant Commissioner



July 7, 1997

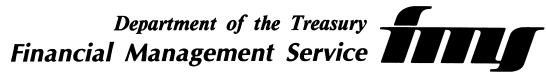
Dear Federal Check Recipient:

Several weeks ago, we sent you a survey requesting information related to your Federal benefit checks. We are very interested in your opinions because your responses will help improve Federal benefit payments.

If you have already sent in your completed survey, thank you very much. If you have not completed the survey, please take a few minutes to do so and mail it before July 21. Thank you for your help.

Sincerely,

Larry D. Stout
Assistant Commissioner
Federal Finance



July 14, 1997

Dear Federal Check Recipient:

The Federal government needs your help. A survey was sent to you recently about your Federal benefit checks. Your responses will help us improve the way we handle Federal benefit payments.

If you have sent in your completed survey already, thank you very much. If you have not completed the survey, please do so now, and return it before July 21. We appreciate your cooperation.

Sincerely,

Larry D. Stout
Assistant Commissioner
Federal Finance

APPENDIX E: ACRONYMS

List of Acronyms

AARP	American Association of Retired Persons
ABA	American Bankers Association
ACB	America's Community Bankers
AFDC	Aid to Families with Dependent Children
ALFI	American League of Financial Institutions
ATM	Automated Teller Machine
CATI	Computer Assisted Telephone Interviewing
CBA	Consumer Bankers Association
CCO	Check Cashing Outlet
CFA	Consumer Federation of America
CFR	Code of Federal Regulations
COLA	Cost-of-Living Adjustment
CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DCIA	Debt Collection Improvement Act
DPC	Direct Payment Card
EBT	Electronic Benefits Transfer
EFT	Electronic Funds Transfer
EFTA	Electronic Funds Transfer Association
FERS	Federal Employees Retirement System
FERSA	Federal Employees' Retirement System Act
FMS	Financial Management Service
FY	Fiscal Year
GED	General Equivalency Diploma
IBAA	Independent Bankers Association of America
IVR	Interactive Voice Response
MRA	Minimum Retirement Age
NACHA	National Automated Clearing House Association
NYCH	New York Clearing House Association
OMB	Office of Management and Budget
OPM	Office of Personnel Management
POS	Point-of-Sale
PSA	Public Service Announcement
PSI	Payroll Services Inc.
RRB	Railroad Retirement Board
SCF	Survey of Consumer Finances
SSA	Social Security Administration
SSI	Supplemental Security Income
VA	Department of Veterans Affairs
VFW	Veterans of Foreign Wars

APPENDIX F: BIBLIOGRAPHY

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