REQUIREMENTS FOR APPLICATIONS TO SERVE AS FINANCIAL AGENT AND TO PROVIDE DEBIT CARD SERVICES

The U.S. Department of the Treasury, Financial Management Service (FMS), seeks applications from qualified financial institutions to serve as a Financial Agent of the United States. The selected Financial Agent will provide debit card services nationwide to unbanked check recipients of Social Security and other Federal benefit payments, beginning in January 2008. FMS will select one or more Financial Agents to provide the requested financial services in accordance with FMS's Financial Agent Selection Process (FASP). The FASP governs this selection process, which is not subject to the Federal Acquisition Regulations. Applications from interested financial institutions must be received by FMS no later than **October 2, 2007**. For more information, see below or *www.fms.treas.gov/aboutfms/business.html.*

***DEADLINE*: All Applications must be received by FMS *5:00 p.m. ET on October 2, 2007*. See below for submission requirements.**

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I. Overview

The Financial Management Service (FMS) is the bureau within the U.S. Department of the Treasury responsible for disbursing Federal benefit payments. A major goal of FMS is to reduce the number of paper checks it disburses by moving check recipients to electronic payment mechanisms. In January 2007, FMS instituted a pilot project to provide unbanked Social Security and Supplemental Security Income (SSI) benefit recipients living in Illinois the option of receiving their Federal benefit payments via a debit card, known as the *Direct Express*[sm] card (see *www.fms.treas.gov/directexpress*). In January 2008, FMS will offer a benefit debit card program nationwide, giving all unbanked Social Security and other Federal benefit check recipients the option of using a debit card to receive their payments electronically. FMS expects that implementation of the nationwide program will take no longer than six months.

Pursuant to its authority under 12 U.S.C. §§ 90 and 265, 31 C.F.R. §§ 202 and 208, and other applicable Federal laws, FMS seeks a qualified Financial Agent to provide the services necessary to expand its benefit debit card program. FMS may select more than one Financial Agent, if deemed appropriate by FMS. FMS recognizes that financial institutions may choose to provide some of the required services through partnership with other service providers.

FMS's goal under its benefit debit card program is to increase the number of electronically-disbursed benefit payments to unbanked recipients, thereby significantly reducing the Federal Government's cost of disbursing payments. In addition, FMS wishes to provide unbanked Federal beneficiaries with a low cost payment mechanism offering the safety, security, and convenience that direct deposit offers to banked benefit recipients.

II. Timeline for Selection of Financial Agent. FMS's process for selecting a financial agent is expected to following the following timeline (FMS may vary the timeline as necessary or appropriate):

Date	Event
Sept. 4, 2007	FMS issues announcement seeking Applications
Oct. 2, 2007	Applications must be received by FMS (5:00 p.m. ET)
Oct. 19, 2007	FMS notifies Finalists
Oct. 19-Nov. 16, 2007	FMS sends sample Financial Agency Agreement to Finalists; Finalists invited to make oral presentations; FMS review period
Nov. 16, 2007	FMS designates financial agent(s)
Nov. 26, 2007	Financial agent signs Financial Agency Agreement
Jan. 2-31, 2008	Implementation begins

III. Projected Check Volumes

FMS cannot predict the number of Federal benefit recipients who will enroll in its benefit debit card program. FMS has estimated future check payments for Social Security (Old Age, Survivor, and Disability Insurance (SSA)) and Supplemental Security Income (SSI) recipients for calendar years 2008 through 2013. These estimates do not include information about other Federal benefit payments such as Veterans benefits or Railroad Retirement benefits.

Estimated Check Volume (in thousands)						
	2008	2009	2010	2011	2012	2013
SSA	103,790	104,416	105,058	105,715	106,447	107,251
SSI	38,873	39,221	39,490	39,758	40,039	40,306
Total	144,671	145,646	146,558	147,484	148,498	149,570

FMS estimates that SSA and SSI recipients receive an average of 12.22 checks per year. In addition, based on a 2004 study (*www.fms.treas.gov/eft/reports/ EFTResearch7.27.04FINAL.pdf*), FMS estimates that approximately 27% of the SSA check recipients and 68% of SSI check recipients are unbanked. For the fiscal year 2007, the estimated average monthly payment for SSA check recipients is $780, and for SSI check recipients is $497.

For information about the number of various types of benefit checks disbursed by FMS in fiscal year 2007 and prior fiscal years, see *www.fms.treas.gov/eft/reports.html*.

FMS cannot and does not guarantee (1) the number of cardholders who will enroll in a benefit debit card program in the future; (2) the dollar amount that will be loaded onto benefit debit cards; (3) the number or types of transactions that

cardholders will complete; or (4) any other information about expected cardholders or transactions that will occur in the future.

IV. Financial Agent Selection Process

Pursuant to its authority under 12 U.S.C. §§ 90 and 265, 31 C.F.R. §§ 202 and 208, and other Federal laws, FMS is authorized to designate a financial agent for the purpose of disbursing Federal benefit payments electronically to debit card accounts. Potential financial agents are limited to financial institutions that meet the requirements described in 31 C.F.R. § 202.

NOTE: Financial agents are selected and designated in accordance with FMS's Financial Agent Selection Process (FASP). The Federal Acquisition Regulations do not apply to the financial agent selection process.

FMS will accept Applications from financial institutions with the demonstrated ability to issue debit cards with the attributes described below. Interested financial institutions must submit Applications in accordance with the process described below. FMS will review the Applications and select one or more financial institutions to be Finalists. Finalists will be invited to participate further in FMS's selection process, which may include oral presentations and informal discussions. FMS will provide Finalists with the proposed Financial Agency Agreement that the designated Financial Agent(s) will be required to sign. Finalists must express their willingness to sign the Financial Agency Agreement prior to proceeding with the FASP. FMS will require the designated Financial Agent(s) to execute a final Financial Agency Agreement no later than one (1) week after the selection is announced.

V. Application Submission Process

Financial institutions submitting Applications must comply with the following requirements. FMS may, in its discretion, waive any of the requirements based on its assessment of what is in the best interest of the United States.

A. *Application Format.* An interested financial institution may submit an Application in whatever format it deems appropriate, subject to the following parameters:

1. The Application (excluding the transmittal letter) must be clearly divided into two sections entitled "Part I" and "Part II." Part I may not be more than five (5) pages and Part II may not be more than thirty (30) pages. A page is 8-1/2" x 11", single-sided, with font size no smaller than 12 point, except charts may include font size no smaller than 10 point;

2. In addition to the 35 pages allotted to Parts I and II, the Application may also contain a table of contents, pricing proposal charts, and sample debit card issuance, usage, and other types of reports;

3. Except for pricing information, the Application should not contain any information the financial institution deems **proprietary or confidential**; pricing information the financial institution considers proprietary or confidential should be marked as "confidential commercial information" on each page. No other information should be marked "proprietary," "confidential," or with similar legends; and

4. The financial institution may not submit any sales brochures, videos or other marketing information.

B. *Application Transmittal Letter*. The Application must contain a transmittal letter as described below:

1. The Application must contain a transmittal letter written on the financial institution's letterhead and signed by an official of the financial institution with legal authority to represent and bind the institution to the statements made in the Application (faxed or scanned signatures are acceptable if the letter expressly states that FMS may rely on such signature as if it was an original);

2. The transmittal letter must include the name, title, mailing address, e-mail address, telephone number(s), and fax number of the financial institution's contact person to which FMS will address all communications related to the financial agent selection process; and

3. In its transmittal letter, the financial institution must <u>affirmatively</u> state that it (1) qualifies as a financial agent under 31 C.F.R. 202; (2) agrees to the selection approach described in this "Requirements For Applications to Serve as Financial Agent and to Provide Debit Card Services;" (3) understands that the selection process is subject to FMS's Financial Agent Selection Process and is not subject to the Federal Acquisition Regulations; (4) understands that FMS makes no guarantees that the financial institution will be invited to participate further in the selection process; and (5) understands that FMS makes no guarantees for future cardholder or transaction volume under a debit card program.

C. *Part I of the Application*. Part I of the Application must address the following:

1. The applicant's qualification to act as a Financial Agent for the purposes described in this Request for Applications pursuant to 12 U.S.C. §§ 90, 265 and in accordance with the requirements set forth in 31 CFR § 202;

2. The identity of any partners or affiliate organizations with which the financial institution proposes to provide the requested debit card services;

3. The capacity of the financial institution and its partners to issue MasterCard- or Visa-branded debit cards nationwide and the maximum number of debit cards it could service;

4. The ability of the financial institution and its partners to establish reloadable debit card accounts covered by FDIC insurance and compliant with the requirements of Regulation E;

5. The ability of the financial institution and its partners to establish and staff an enrollment call center with U.S. citizens or lawful resident aliens no later than January 2008;

6. The ability of the financial institution and its partners to establish and staff a customer service center with U.S. citizens or lawful resident aliens no later than January 2008 (may be the same as the enrollment call center); and

7. The experience of the financial institution and its proposed partners issuing debit cards for recurring payments disbursed by a government or private entity including a clear and concise description of projects that illustrate the capabilities of the financial institution and its proposed partners, as well as information about the scope and length of each project described.

D. *Part II of the Application*. Part II of the Application must address or include the following:

1. **Qualifications**

   a. **Security Compliance**: The applicant's ability to comply with all security requirements of the U.S. Department of the Treasury, as specified in Treasury security directives**.** Among other things, Treasury directives require that employees who are working on this project, including call center employees, must be U.S. citizens or lawful resident aliens.

   b. **References**: The contact information of the references for each of the benefit and payroll-like debit card projects for governmental or private entities described in Part I of the Application.

   c. **Key Personnel**: Names, titles, business addresses, and experience of proposed key project personnel, including key personnel of any partners or contractors.

2. **Proposed Pricing Structure**

   a. **Pricing Proposal**: A detailed description of the proposed pricing structure, including fees to be charged for all cardholder transactions (by transaction) as well as charges to the Government for items other than cardholder transactions, and any applicable rebates or rewards. An ideal pricing structure would include the following: No monthly maintenance fee, a number of free monthly automated teller machine (ATM) cash withdrawals, and free point-of-sale

transactions.

Pricing proposals should include:

i. Information describing how the addition, elimination, or bundling/unbundling of specified features and processes would impact the cost structure, if applicable;

ii. Alternative pricing structures, which would allow FMS to compare the alternatives, for example, a structure with a monthly cardholder fee versus one without a monthly fee, so that FMS could select the most desirable alternative;

iii. Tiered pricing based on transaction volume, term of agreement, amount on deposit, and/or other measures;

iv. Information describing how pricing may be reduced or increased if the applicant's costs are reduced or increased and the specific events that would trigger a reduction or increase in the pricing;

v. Information describing how pricing was determined, including the assumptions used with respect to applicant's anticipated costs and revenues in connection with the program, including revenues or earnings from cardholder fees, interchange, issuer reimbursements, value of funds on deposit, and/or revenue or in-kind support from MasterCard or Visa; and

vi. Other information the applicant deems material to an evaluator of the pricing proposal.

b. **Cost Effectiveness**: Applicants should be mindful of the Government's objective to be as cost-effective as possible for both the Government and cardholders;

c. **No Credit Check**: Any pricing structure should assume that potential cardholders will not be subject to any credit screening requirements; and

d. **Relationship with Cardholder**: Any pricing structure should assume that once the funds are disbursed to a card, the funds belong to the cardholder and will not be returned to the Government, and that the applicant is responsible for liabilities associated with overdrafts and negative balances.

3. **Implementation Plan**: High level project implementation plan for a program expansion nationwide to Federal benefit check recipients, including estimated implementation timeline, and a description of how the applicant would manage the deployment and the project, and maintain documentation to support the

project;

4. **Personnel/Infrastructure Capabilities**: A description of the personnel and infrastructure capabilities of the applicant to provide the required debit card services, including the security and privacy protection features within the infrastructure;

5. **Marketing/Public Relations Services**: A description of the type of marketing and public relations services the applicant could support (e.g., check stuffers, brochures, posters, advertising, customer surveys), and any applicable costs associated with such services;

6. **Card Stock**: A description of how the applicant will obtain, design, and provide necessary card stock (design is subject to Government approval), including how the applicant will maintain sufficient quantities of card stock and other necessary materials for program operations;

7. **Debit Card Features**: A description of debit card features for the product(s) offered to meet the stated objectives, including whether the following features will be available:

    a. Individually-owned accounts in the name of the cardholder, and if not, describe the account structure and how changes to the account structure impacts the pricing proposal;

    b. FDIC insurance for cardholder funds;

    c. Regulation E protections for cardholders (describe protections that will be available);

    d. MasterCard or Visa branding;

    e. Whether the accounts will bear interest to the cardholder's benefit;

    f. A unique routing number designated specifically to card accounts under the program;

    g. Capability for personal identification number (PIN)-based or signature-based transactions at ATMs or POS devices, including ability to get cash-back at POS (no purchase restrictions will be required);

    h. Cardholder ability to withdraw funds at a bank branch or other ability to withdraw "last dollars" off the card;

    i. Reloadability for purposes of receiving recurring Federal benefits (cardholder will not be able to load personal funds to the debit card account);

j. Cardholder ability to pay bills or transfer money;

k. Cardholder's name embossed on card, if appropriate or necessary;

l. Whether cards will have an expiration date and how renewal cards will be delivered to cardholders;

m. How the applicant will handle "inactive" cards, including how the applicant defines "inactivity;" and

n. Card-related security features.

8. **Enrollment and Card Distribution/Management**: A description of the applicant's proposed process for enrolling cardholders (applicant must be able to enroll cardholders directly and accept enrollments from Federal agencies), issuing cards, and managing issued cards, including (if applicable):

   a. Procedures for telephone, online, or other suggested enrollment processes, including a description of the information collected from enrollees and non-enrollees and how the information is recorded and maintained;

   b. Procedures for enrolling beneficiaries whose benefit payments are disbursed to a representative payee or other agency-authorized representative, including whether the applicant will allow payments for multiple beneficiaries to be disbursed to and accessed by a representative payee using a single debit card;

   c. Procedures for mailing cards to cardholders via the U.S. mail;

   d. Identity authentication ("customer identification procedures" or "CIP") procedures and compliance with the PATRIOT Act, Office of Foreign Asset Control and applicable Treasury regulations;

   e. General description of cardholder materials to be provided to cardholders with each debit card (subject to Government approval), including materials that explain to cardholders how to activate and use the card;

   f. Cardholder activation and deactivation procedures, including how PINs are assigned;

   g. If the applicant enrolls cardholders, a description of how the applicant will provide routing and account information to the Federal paying agency responsible for initiating payments to the card and whether the applicant currently uses the enrollment notification record (ENR) process to notify the Social Security Administration about direct deposit enrollments;

h. Training and competency requirements for enrollment call center personnel, as well as the quality control procedures the applicant uses to monitor and confirm that enrollment call center requirements are being met;

i. If a Federal agency enrolls cardholders, how the applicant will be able to accept enrollment information from the agency, and whether the applicant will be able to provide an enrolling Federal agency with routing and account information, in advance, for assignment to enrolled cardholders;

j. Procedures for re-issuing lost/stolen cards;

k. Description of whether and/or how the applicant will use cardholder information for marketing purposes, and how pricing would be impacted if marketing abilities were restricted by the Government;

l. Description of information collected from the cardholder when the cardholder closes an account; and

m. If not already described, a description of the applicant's security and privacy protection procedures, including how the applicant proposes to comply with Gramm-Leach-Bliley Act and other applicable laws.

9. **Card Funding**: A description of the applicant's proposed card funding (load and reload) procedures via the Automated Clearing House (ACH) network;

10. **Settlement Processing/Reconciliation**: A general description of how the applicant's debit card settlement processing works, including a description of the applicant's daily and other reconciliation procedures;

11. **Garnishments**: A description of the applicant's policies with respect to responding to commercial garnishments related to customers' accounts and how those policies would apply to the proposed debit card product;

12. **Set-Off**: A description of how the applicant's policies with respect to internal set-off for payment of cardholder fees, overdrafts, or other amounts owed by the cardholder to the applicant would apply to the proposed debit card product, and how pricing would be impacted if the Government restricted set-off for amounts owed by the cardholder to the applicant for activity unrelated to the debit card product;

13. **Cardholder Customer Services**: A description of the applicant's proposed cardholder customer services, including:

a. How a cardholder may obtain customer service by telephone and/or online;

b. Times when customer service will be available;

c. What type of cardholder services will be available, including services related to lost/stolen cards, unauthorized transactions, defective cards, obtaining balance and transaction information (paper statements will not be required), and card usage questions;

d. Whether cardholders will be able to obtain transaction and balance information via text messages or mobile phones;

e. Availability of ATM network nationwide, including surcharge-free network and/or other ways cardholders may use ATMs surcharge-free, and how the availability of a surcharge-free network and/or surcharge refunds to cardholders impacts the applicant's proposed pricing structure;

f. Availability of customer service in languages other than English and access to customer service by cardholders with disabilities;

g. How the applicant will respond to cardholder disputes and agency claims of incorrect payments in compliance with appropriate ATM, MasterCard/Visa association, and network operating rules; and

h. Training and competency requirements for customer service personnel, as well as the quality control procedures the applicant uses to monitor and confirm that customer service requirements are being met.

14. **Fraud Monitoring and Investigation**: A general description of how the applicant will monitor debit card activity for fraud, how cards are terminated, and how incidents are investigated when the applicant believes fraud has occurred in connection with an account;

15. **Activity Reports**: A description of how and when reports are distributed, whether the report information can be broken down by payment types, as well as a description and samples of the types of reports that will be made accessible to FMS describing call center and debit card activity, including reports related to:

a. enrollment and customer service call center activity;

b. aggregate funding activity;

c. aggregate average daily balances;

d. Financial Agent's revenue fees by category and/or transaction type, including transaction fees (by transaction type), interchange fees, float earnings, issuer reimbursements, and other revenue or earnings;

e. aggregate transaction activity; and

f. ad hoc reports.

16. **Customer Service to Government**: A description of the customer service and support that will be available to FMS and Federal program agencies whose beneficiaries are participating in the debit card program, including project management controls, assistance with applicant's system (if necessary), report inquiries, and a description of the type of support the applicant would be able to provide to a Federal agency investigating a cardholder's benefits eligibility status (for example, account balance information);

17. **Service Level Requirements**: A description of proposed service level requirements and how they will be measured;

18. **Disaster Recovery/Risk Mitigation**: A general description of the applicant's emergency and disaster recovery plans; and

19. **Contingency Plans**: A general description of the applicant's contingency plans in the event of systems failure or other similar event.

E. *Deadline*. The Application must be received by FMS no later than **5:00 p.m. ET on October 2, 2007**. FMS will send a confirmation of receipt by e-mail. FMS may, in its discretion, accept Applications and related materials received after the deadline.

F. *How to Submit Applications*. Completed transmittal letters and Applications must be transmitted to FMS by overnight or courier mail or by electronic mail. Only .pdf attachments will be accepted via electronic mail so that the documents cannot inadvertently be corrupted or modified in the transmission and downloading process. Applications must be submitted to:

Direct Express FASP
Financial Management Service, U.S. Department of the Treasury
401 14th Street, SW, Room 527
Washington, DC 20227
directexpress.fasp@fms.treas.gov

G. *Questions*. Any questions regarding the Application submission process must be submitted to FMS via e-mail at directexpress.fasp@fms.treas.gov. FMS will answer all questions in writing via e-mail as soon as possible and may, but is not required to, share questions and answers with other interested participants. Unless a financial institution is notified in writing that the deadline for submission has been extended, the financial institution must submit its Application by the deadline regardless of any outstanding questions it may have.