Q: How will our members receive the economic impact payment?

If your member filed a 2019 or 2018 tax return and received a refund through direct deposit, the economic impact payment will be sent electronically to the same account as the tax refund. If your member receives direct deposit of Social Security or other certain federal payments, the economic impact payment will be sent electronically to the same account as those payments. The Department of the Treasury (Treasury) web-based portal allows individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail. Non-filers can enter their information on the IRS website to determine their eligibility and payment amount. The IRS will post all key information here as soon as it becomes available.

Q: Are there general rules for when an economic impact payment should be posted?

According to the Nacha Rules at Subsection 3.1.2, a credit union “may rely solely on the account number contained in an Entry for the purpose of posting the Entry to a Receiver’s account, regardless of whether the name of the Receiver in the Entry matches the name associated with the account number in the Entry.” In addition, the Green Book, states, “[i]t is important to note that a financial institution is not required to manually verify that the name on the ACH entry matches the name on the account at the time the payment is posted. An RDFI is only liable for posting the payment to the account in the ACH credit entry.”

So while this means that a credit union can post payments from the Treasury based on account number only, if a credit union becomes aware that a payment was misdirected to a wrong account, either by an member, a government agency, or through its own research, the credit union is required to notify the sending agency through proper return of the ACH entry or by contacting the agency. It is important to note that any manual intervention of
the posting, such as moving the payment into another account, shifts the liability for the payment to the credit union.

Q: Are the economic impact payments subject to offset or garnishment?

The economic impact payments are federal non-benefit payments that are not subject to reclamation. It seems that the economic impact payments can be offset through the Treasury Offset Program (TOP) only to collect delinquent child support obligations that have been referred by the state to TOP. In addition, there is no guidance to suggest that the economic impact payments are exempt from a credit union’s right to offset. However, since the economic impact statements fall under the CARES Act Title II designated as “Assistance for American Workers, Families, And Businesses”, credit unions should seriously consider the reputational risk associated with using these funds to offset a member’s debt.

Q: What steps should a CU should take if they receive an ACH for a joint account for the full amount ($2,400.00) but one of the joint owners is deceased?

According to the Green Book only government benefit payments are subject to reclamation. Therefore, the economic impact payments are not subject to reclamation. For post-death payments not affected by reclamation, adjustments are made only between the authorizing federal agency and the recipient’s survivors or estate. We recommend that credit unions follow all Green Book and ACH Rules for federal non-benefit payments, as well as the credit union’s policies and procedures for posting and returning IRS tax refunds (which are not subject to reclamation). It is not the responsibility of the credit union to determine the eligibility of the payments.

While the Treasury has not directly addressed this question, the indication is that credit unions can rely solely on the account number in posting the entry.

Therefore, if a credit union has knowledge that one of the joint account holders on the account is deceased and the full joint payment of $2,400.00 has posted to the joint account, the credit union could make the business decision to freeze the deceased member’s $1,200.00 pending the opening of the estate account. But it would not be necessary to do so. The CARES Act does state that “[i]n the case of a refund or credit made or allowed…with respect to a joint return, half
of such refund or credit shall be treated as having been made or allowed to each individual filing such return”.

Q: What steps should a CU take if they receive an ACH for an individual account, but the member is deceased?

As stated above, the economic impact payments are not subject to reclamation. For post-death payments not affected by reclamation, adjustments are made only between the authorizing federal agency and the recipient’s survivors or estate. The credit union is not liable for payments that automatically post to the account.

Q: What should a credit union do if a member’s account is closed or frozen?

If a member’s account has been closed or is frozen, the credit union should return the payment. Reopening a closed account can create liability for the credit union because any manual intervention of the posting of a payment shifts the liability for the payment to the credit union. The Green Book Section 4 states that “a financial institution should not open a new account in response to an unpostable payment. If a recipient’s account has been closed, the financial institution must return any subsequent payments”.

For further information see here.

Q: What should a credit union do if an economic impact payment is going into an account that doesn’t match the name on the payment or the account number is incorrect? Should the credit union redirect the economic impact payment to the correct account?

If a member’s account number is incorrect or the name on the account does not match, the credit union has the choice of allowing the economic impact payment to post to the account number contained in the Entry or returning the payment. If the payment automatically posts, the credit union is not required to verify that the payment and account names match. As stated above, the Nacha rules allow a credit union to “rely solely on the account number contained in an Entry for the purpose of posting the Entry to a Receiver’s account, regardless of whether the name of the Receiver in the Entry matches the name associated with the account number in the Entry.” In addition, the Green Book, states, “[i]t is important to note that a financial institution is not
required to manually verify that the name on the ACH entry matches the name on the account at the time the payment is posted. An RDFI is only liable for posting the payment to the account in the ACH credit entry.”

So while this means that a credit union can post payments from the Treasury based on account number only, if a credit union becomes aware that a payment was misdirected to a wrong account, either by an member, a government agency, or through its own research, the credit union is required to notify the sending agency through proper return of the ACH entry or by contacting the agency. It is important to note that any manual intervention of the posting, such as moving the payment into another account, shifts the liability for the payment to the credit union. Therefore, if the credit union were to re-direct the economic impact payment to the correct account, the credit union would be taking on liability for the corrected information for that payment.

Q: What if the economic impact payment posts to an overdrawn account?

The credit union should allow an economic impact payment to post to an overdrawn account. However, because of the intent of these payments, a credit union should seriously consider the reputational risk associated with using these funds to offset a member’s debt.