

OCSE 16<sup>th</sup> National Child Support Training Conference  
September 11, 2006

# **“THE FSR CARD”**

Colorado’s experience:

*Delivering parent’s child support  
to an “Electronic Payment Card”*

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# Background

- **Colorado in early 2001:**
  - Child support collections per year = \$318+ million
  - EFT disbursements = approx. 30%
  - Still issuing one million checks per year
  - Promoted direct deposit since 1995
- Bank suggested use of a “stored value card”
- Colorado issued our first card in August of 2001
- 2004: re-procured with multi-state consortium

# Goals and Objectives

- **Reduce costs and improve customer service**
- **Reach the “unbanked”** clients (approx. 13%)
- **Reduce disb. on hold** from returned undeliverable checks, stale-dated checks, lost / stolen checks
- **Bring benefits to the obligee** such as:
  - Get funds into their hands sooner than with checks – 2 days from receipt of pmt.
  - No bank requirements to qualify for use
  - Monthly statements
  - Account access via internet

# Checks vs. EFT

## Checks

- Direct Cost: approximately \$1.00 per check
  - Check stock, envelopes, postage, and bank fees
- Indirect Costs: difficult to equate a cost per check
  - Labor, reconciliation, stale dating, return undeliverable, stop pay, research and reissue lost/stolen checks, forgeries, check fraud, etc.

## Electronic Disbursements

- Direct Cost: approx. \$0.10 per ACH PPD transaction
- Indirect Costs:
  - Eliminates the labor intensive check tasks
  - Systems can be programmed to automate return credit ACH items

# Current Program DD/PPC Stats

- **Disbursements**
  - 35.85% Checks
  - 64.25% EFT
- **EFT**
  - 85% Obligee Electronic Disbursement
  - 15% Other State
- **33% of all Obligee Electronic Disbursements go to a Pre-paid card**

Stakeholder benefits...

# State Benefits

- Virtually no operational changes required for CSE agency systems utilizing voluntary program
- Improves distribution time frames
- Appears to be self-funding through merchant fees
- Reduced costs for check handling, postage and supplies
- Eliminates payments returned undeliverable or lost/stolen
- Caseworkers spend less time trying to locate the custodial parent
- Means to disburse funds to clients in foreign countries

# Merchant Benefits

- Reduces liability for merchants who cash checks (e.g. grocery stores)
- Transaction to make the purchase is easier and quicker
- Use is transparent
- Debit cards are an accepted and welcome means of purchase to merchants



# Cardholders Benefits

- “Love” the card
- No bank requirements to qualify for a card
- Funds received quicker and access any time, any place
- Mainstreams clients into commercial financial world
  - Internet purchases, hotel reservations, etc. that were not previously possible
- Eliminates check cashing fees

# Cardholders Benefits continued

- Offers a means to keep child support separate from other funds
- No checks, minimal exposure to overdraft
- Transaction history via Internet and/or monthly statements
- No more lost or stolen checks
- Money is protected if card is lost or stolen

# Statistics as of July 2006

Cards issued	26,595
Number of loads	458,376
Dollars loaded	Over \$72 million
Transaction Stats	
Top 3 market segments	Supermarkets, Fuel, Dining (67.3% of all transactions)
Top 3 Merchants	Walmart, Safeway, King Soopers

# Consortium Card Fees for US Bank

Fee Description	Fee	Comments
<b><u>Cash Access Transactions</u></b>		
ATM Withdrawal Surcharge	<b>\$0.00</b>	U.S. Bank will not charge a surcharge at U.S. Bank ATMs. Additionally, there are approximately 26,000 Visa-branded surcharge free ATMs across the United States where no surcharge will be levied against the cardholder's account.
ATM Withdrawal Service Charge	<b>\$1.50</b>	A combined total of <b>2 Free</b> cash access transactions per month at <b>any</b> Visa/Plus-branded ATM (over 855,000 worldwide) or Visa Cash Advances through a bank teller.
Visa Cash Advance – Bank Teller	<b>\$5.00</b>	
<b><u>Customer Service</u></b>		
Live Representative/IVR	<b>\$1.00</b>	<b>4 Free</b> live representative customer service calls or Interactive Voice Response (IVR) customer service calls (or a combination of both) <b>per month</b>
Unlimited web-based account access	<b>\$0.00</b>	
Account Overdraft	<b>\$20.00</b>	Waived the first time, cardholder educated as to how to avoid overdraft
Monthly Inactivity	<b>\$2.00</b>	Fee is triggered after 120 days of inactivity. The fee does not apply to accounts with \$0.00 (or negative) balances
Standard Card Replacement	<b>\$5.00</b>	Initial card provided at no cost to cardholder. Replacement cards delivered within 3 to 5 USPS mail days
Emergency Card Replacement	<b>\$25.00</b>	Emergency cards delivered within 2 business days
Transfer of Funds	<b>\$15.00</b>	Waived in special or emergency situations (lost card, etc.)
Monthly Statement	<b>\$0.00</b>	

# Program Considerations

# Voluntary vs. Mandatory

## **Voluntary Program**

- Develop successful marketing strategies/materials
- Batch vs. on-line enrollment process

## **Mandatory Program**

- Necessary Legislation or statute changes
- Training issues
  - Clients and Customer Service staff

# Promoting Electronic Payments

**We are changing the way payments are sent to families.**

To meet Federal requirements that payments be sent as reliably, efficiently and cost-effectively as possible, **FSR will now send payments electronically.** You have two options for receiving your payments electronically: Electronic Funds Transfer (EFT) directly to your checking or savings account or to an Electronic Payment Card. The Electronic Payment Card is a prepaid Visa® card and your child support payments are automatically deposited to the card. It can be used at millions of locations where Visa is accepted or at ATM machines. You do not need to qualify or have your own bank account to get a Visa card. If you choose the Visa card option, you will get more information about how the card program works when your card is mailed to you.

Sign and return this form to the Family Support Registry, P.O. Box 2171, Denver, CO 80201-2171 or by fax to (303) 299-9122. Once we receive your form, we will mail you a notice confirming the start date of your EFT payments. For more information about electronic payments, you may call 1-800-374-6558 or visit our website @ [www.childsupport.state.co.us](http://www.childsupport.state.co.us).


 I want an Electronic Payment Card

 I want direct deposit to my bank account

Name \_\_\_\_\_

First

Middle Initial

Last

Mailing Address \_\_\_\_\_ Apt. # \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip Code \_\_\_\_\_ Daytime Phone (\_\_\_\_\_) \_\_\_\_\_ Home Phone (\_\_\_\_\_) \_\_\_\_\_ Date of Birth \_\_\_\_\_

FSR Account Number(s) (required) \_\_\_\_\_

Note: If you have multiple FSR accounts, please provide all of the account numbers. This authorization will apply to all of your accounts.

Social Security No. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Your Mother's Maiden Name (required for card) \_\_\_\_\_

Note: Provision of your social security number (SSN) is voluntary. However, if you fail to provide it, we will not be able to process your request. SSNs are used by the Div. Of Child Support Enforcement to locate individuals for the purposes of establishing paternity, establishing support obligations, modifying and enforcing child support obligations and distribution of child support payments.

 Enter your bank information below if you selected direct deposit to your bank account. Please attach a voided check.
 Checking (or)  Savings Bank Name: \_\_\_\_\_ Branch Location \_\_\_\_\_

Bank Routing Number \_\_\_\_\_ Bank Account Number \_\_\_\_\_

Note: This authorization form authorizes the FSR to initiate credits and correcting debits to the above account. A debit (withdrawal) will only occur if a credit is originated in error and you will receive notification.

Signature (required) \_\_\_\_\_

**Fax your completed authorization to: (303) 299-9122 or you can mail it to: Family Support Registry, P.O. Box 2171, Denver, CO 80201-2171**



# Card Issuer

## Two Primary Types of Issuers to Choose from:

1) Bank as primary (e.g. U.S. Bank's ReliaCard)

2) Sponsoring company (bank secondary)

- FDIC proposed rules clarify that under this arrangement funds are considered deposits
- \$100k insurance “passed through” to cardholder provided:
  1. Account records reflect custodial relationship between company and cardholders.
  2. The bank or company maintains records reflecting the interest of each cardholder.
  3. The deposit is in fact owned by the cardholder.

# Important Card Features

State agencies have been “locking in” these features through their card issuer contracts:

Cards are “**Reg E**” compliant  
(Federal Reserve Bank)

Cardholder balance is **FDIC insured**  
(FDIC)

**Zero liability** for signature-based transactions  
(Visa/Mastercard policy)

# Payment Network

## **Debit Visa® card and MasterCard®**

- Critical component to evaluate when selecting card issuer
- Consider the primary location of your cardholder customer base
- Access to network via:
  - Participating Financial Institutions
  - ATMs
  - Point of Sale

# The Consortium

- Participating states: Colorado, Nebraska, North Dakota, South Dakota
- State in process of joining: Wyoming
- State considering joining: Montana
- Open for other states to join
- South Dakota contact:

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# Pre-paid Card Contact

## **Bilinda McKay-Johnson**

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