

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

January 20, 2011

The Honorable Timothy Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner:

As you know, the Committee on Ways and Means has both substantive and oversight jurisdiction relating to the activities of the Department of the Treasury (“Treasury”) and the Internal Revenue Service. The Committee looks forward to working with you in the 112th Congress to ensure that taxpayers are treated fairly and honorably and that waste, fraud, and abuse are rooted out in every corner.

The purpose of this letter is to inquire about a pilot program Treasury announced on January 13, 2011, to deliver tax refunds to those with limited access to banking services. The program is intended to encourage certain taxpayers to receive their tax refunds on pre-paid debit cards, rather than via paper checks or direct deposits. The Department’s announcement quoted Deputy Secretary of the Treasury Neal Wolin as stating: “This innovative card can be used for everyday financial transactions, such as receiving wages by direct deposit, withdrawing cash, making purchases, paying bills and building savings safely and conveniently, giving users more control over their financial futures.”¹ Letters will be mailed to 600,000 low and moderate income individuals inviting them to activate one of several variations of a MyAccountCard Visa® Prepaid Debit Card.² According to press accounts, some cards will charge a \$4.95 monthly service charge, while others will have no monthly charge. Additional fees will apply depending on the services supplied by the cards.

¹ U.S. Department of the Treasury, Press Announcement, *Treasury Launches Pilot Program of Prepaid Debit and Payroll Cards for Fast, Safe and Convenient Tax Refunds*, January 13, 2011.

² *Id.*

As the *Washington Post* recently pointed out, the market for pre-paid cards has exploded, with the amount of money on such cards “expected to double over the next three years to \$670 billion” as the financial services industry seeks to lure customers into programs targeting low income consumers who may not have traditional bank accounts.³ While we commend every effort to reduce transaction costs and increase the efficiency of government operations, we have several concerns regarding this pilot program. In particular, we are concerned about any fees that card holders may be assessed, either on a monthly basis, for inactivity, or overdrafts.

We are also concerned about “mission creep.” The program appears to have begun as a narrowly crafted solution to a narrow problem: reducing the number of paper checks by getting tax refunds in the hands of those who may not have bank accounts. However, from Deputy Secretary Wolin’s comments, the program seems to now have morphed into an effort to establish ongoing bank accounts for low-income taxpayers. Since the financial services industry is already competitive (with banks and credit unions actively pursuing new account holders), we question the wisdom of the Federal Government becoming so involved in the financial affairs of individual taxpayers.

Finally, we are concerned about general oversight of the program. If the goal of the Treasury Department is to “provide a safer, faster and more convenient way to receive a federal tax refund as well as other regular income,”⁴ it is important that these cards provide adequate consumer protections.

Accordingly, please provide the following information to the Subcommittee on Oversight no later than February 3, 2011:

1. Describe the program as a whole, its implementation schedule, and any analyses regarding perceived benefits both to the government and to the taxpayer by switching from refund paper checks to pre-paid debit cards. Provide any analyses conducted regarding the percentage of cards that may never be used.
2. Provide a copy of all program materials, including each version of the invitation letter, which will be sent to taxpayers seeking their participation in this pilot program.
3. Describe how the sample of 600,000 taxpayers was chosen. Further, describe how a subset of those individuals was chosen to be offered cards with a \$4.95 monthly fee.
4. Do any of the taxpayers in the sample currently have a bank account?

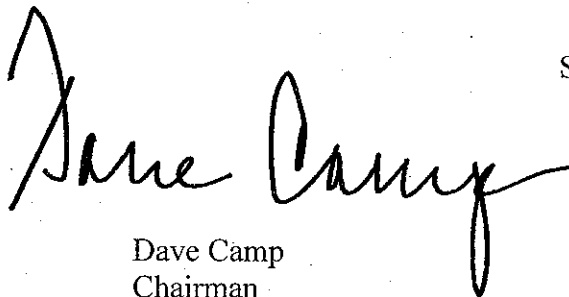
³ Ylan Q. Mui, *Dealing With Cards: Uncle Sam Follows the Kardashians into Prepaid Plastic*, THE WASHINGTON POST, January 16, 2011 at G1.

⁴ U.S. Department of the Treasury, Press Announcement, *Treasury Launches Pilot Program of Prepaid Debit and Payroll Cards for Fast, Safe and Convenient Tax Refunds*, January 13, 2011.

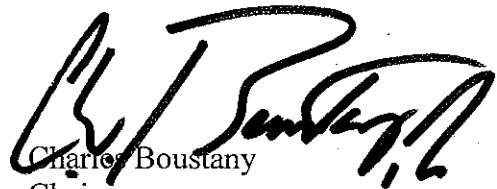
5. Provide an explanation of all fees and charges that will be incurred by taxpayers enrolled in the pilot program, including monthly access fees, ATM fees, overdraft fees, per use charges, inactivity fees, and charges related to lost or stolen cards.
6. Provide any analyses or documents concerning the vulnerability of taxpayers enrolled in the pilot program to identity theft. Describe the consumer protections provided by these cards. Explain what the maximum liability is for taxpayers who lose debit cards or when card numbers are obtained by thieves to steal account funds or other sensitive information. Who is responsible for such losses, the program manager, the taxpayer, or the Government?
7. Provide all schedules of fees and charges that will be paid by the Federal Government as a result of this program.
8. Describe the steps Treasury plans to undertake to conduct oversight of this program, and for how long Treasury will provide oversight of these cards. Provide the names and titles of the individuals at Treasury charged with overseeing this program.
9. Describe the method by which Bonneville Bank and Green Dot Corporation were selected by the Department of Treasury. Which entity was selected as the prime contractor? How was the subcontractor selected, and by whom? Please advise as to whether the contract vehicle was a sole source, a set-aside (and if so, under what authority), or any other vehicle other than a full and open competition.
10. Provide copies of the solicitation, the statement of work, the evaluation criteria, the award letter, the contract itself, and any appended terms and conditions. Provide a list of all unsuccessful bidders. Provide all analyses justifying the selection of Bonneville Bank and Green Dot Corporation.

Secretary Geithner, by working cooperatively together on this and other matters, we can increase the efficient management of the Department of the Treasury's operations and eliminate waste, fraud and abuse across government. As such, thank you in advance for your assistance as we fulfill our Constitutional oversight responsibilities. If your staff should have any questions, they should contact Jennifer Safavian at 202-225-5522.

Sincerely,



Dave Camp
Chairman
Committee on Ways and Means



Charles Boustany
Chairman
Subcommittee on Oversight

cc: Commissioner Douglas H. Shulman