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ECONOMIC IMPACT PAYMENTS:

USES, PAYMENT METHODS, AND COSTS TO RECIPIENTS

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P R O C E E D I N G S

MR. KLEIN: Good afternoon. I'm Aaron Klein, a senior fellow in Economic Studies and it's my great pleasure to welcome all of you here this afternoon for an incredibly important and very timely conversation about our economic impact payments, also known as the stimulus checks, the money that the government keeps sending to people for the CARES Act. But the question is, are we sending it in the most efficient and effective manner? We're going to be introducing and showing some exciting new research with some critical new findings that will hopefully influence how the government sends future payments so that people can access money quicker, faster, and more fairly.

Before turning to this critical issue, I want to point out a couple important connections and a couple of thank-yous. First, I want to thank the generous support of the Robert Wood Johnson Foundation, who well before COVID sparked and supported working on research looking at the connection between financial health and physical health. In fact, some of the findings from the report today look at what people do during a pandemic to survive and how delays in getting emergency assistance impact their ability to purchase medicine and other necessary healthcare expenses. In addition to that, I want to thank all of the support within Brookings for making this event come together.

With that, it is my great honor and privilege to start the conversation by welcoming Congressman Jesus Chuy Garcia, who proudly represents the 4th Congressional District of Illinois. Throughout his career, Congressman Garcia has been a progressive voice, fighting to improve the lives of working class neighbors, many of whom are immigrants like him. He's a coalition builder committed to empowering youth and expanding access to quality education, affordable housing, and economic opportunity. A lead author of the Payments Modernization Act of 2019, which if only had been adopted would have solved many of the problems American families are facing today. He's a member of the House Financial Services Committee and is deeply engaged in the critical legislative effort to make our nation's financial system work better for working people. Congressman Garcia, thank you very much for joining us today and we'd love to hear your thoughts and remarks on the report.

MR. GARCIA: Good afternoon and thank you for inviting me to speak today. I am Chuy Garcia and I represent the 4th District of Illinois in the U.S. Congress. This is a working class district on the Northwest and Southwest sides of Chicago. I lived in this neighborhood called Little Village since I came here in 1969. I was 9 years old when I came from Mexico. Most of my constituents are immigrants like myself and come from immigrant families, and our community has been hit hard by the pandemic. A quarter of Latinos, Latinas in Illinois don't think that they'll be able to pay rent next month. So I thank you and congratulate you for this new report because in my district, the information here really hits home. The economic impact payments, or as we call them, survival checks, were incredibly important for communities like mine, but they weren't enough. First of all, many members in my community were not eligible. As you noted in your report, the first round of CARES payments in March only went to families where all taxpayers had Social Security numbers. This policy deliberately excluded not only mixed status families where only one parent has a Social Security number, but also almost four million children who have otherwise been eligible, had a parent without a Social Security number. The more recent round of stats in December fortunately included mixed status families as eligible recipients of these important payments.

I will keep fighting to make sure that my community is included in any relief that passes Congress moving forward, but even for those who were eligible, our system leaves too many people behind. Many non-filers lost out. Many people who used tax prep services lost out, and the people who actually did receive paper checks spent $66 million in check cashing fees. That's tons of millions of $ diverted from needy families and into check cashers' profits. So I'm glad that the IRS learned from the CARES Act and has been able to get the next checks out more quickly. They did a great job with too few resources and I'm sure they'll do an even better job with the next round of checks. But this is not just a technical problem. We have major policy problems to address. Corporate lobbyists work hard to keep our taxes complicated. They work hard to keep check cashing fees high, and they work hard to make sure that lots of families don't have enough money to live on. But the success of the Economic Impact Payments Program showed that we know how to fight it. This extra money in peoples' pockets led to lower use of payday lenders last year and fewer overdraft fees.

Household savings actually went up. So I hope that we take important lessons from this experiment and keep delivering bold relief. We need to get money to all the families who need it, including and especially in immigrant communities like mine. We need to make sure that this money is easy to access and difficult to take away through fees and garnishing, and we need to do it now. Thank you for this important report. I look forward to working with you in the coming weeks and months.

MR. KLEIN: Congressman Garcia, thank you so much for setting the stage and reminding us about the working people in Chicago and all over the country who depend on these payments, for whom days can mean tons of $, every penny of that $66 million that Dan found could have gone to better use for somebody who really needed it. And there was no reason that we ended up there.

With that, it is my great privilege to introduce this paper's author, Dan Murphy. Dan is a policy manager at the Financial Health Network, a nonprofit advocating for the financial health of millions of Americans and deeply looking at the intersection between financial health and physical health. Dan focuses on policy and leads the Financial Health Network's work on consumer data rights. Previously, Dan worked at the Milken Institute and The World Bank, and we're thrilled to learn from his detailed research and the new paper that he is here to present today. So Dan, tell us what you found.

MR. MURPHY: Great. Thanks, Aaron. I really appreciate all your support on this as well as the support from the Robert Wood Johnson Foundation and all the folks at Brookings who made this research possible. I'll share my screen here in order to present a little bit of our findings. Let someone give me a thumb's up as long as that looks okay. And thanks everyone else for joining us today as well. Also, I'd just like to thank all of my colleagues at the Financial Health Network who have made today's report possible, especially David Silberman, Garry Reeder, Jennifer Tescher, Devina Khanna. Everyone's work really was helpful on this and I really do appreciate it.

So, the research that we are going to present today is around as Aaron said, the economic impact payments that came from the CARES Act, their uses, payment methods, and costs to recipients. But before we really dive into that, I want to talk a little bit about in this sort of level set, the state of financial health both before and after the pandemic. So according to our financial health polls, which is our large national representative survey of continuous financial health, only 29% of Americans were financially healthy before the pandemic. 1 in 5 households have expenses that regularly exceeded their income. 30% of Americans had more debt than they could manage, and 47% have less than three months' worth of expenses in liquid savings. This is how we went into the pandemic.

Now, as the pandemic hit us, 24% of Americans experienced income loss. One-third have spent down their savings and 10% of Americans are foregoing needed healthcare, with another 8%

foregoing needed medication. So there really are significant connections between wealth and health, and his pandemic has only served to exacerbate those. We also saw 15% of Americans worrying that their food would run out, and another 18% worrying that they wouldn't be able to pay their rent or their mortgage. Actually, today we had someone reach out to us and tell us that they were waiting on their Section 8 voucher, which for some reason didn't come through, then they were waiting on their stimulus payment hoping that would come through, and that didn't either. So these issues really are real and make a big difference in peoples' lives.

Now, these are only the top line findings, but we also know that for people of color, all of these challenges are experienced much more harshly. And so as you look at the findings today, keep in mind who's being affected by these challenges that we're outlining. So, as we went into our research, we had a number of questions. First was how long did recipients wait to receive their economic impact payments? With all of this in mind, you know, speed really was of the essence here. A number of findings I just want to point out and we'll discuss them more in the discussion. So first, 1 in 20 Americans who were eligible for economic impact payments still had not received them after 12 months. As you'll see in this figure, about 45% of the payments from the first wave under the CARES Act went out in the first wave, but you know, it took quite a lot longer to get that for the majority of people.

Now, in the most recent round of stimulus payments, we've seen that this has been much faster, so that really does go to show just how much of a difference preparation can make here. In that case, 77% of the payments went out in the first wave and it only took three weeks to make 90% of the payments. During the CARES Act it's -- 90% of the payments took almost four months. So preparation really has made a difference and it has made a difference in this most recent wave. However, when Treasury and the IRS send the payments, is not the only thing that contributes to how long it takes for consumers to receive them. The manner in which consumers receive their stimulus payments makes a huge difference as well. So, the majority as we've seen here, 74% as of June 5th, have received their payment via direct deposit, with 22% or 35 million people having received them via check. That makes a big difference, and you'll see in the table on the right how many days that might have meant for folks who were waiting for these payments if they needed them to make a rent payment or buy food or by medicine.

So, even for direct deposit, which I think we all agree are the most expedient way to send this to a number of people, it took five days for the money to be sent by the IRS, the payments to be sent by the IRS to then be made available in consumers' bank accounts. Under the most recent round of payments, even though they were able to send them much faster as I just said, they still weren't able to speed that process up anymore, and Aaron's done quite a bit of research on this on real time payments and some of the challenges here and we can circle back, but I do think it's worth highlighting that it's at least conceivable that in some cases, paper checks might have reached consumers faster than direct deposits.

Now, the government also, the Treasury Department also piloted the Economic Impact Payment Card Program during this round of payments, but that wasn't started until much later. However, we think that you know, that is probably about as fast as paper checks, although hopefully it does increase Treasury's capacity to send out more payments more quickly.

The other question we had here was what fees could recipients have paid to access their economic impact payments? So, as we thought about that, we thought about those 22% or 35 million people who received paper checks, and we know from the Federal Reserve Bank of Philadelphia that 93.5% of those who received a paper check actually accessed it through a bank. So that means that these are bank consumers most likely who for one reason or another just aren't connected to the IRS. So for those folks, you know, those folks wouldn't have paid a fee, the vast majority, to access through their bank, would not have paid a fee. But for anyone who did access their EIP through a check casher or through a retail store, they may have paid fees to access their stimulus payments. Now the size of the fees they would have paid varies greatly by what state they would be in. So the most common check cashing fee caps on the state level are between 1%, 3% and 5%. So this table shows you just how much folks might have paid. For example, a single person receiving a $1200 check might have paid $60 in a state with a 5% fee cap. And a married couple with three children might have paid as much as $195. To get that out a little bit more, if you think about two different states, Wisconsin versus Indiana, in Wisconsin there's a 1% fee cap. So a family of five would have paid $39. In Indiana, there's a 5% fee cap, so it's conceivable that a family of five would have paid $195. This is really quite a bit of money obviously that could do quite a lot for consumers in this challenging time. But I think perhaps an even more notable number is that when you look at the number of paper checks that went out and you look at the data from our financial health polls indicating how much -- how many folks used check cashers and retail stores to access those payments, you actually find that $66.6 million we estimate was paid by consumers in check cashing fees to access their economic impact payments. This is really troubling and every single dollar of that could have been put to better use.

Now, I don't want to spend too much time on this because I do think it's been pretty well covered as well, but how recipients use their economic impact payments is I think the core question in a lot of ways here, because there's a large narrative right now that these are only going to savings and that consumers actually don't need these and aren't using these. However, from a lot of surveys that we've seen, that's just not the case. If you look at the Federal Reserve Bank of Philadelphia survey, you see the essential purpose is debt payments were among the highest uses of the fees here. If you look at the Census Bureau's survey, you'll see that food, household supplies including personal care products, utilities, and telecommunication bills were among the highest uses of the economic impact payments.

When you try to normalize these categories to find out you know really what was it that people are using more here, we find it pretty much consistent that housing bills and spending of food and healthcare items were really among the highest uses of economic impact payments. So while certainly true that some of these funds are going to savings, investments, and debt payments, it's certainly not true that that's all they're going to.

Now, as we went through some of this, we started thinking a lot more about how Treasury and the IRS could do more to make these payments go out more efficiently in the future. So, in doing so we thought through a couple of particular recommendations. First, Treasury should make the -- the IRS should make the Get My Payment Tool permanent in its website. This is something that's actually being discussed right now due to the child tax credit that's being proposed in the House, but it's something that you know, if consumers knew where to expect and where to go to enter their stimulus -- their payment information, it would be a lot easier for the IRS to message around that.

Second, the IRS should ensure that it has the legal authority to coordinate -- I'm sorry, Congress should ensure itself. We saw a lot of challenges where the IRS was trying to coordinate with not only the Veterans Affairs Administration, the Social Security Administration, and the Railroad Retirement Board, but also with state level programs who we and others think are very likely to have the payment information of a lot of folks who still might not have received their stimulus payments. So if the IRS have the authority to coordinate in a future bill, that will be very helpful for ensuring that those who have been left out in the past might be able to be included in the future.

Third, as Congressman Garcia noted, a lot of families were excluded from the first round of stimulus payments and the second round of stimulus payments. Now, the first round was a much worse violator in that mixed status families were excluded if both parents didn't have a Social Security number. The second round improved upon that by saying that only one parent needed to have a Social Security number. But this still excludes families where both parents have an Individual Taxpayer Identifier number or an ITIN. That means that we're still excluding legal taxpaying working people in the United States just because of their immigration status.

Fourth, we need to avoid mid-crisis pilot programs in the future. I think the EIP Card pilot program definitely will have expanded capacity but rolling it out in the middle of a crisis produced quite a bit of confusion. So going forward, I think we need to probably onboard those during noncrisis times.

Fifth, we need to protect direct payments from garnishments and offsets. This has been a little bit of a piece of confusion between the first and second round of the stimulus payments. In the first round, public offsets, say if you owed taxes, were protected from the stimulus -- you know, stimulus payments were protected from public offsets, so you wouldn't have lost those. And in the second round, that was expanded even more. However, it's still conceivable that banks and other private entities could have garnished these for private debts. So that's still an outstanding issue.

And sixth, as Congressman Garcia also noted, Treasury and the IRS really do need to work to identify temporary accounts used by tax preparers. In both the first and the second round of the stimulus payments, this was an issue where tax preparers use accounts that ultimately received stimulus payments even if they weren't aware those accounts even existed. So it's just -- if you listen to the discussion here, I think you know, even if we do address all these short-term challenges, there are a number of long-term challenges that really will still prevent us from you know, the most efficient and effective distribution of stimulus payments.

On the financial infrastructure side, the persistent lack of account access still remains a challenge particularly for people of color, and so as long as that's a challenge, people of color are still more likely to have to wait longer or miss out on stimulus payments entirely. As Aaron noted earlier, real time payments still remains an issue where even if Treasury and the IRS work very admirably to send out payments as quickly as possible, there's still that five or six day lag time, six days into the more recent round due to the New Year, where folks are still waiting for their payments.

Second, I think there's a broader discussion here about the social safety net and whether or not it's adequate to the challenge of really being able to respond to a crisis of this magnitude or really of any of the recent crises we've faced. So there's a number of challenges with respect to unemployment insurance, both its generosity and its effectiveness and the tech infrastructure being you know, incredibly outdated. There's a number of systems that exist abroad, work sharing or payroll support programs that we can talk about, which could be an interesting compliment to unemployment insurance. And Fadi Hassan, who's an American economist, has proposed making direct payments as we've discussed today, automatic, which actually would maybe help us prepare a little bit better and be more prepared going forward so that we're not throwing these together ad hoc. I also think that as you know, as Congress thinks through the child tax credit proposal that's currently being discussed, that may have a similar effect. So with that, I'll turn it back to Aaron, but thank you very much for taking the time to look over the report and thanks for having us.

MR. KLEIN: Dan, thank you very much. Your report is groundbreaking in a lot of ways. The fact that $66 million ended up in check cashing hands, in part because people were logically trying to save money, right? Even though these high checking cashing fees that you point out are less than bank overdrafts if I was sitting there waiting for my money. But I want to get back to one of the core findings of the report on the link between financial health, the timing of payments, and medical necessity, because your research the way that I interpreted that chart, was about you know, the majority, whether it's 60%, 70%, whatever, 80% reported needing this money and spending the money immediately on all sort of different categories. And I thought the two surveys that you pointed at were interesting because one survey specifically mentioned medical and the other just didn't. I didn't even see it on the list.

But from your research, how many of the folks do you think took their stimulus payment and as soon as they could, went out and bought food and medical supplies that were necessary for their immediate health?

MR. MURPHY: It's hard to say how many, but I do think, and there is quite a bit of evidence showing that probably as you would expect along income lines, people behaved quite differently with their stimulus payments. So those who were a little bit like towards the higher end of the income threshold, they may have been more likely to stick it in a savings account or to use it to pay off debt. Those at the lower end though, were much more likely to use it for immediate necessities and there's a number of studies that we cite in the report which show that, and I think I've even seen more come out in the last 48 hours. So there is quite a bit of evidence of that and I think of the two studies that we cited there, both did talk about -- one talked about healthcare products and one talked about personal care items. And so you can you know -- it stands to reason that's what that includes.

MR. KLEIN: So are you saying that people were sitting around waiting for their stimulus check to be able to go out and buy medical supplies?

MR. MURPHY: In some cases it's very possible because you also have to remember that this was not the only economic relief program that was delayed this year, right? Because we know that in many states, unemployment insurance took a long time to get to folks as well. We also know that the roll out of the Paycheck Protection Program was very uneven in many cases. So it's very possible that for a lot of consumers, this could have plugged a gap where they were waiting for their medicine.

MR. KLEIN: So let me get to a question that came in from the audience. William Arnone is the CEO of the National Academy of Social Insurance, and by the way, he sent an email and you can tweet something with the hashtag #StimulusChecks. He said, "Which agency is best poised to deliver the payment? The IRS? Social Security Administration? I'd throw in the Federal Reserve, someone else. How do you think in your world we would better get money to people faster?"

MR. MURPHY: That's a good question and I think it's a very timely one given the child tax credit debate that's going on right now. So, for those of you who weren't following the Democratic proposal for the child tax credit in Congress right now has the IRS distributing those suggested monthly payments, and there's Romney proposal competing which has the Social Security Administration distributing them. I think it's a really interesting debate. I think what the IRS is going for at the moment is that it's spent the last year because of the Economic Impact Payment Program, building this infrastructure, building the Get My Payments platform, and you know, really try to find out as much information as it can so that it can send payments to as many folks as it can. Second, to the extent that we're testing whether it's you know child tax credit payments or economic stimulus payments in a recession, those -- it's more likely that the IRS has the information that it needs to be able to figure that out. So I do think what needs to happen here really is that the IRS needs to work with the Social Security Administration to get the information it has that the IRS doesn't have. What that really is, is information about folks who don't make enough to file taxes more often than not. And so if those two could work together, I think that would be really the ideal solution so that we don't lose the progress that we've made with the IRS this year.

MR. KLEIN: Well, I'm glad to hear your optimism. Hopefully, it's more infectious. Some are still distraught by the fact that even in the second round they sent the payments out December 30th and because the Federal Reserve closes their system over a holiday and over a weekend, it took six days. Somehow, Amazon can get anything in the world to my doorstep in 48 hours and the Federal Reserve can't get money to somebody in need in six days.

MR. MURPHY: That's even the U.S. Postal Service conceivably can get a paper check to your doorstep in four days, whereas ACH might take five.

MR. KLEIN: That is absurd. Well you know, you've given this great research and it's my pleasure to turn to a respondent to critique and build off of your research, Dan, and then stick around because we're going to bring you back on our virtual stage. But it's my great pleasure to introduce Sonal Shah. Sonal Shah is a professor at Georgetown University and was the founding executive director of the Beeck Center for Social Impact and Innovation. Sonal served as deputy assistant secretary to President Obama when she founded the White House Office of Social Innovation and Civic Participation. She previously worked at Google, Goldman Sachs, and like many great minds, the U.S. Treasury Department. We're thrilled someone could join us today from Texas, where in fact, is presenting a little bit of additional hurdles. I gather Houston has some problems, but Sonal most importantly, you're safe and sound. I'm hoping you're able to join us here today and share your thoughts in whatever form our wonderful electric and telecommunications grid will let us handle. We'll turn to our infrastructure problems in a second, but Sonal, are you there with us?

MS. SHAH: I am. Can you hear me?

MR. KLEIN: Yes.

MS. SHAH: Hello? Okay, great. Aaron, thank you so much for that great introduction and thank you for all the work that you've been doing at Brookings. It really is some of the work that we all follow, and it's work that is really sort of pushing -- it's really pushing the barrier on making sure we do this right. I also wanted to thank Dan for his great paper. It really is super helpful to actually have the information in one place because we sort of have stories and we don't always have the information in one place. So having this link to financial health and physical health is super important, and also knowing what happens to the money once it goes out. So a few comments I want to make on the paper, which I think are very important.

One, I really commend Dan for the six pieces that he laid out, which was very clear and very important. I want to dive in on the importance of the spending on health and food. I know you were asking him just a minute ago you know, on the macro data. I'm just going to give you sort of micro data where I'm living in Houston right now, and I can tell you most of my neighbors used their money for healthcare payments or medicines, and many of them had been waiting for months in order to buy their medicines or were sharing with their partners or their kids because they didn't have enough for each of them and to be able to pay for that. So understanding that you know, maybe all of the macro data may not capture it, but it's important that we actually know that this money is being used because it's easy to want to tell stories about where the money is being used and where it's not being used. And if it did go into savings for some people, it probably will be used for healthcare or food anyway at some point because if you're in a place like Texas, you have no electricity for four days right now, you're going to use it for food, you're going to use it to fix up your house, you're going to use it for something. So there's no electricity. The second thing, and I thought it was super interesting, but the importance of Congress giving the legal authority for the IRS to coordinate. This sounds like a technical problem, but even the last conversation on Social Security Administration versus the IRS, it's so important that we are able to coordinate across agencies and know who needs to get access to payments, who doesn't, where are they, and really sort of being able to combine our efforts to do that. That doesn't mean we shouldn't pay attention to privacy. It just means that we should be able to coordinate, and giving the IRS the ability to do that is critical because I think we sort of brush it under the rug as like oh, that's a technical fix, but that technical fix is actually super important and data should be able to be shared in the U.S. government where we can still protect people at the same time. And I know my privacy colleagues will certainly go on the privacy side of this, but I don't think this is just about privacy. We have to find a way to be able to make the payments and manage privacy at the same time. It's not one or the other.

Finally, I also want to double down on the comment of not doing pilot programs during a crisis. We should not be doing pilot programs in crises. We should be able to get payments out. The job should be how fast and how quickly can we make sure payments are going out to people on a more regular basis and how do we do that. So I think those are important pieces. Certainly, everything else was important, but I want to certainly emphasize those pieces.

My thoughts on this are just it's important that we know, and I think sometimes we can live in the macro world and whether this is $66 million that people had to pay. And so yes, people did paycheck cashing fees, not just because they couldn't get their payments on time, but because they needed the money immediately and check cashing actually gives it to them immediately. It's outrageous that we can't seem to understand that people actually need the money. It's not that they're morons. People are not morons. They're doing what they need to do because they need to pay their bills, they need to buy medicine, they need to take care of their children, they need to buy food. All of that is super critical, but this idea that we think that we have to know exactly where the money went but knowing and understanding that this check cashing piece is a market failure in general. It's just a huge market failure that banks cannot do real time settlements and that we cannot get money to people on a regular basis in a more timely manner.

And then finally, I want to -- Dan mentioned it, but I want to actually hit on it even harder. We have a failed social safety net. And all we're doing is playing around the edge of the fixing minor technicalities. So, let's fix the payments problem. Let's fix this. But if you're a person and you're a family member and you are having to get your child tax credit, you have to go to unemployment insurance and you work three jobs or two jobs and you come home and you have to make sure your kids are getting through school because they're now sitting at home, all of that stuff is a burden on each of those people and we think it's easy to do and that we're more worried about whether they should or shouldn't get their money than recognizing that people generally only get the social safety net when they need it. And I'll give you a small example of this. I have a friend who is in acting on Broadway. He doesn't get a paycheck right now, has to access Medicaid and doesn't want to because he doesn't want to seem like he's mooching off the system. Now, I'm just sort of making the point because it's not that people want to just mooch off a system. They're doing it because they need to and they have to, not because they have many choices. I might have more choices, but he does not. And so I give you that one example because I think there are actually more people who are using their money well, but we tend to find that one story that didn't work well and we use that one story as a highlight as to why people shouldn't have easy access to the social safety net. We've got to fix these technology systems that deliver social safety nets on assist. And the idea that somebody should know how to do it is not that simple. I've helped a lot of neighbors. I've helped a lot of families access those social safety nets. So I think it's important that we recognize that our social safety net system is broken, even what we're talking about in this report, is a small fix compared to what the large problem is. And if we really want families to be able to thrive, have the opportunity to succeed, have their kids succeed, we are going to have to address the social safety net. So with that, I'm going to leave it there. Aaron, there's a lot to discuss here and it's such a great panel.

MR. KLEIN: Great. Thank you Sonal, and I'll turn to Dan and ask for his responses to Sonal's and then I'll engage you both with some questions.

MR. MURPHY: Yes, absolutely. And Sonal, thanks so much first of all just for joining us today despite the really difficult circumstances in Texas. I think we're all watching that with growing alarm and really just hope that you and your family and everyone there is safe. So thank you so much for taking the time to do this. And couldn't agree more with your comments. I'll sort of start from the end and work back.

On the social safety net piece, I couldn't agree anymore and I think there's a number of opportunities here for us to think about more systemic changes using this crisis as an impetus to do something that really we should have done quite a long time ago. So I think the unemployment insurance system, you know, similar to your story, I have a family member in a state where the previous governor you know, used the unemployment system in a very particular political way, practically broke it, and that led to my family member who works in retail, having to wait quite a long time for any kind of economic relief despite being a mom with a kid. This is a real thing. And so you know, while they're waiting for that, they're also waiting for a stimulus payment. If the person's a small business owner, they're also trying to work with their bank to get a small business loan. So we need to update all of this.

In addition to the many fixes needed on the unemployment insurance system, which can't be overlooked, and possible child tax credit or stimulus payment fixes that we could do in line with what we were talking about today, I think it's worth considering looking more into a program that really has taken root in Germany. It's called the (inaudible)Program and essentially what it is, German companies are integrated through their payroll with the government. So in a crisis, the government can backstop some of lost wages if employers want to cut hours. What this has done is it's allowed folks to cut hours but now lay off employees, and it's actually led to faster recoveries after recent recessions. During 2009, Germany was actually the only G7 economy that didn't experience a fall in employment and in large part due to this program. So I totally agree with your comment, but I think big transformational changes are the ones that are most needed here and most needed over the next couple of years as we take stock of what's happened.

Second, I absolutely agree that I think it's important to point out just how irrational it is for a consumer to use a check casher in these set of circumstances. You know, that consumer might have had been subject to a bank overdraft fee before or multiple bank overdraft fees and they don't really know whether or not they can trust their bank not to you know, go back and collect for previous or preexisting overdrafts when they get a stimulus payment. So if they get a check in the mail and they're deciding okay, do I take this to my bank or do I take this to a check casher where at least I know what the fee is and by the way, I'll also get the money right away because I won't have to worry about any clearing time issues. It's entirely reasonable for that consumer to go to a check casher. So we need to really make sure that we protect from garnishments and offset future rounds, and this really is a systemic problem as Sonal said.

Second or third rather, I absolutely agree that we can manage privacy while trying to do more interagency coordination here. I think there's no way that we can't. We have to do this. So that type of information sharing should be figured out one way or another. As Aaron talked about earlier, also as someone who works on consumer data rights and I'm a privacy advocate myself, however, I think we definitely need some (inaudible).

Finally, the first point Sonal made, I think is really important, just talking about his kind of paternalistic discussion that's emerged saying that if for example someone puts an economic impact payment into their savings account, that's somehow bad in this crisis and that we need to make sure that doesn't happen. I think it's incredibly short sighted and not very understanding of the complexity of Americans' financial lives. As I talked about up top, almost half of Americans lack sufficient savings going into the crisis, so about a quarter of them experience an income loss during the crisis. So those savings accounts are drained. This is really folks' last lifeline to be able to help themselves when they get a flat tire, when they need medicine, to put food on the table in between a couple of really badly timed bills. So if some of this money goes into savings accounts in a crisis like this, I don't think it's a bad thing at all and I think for a lot of folks, that can provide a much needed cushion. So with that, I'll turn it back to Aaron, but thanks for reaching out to me.

MR. KLEIN: Let me, Figure 9 in your report, showed that 40% of people used it to pay down debt. In fact, the Federal Reserve Bank of New York just had a big chart out there that shows I think $191 billion of credit card debt decline in total outstanding revolving balances. It led me to tweet with the hashtag #StimulusChecks if anybody wants to engage in this conversation. Essentially, Uncle Sam borrowed at 2%, gave it to people, and those that were lucky enough not to need it to restock their medicine cabinet, paid off their debt that was 20%. Is that such a horrible thing that we've done in society to refinance some individual debt at 20%, collectively at 2%, particularly in light of the 2017 Trump tax cut to the wealthy, which racked up America's credit card debt to lower corporate tax cuts. So essentially, you know, we're just doing for people a smidgen of what was done for children of millionaires and billionaires.

But I want to turn away from -- because you know, as Sonal points out, we get overly focused on the "undeserving few" and then question the efficacy of the broad based system. And I want to get back to this structural point that Sonal made. Your paper Dan, found that 1 in 10 Americans received a paper check under the CARES Act despite having a bank account and that 3 million of these paper checks ended up going through check cashers, taking out $66 million of stimulus. And what you've told us here is that, that money was disproportionately from the lower income individuals who are more likely to spend it as Sonal points out, for healthcare and immediate needs, and less likely even though it's important, to pay off debt.

Structurally speaking, there has to be a better, quicker, faster way to access these people and get the money directly to them. You mentioned a German account. This question is to both you and Sonal. If you were in the White House right now and you had to pen for this new second round -- the new $1.9 trillion package with the $1400 direct income payment, what three changes would you make to the existing law and system that would get this money to people more effectively and more quickly?

MR. MURPHY: Sure. I think you know, I have a number of recommendations in the report, so the real answer is all of them of course. But if we have to talk about three that are most immediate, I think first, ensuring that the IRS has the ability to coordinate with the Social Security Administration, with programs like SNAP and TANF, so it locates folks who might have missed out on a number of the payments that have already gotten out. That's the first thing. The second thing would be to ensure broad eligibility. As Representative Garcia said, a number of folks have been excluded from these payments because of their immigration status or their spouse's immigration status, or their parents' immigration status, and in many cases, those folks are tax paying working people with individual taxpayer identification numbers. That's absolutely crazy. So I think we can do even more to be more inclusive of those folks than even we did in the second round of payments.

Third, we have to again, protect from garnishments and offsets. You know, I think we're improving on this and I know there's a lot of interest in doing even better, but we have to be protecting from private garnishments as well as public offsets.

MS. SHAH: Yes, can I add to -- those are three great points. I would only add, I think with the next Treasury payments, there is a simpler approach that we could also think about which is having the banks not charge you for cashing your check immediately if it's coming from the Treasury. This shouldn't be rocket science because the Treasury is going to pay. And I think that is something that we can do and there's no reason why families should have to pay for check cashing fees or wait even five days for their checks to clear. I think that is one that we can do, and we should do, and this not hard. And if you want to limit it, limit it to these $1400 payments, but it is possible to do and it's something we can and should be doing.

And then, so I want to just add one more to Dan's because I think those three are absolutely critical, but I also think that this is one that we can make pretty simple.

MR. MURPHY: Yes, absolutely. I think it is worth noting too that a number of individual banks decided that they weren't going to do that, but it's hard for consumers to know that if they hear from their friends, oh well, this is what happened with my bank and maybe their bank isn't operating as well. So a more systemic solution would be fantastic for that as well.

MR. KLEIN: That's right. In fact, the existing law that covers checks separates out Treasury checks under the Expedited Funds and Availability Act for a legally different structure. In fact, the Federal Reserve is required to clear those checks as fast as technology allows, but in this story the Federal Reserve is blockbuster operating an old and slow system and refusing to acknowledge that you can stream anything in the universe on Netflix, so it does not require. Congress could fix this, as Representative Garcia's bill does, with one strike to the law. The Federal Reserve can change this with one regulation if it wanted to.

I want to talk, Bill Sullivan put in a couple of tweets I want to flag and see Dan, if you agree with them. One, Treasury could only produce 5 to 7 million paper checks a week and direct deposits available on the morning of the funding. Did you find that 5 to 7 million was a limiting factor on how fast they could produce paper checks? And did you talk to anybody at IRS or Treasury as you were doing your research?

MR. MURPHY: I did hear the same 5 to 7 million number with respect to the checks, although I'm not 100% sure if I'm able to confirm -- I'm not able to confirm where in that band it is. But I do think that the amount of checks that are able to be printed are a limiting factor. And I think that is actually itself the largest reason that we probably need to be thinking about something like EIP Card Program to be able to supplement if we can't send them all via direct deposits. Was there another part of this question about direct deposit?

MR. KLEIN: There was a question about whether or not direct deposit kind of the speed and efficacy of direct deposit, versus the way Treasury made the payment. And the question, let me just ask a more simple question, less to the technologically sophisticated. But is direct deposit instant?

MR. MURPHY: No.

MR. KLEIN: If I direct deposit something right now, it's 3:48 Eastern time, when do I get it?

MR. MURPHY: The business day after the banking day on which you deposit the check if you go by the Expedited Funds Availability Act. However, the question is what is the business day? Is it over a weekend that you're depositing it? Is there a holiday involved? And how are the credits and debits aligned out of our account? So you know, there's been some work that's been done on that, but there's a lot of -- it feels like a simple question, but as you know better than I do Aaron, there's so many factors at play here.

MR. KLEIN: So in other words, a consumer wouldn't really know?

MR. MURPHY: No, certainly not.

MR. KLEIN: And does that uncertainty cause them physical, financial, and potentially health duress?

MR. MURPHY: I would think certainly. I mean look, I think even if you're a relatively higher income individual, I think everyone at some point has made a mistake with their bank account where they have moved money around without thinking very well and you know, maybe put themselves in a situation where they didn't have enough to cover an expense. And when that happens, it produces stress. I mean I know this myself, right? I've looked at my account before and realized oh wait, I shouldn't have moved that, now I have to do that. Is that going to cause any problems? So I think anybody who's had that thought before, imagine if that thought is every single day and imagine if that thought is sustained over an entire pandemic.

MS. SHAH: And so Aaron, I just want to add to that. I mean, you can see why people want to use check cashing. If you don't understand all of this, if you don't have the ability to do this, like -- and I could get my cash immediately and not have to pay a fee and it's going to come out of that check, they will do it.

MR. MURPHY: Definitely.

MS. SHAH: And I just think it's fascinating that we call it direct deposit. Like call it something else if it's not a direct deposit.

MR. KLEIN: So if I direct deposited something on Friday, if I was an employer and you know, it's hard to make payroll, and so I owe you that in your paycheck on Friday but I hit send on Friday at the end of the day when I got my money because business is touch, maybe it's hitting your account today since Monday was a holiday. Is that what you're saying? So I mean, I'm just looking at the calendar, right?

MS. SHAH: Yes.

MR. KLEIN: Today's the 17th.

MR. MURPHY: If it's included in Friday night's batch, it should have come yesterday, then I think in that case, but if it's not included in Friday night's batch, then it might hit today.

MR. KLEIN: So wow, so direct deposit is 4 or 5 days if it had gone on Friday, and if I had to bill on the 15th, if my prescription ran out for my medicine. Let me ask one of the questions. You highlight these EIP cards, but your research showed that only 3% of the first stimulus payments went out by card, right? And 1% were direct express cards?

MR. MURPHY: Yes.

MR. KLEIN: Why do you think it was so small? Do you think they're going to change that now going forward in the next round? In the second round, did that change? And will that change in the third and do I need to send you another card or can I just reload that card? How are the cards going to work?

MR. MURPHY: So my understanding is that the second round worked largely the same as the first, only you know, about the same amount of cards went out, I think at least a percentage, maybe even as general as well. But they did not go to the same people. So if you had a preexisting EIP card from the first round of stimulus payments, you weren't getting that reloaded with your next stimulus payment, which would seem to make sense, so if we do move more in the direction of prepaid cards as a way to do this, might want to think about reloading them the same way as we're doing with direct express cards.

MR. KLEIN: So how would these ideas of using these cards that's squared in the White House Office of Innovation?

MS. SHAH: I think we talked about using cards as payments for payments directly and putting it onto the cards. I mean, that's one of the things that we've been talking about in 2009 when the financial crisis was taking place. So this is not a new idea. It's an old idea that finally got implemented, but it's definitely not a new idea. And actually, if I remember correctly, at the time when they tested it, even in pilots on it, it worked actually quite well. So I don't know Dan, I actually appreciate you answering the question on why it's such a limited amount, but I wonder if that scale, if that is a possibility over time even including in this. So the question for you, is it possible to do more in this round of payments?

MR. MURPHY: From what my understanding is that it is, but that it depends on the vendor that the Treasury and the IRS use to do these cards and what their capacity is. And that is an unknown. But yes, I mean I think if we did this at scale, you know, part of the benefit too would just be that folks would know that it's coming. The question is, you know, is it better for an individual to get a check or a prepaid card? And the answer is it kind of depends on the individual. But if it's only a very small amount of folks getting a prepaid card and they don't know it's coming as happened this time, it leads to some of the problems that we saw where folks were throwing away their cards, thinking they were scams. You know, Treasury's done quite a bit more to make sure that doesn't happen this time around and marking the envelopes better. So they're really working very hard on this and I think they deserve a lot of credit. But you know, it is a little bit of a challenge where you know, I think at the end of the day, I think the answer is that we need to make direct deposit faster and we need to get as many people their payments that way as possible.

MS. SHAH: Yes.

MR. KLEIN: It's funny you say you were thinking about it in 2009. The Bank of England was thinking about these things in 2007 and they instituted real time payments in months. That in 2008, England was late to the game, Mexico did it in 2005, (inaudible) in 2004. The Federal Reserve has promised that we will have a real time payment system operated by then in 2023. We do have a real time payment system in America today. It's called the Real Time Payment Network. It's run by the group of banks called the Clearinghouse. Is there anything stopping the Treasury Department from using that or is it kind of like the Treasury Department signed a long-term contract with Pepsi, the Federal Reserve's ACH system, and now they can't even look at a Coca Cola? I mean, if there's an alternative system that's operating in real time today, can't we just use it?

MR. MURPHY: I don't know.

MS. SHAH: Again, that's a question you should answer.

MR. MURPHY: Yes, I think both of your Treasury experiences, I'd be interested.

MR. KLEIN: I think legally, there's nothing stopping them.

MR. MURPHY: Yes.

MR. KLEIN: I think administratively and conceptually, you know, I think that's going to be a very high intellectual hurdle, even though it would make a huge difference in many peoples' lives. Let me give each of you a chance for a closing thought as we get close to the top of the hour. And go ahead, Dan.

MR. MURPHY: Yes, absolutely. No, I just think that as we think about these going forward, there is a little bit of a question when we see such large challenges to so many Americans' financial health, as I laid out at the beginning of the presentation. You know, there is a little bit of a question where obviously in an ideal world, you always just want to target economic relief as well as possible to those who need it the most. But I think what we have to have front of mind is that's just not the world that we're in right now. And so we shouldn't get too caught up on those debates and we should be willing I think, to you know, suffer if we can even consider it suffering, that a few folks who don't need payments as much are going to pad their bank accounts a little bit if it means that we're more expeditiously able to get it to folks who really need it the most. In the long-term, we really do need to think about making these systems much more modern so that we are able to provide more targeted relief going forward and that we don't have to have the same political debate over things like eligibility, criteria, and how the payments are sent and everything else every single time there's a crisis because this is crazy. So I'll leave my closing thought as that this is crazy.

MR. KLEIN: Sonal?

MS. SHAH: Yes. Let me add to Dan's. First of all, Aaron, thank you for this conversation. It was a great conversation. And Dan again, congratulations on your report. It's super important and valuable. I just -- I want to add to Dan's comment and say we are 21 years into a new century, and we cannot figure out how to change infrastructure and invest in our infrastructure in this country. And we have a population that's significantly bigger. We have a population that we know a lot more about, and we have data about it. But the private sector seems to have a lot of data and doing things as you mentioned earlier, they can deliver a package to you in 48 hours and yet we, when it comes to human beings, when it comes to people that we are supposed to be looking out for as a government, we do not want to invest in infrastructure for people. And I do think that this is an important conversation. I think it's one that we should be you know advocates at the table as well as policymakers, as well as finance folks. We need to have this conversation. It's like for whom are we doing this? Why are we doing this? And how do we make it easier for people so they can get access to the services that they need and not treat them like morons, and you know, moochers. Like treat them like human beings who want to do better for their families like everyone else does and recognize that we owe them that dignity and the system can have a bit more dignity in it. We spend a lot of time on process. We spend a lot of time on figuring out process, but we don't actually ever think about the end of the line, which is the person who needs access and how do we make it easier for them. So I think this report is important to recognize that. I think it's a first step, but I also think it's an important step that we need to start talking more about how are we going to spend money on actual infrastructure that improves peoples' lives.

MR. KLEIN: Wow. Sonal, thank you. I think that's a great way to frame and to close. Dan, thank you and thank the Financial Health Network for this incredibly important report and I'd like to thank the Ronald Wood Johnson Foundation for their generous support to look at how we can use new technology to improve peoples' financial health and wellbeing and their physical health and wellbeing. Continue this conversation online. Go to Brookings, download the report and engage online with the hashtag #stimuluschecks. Thank you all very much. I look forward to connecting. Stay safe. Sonal, stay safe and warm in Texas. To you and anyone else down there watching, we wish you all the best, thank you.

MR. MURPHY: Thanks Aaron and thanks Sonal.

MS. SHAH: Thanks Dan.

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