



Economic Impact Payments Backgrounder

Updated December 28, 2020

The most recent relief legislation contains provisions for a second round of Economic Impact Payments (EIPs) to be made directly to recipients. This relief payment program appears to be very similar to the first round initiated in April. The main difference is that we expect the volume of transactions to be even more frontloaded in the first day or days. *It is possible that more than 110 million EIPs will be paid via ACH on the first day of processing.* Banks should begin preparing *immediately* to ensure that their ACH operations teams and call centers are prepared for a spike in volume in the coming days. Banks should also *immediately* conduct a review of their cash positions in order to meet increased withdrawal demand at branches and through ATMs.

The Benefits

The maximum payment for an individual is \$600. The \$600 limit will also apply to dependents. This means that a family of four could receive a payment of \$2,400. The maximum benefits will apply to individuals with an income below \$75,000 per their 2019 tax returns. Those with incomes higher than \$75,000 will receive a prorated amount until the cut-off income of \$87,000, if they have no dependents. For couples, the full benefit will apply to those earning up to \$150,000 and will taper off as their income approaches \$174,000.

Timing

The U.S. Department of the Treasury has collected banking information that will enable them to send EIPs to approximately 130 million recipients via the ACH network. There are indications that these payments will be made in just a few days to get the funds into recipient accounts quickly. It is possible that more than 110 million EIPs ACH transactions could be sent on one day. *Batches of EIPs could be arriving at your bank this week.*

Paper checks will also be part of the rollout. The Bureau of the Fiscal Service (BFS) will begin printing and mailing checks as soon as they receive recipient information from the Internal Revenue Service (IRS). The BFS has the capacity to print and mail one million checks per day. We will share information on the format of these checks as soon as we have it.

In addition to paper checks, BFS will also be sending prepaid cards out to some of the recipients that aren't enabled to receive ACH payments. These will be delivered via the U.S. Postal Service.

Preparation

The speed at which these payments will begin to arrive at your bank means that you should begin preparations *immediately*. The holiday season and COVID-19 will increase your staffing challenges.

- **Review your ACH operations staffing plan to cope with the expected surge.** It would be helpful to review the total number of EIP ACH transactions your bank has received over the past eight months and be prepared to process that entire number in one day.
- **Review your call center staffing plan** to address an expected increase in the number of calls to be generated by the new EIPs.
- **Review your branch capacity.** These deposits may cause the number of customers to visit the branch to withdraw funds and in the coming weeks those who receive paper checks may want to



cash them in person. Bank policy and local occupancy restrictions may further limit the number of people allowed in the branch at one time.

- **Review your cash positions and your ability to transfer currency to your branches and load your ATMs.** The Federal Reserve is generally able to meet cash requests within two days, but you must ensure that your armored car service has the capacity to meet your increased needs.
 - Conduct a review of cash demands from the first round of EIPs, when 81 million ACH were sent on April 15. Consider that this round could consist of 130 million ACH with a dollar amount per transaction approximately 50 percent lower.
 - If you expect to need more cash to meet demand, consider these actions *as soon as possible*.
 - Moving the cash you have on hand in any centralized location to your branches and load your ATMs.
 - Contacting your armored car service to coordinate on moving cash within your branch network and from the Federal Reserve.
 - Contacting your Federal Reserve Bank and presenting your cash needs. Your bank, the Federal Reserve Bank and the armored car service need to be coordinated.
 - Adding to your previously scheduled armored car service runs. It should be easier to add to existing runs than to request additional unplanned runs from the armored car service and the Federal Reserve Bank.
 - Reloading your ATMs faster than your regular cycle.
 - Increase your customer communications to encourage the use of mobile banking with an emphasis on remote deposit capture of the paper checks. This will reduce demand on your branches and make it safer for employees and customers alike.