



April 14, 2020

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CFPB ISSUES INTERPRETIVE RULE ALLOWING CONSUMERS TO RECEIVE PANDEMIC RELIEF PAYMENTS QUICKER

On April 13, 2020, the CFPB issued an Interpretive Rule with the purpose of making it easier for consumers to receive COVID-19 pandemic relief payments, including economic impact payments authorized in the Coronavirus Aid, Relief and Economic Security Act (CARES Act), through prepaid accounts.

Currently, the Electronic Funds Transfer Act (EFTA) and Regulation E prohibit requiring consumers to establish accounts for receipt of electronic fund transfers with a particular financial institution as a condition of receiving of a government benefit. This is known as the “compulsory use prohibition.”

The CFPB conclude that certain pandemic-relief payments are not “government benefits” for purposes of the EFTA and Regulation E and thus are not subject to the compulsory use prohibition if the following four conditions are met:

- (1) The payments are made to provide assistance to consumers in response to the COVID-19 pandemic or its economic effects;
- (2) The payments are not part of an already-established government benefit program;
- (3) The payments are made on a one-time or otherwise limited basis; and
- (4) The payments are distributed without a general requirement that consumers apply to the agency to receive funds; under the ruling, filing a tax return, or providing information necessary to complete a consumer identification and verification process prior to activating an access device, does not by itself constitute an application to receive funds.

The CFPB is aware of the extraordinary circumstances created by the COVID-19 pandemic and the importance to consumers of being able to receive economic stimulus payments in a fast, secure and efficient manner, and recognizes that governments may seek to disburse funds via newly issued prepaid accounts as distinct from paper checks, as a faster, more convenient and less expensive means of money transfer.

We will continue to monitor CFPB actions related to the COVID-19 pandemic.

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