



American Payroll Association

Government Relations • Washington, DC

March 1, 2006

Mr. Troy D. Smith
Michigan Department of Labor & Economic Growth
Wage & Hour Division
Via email: tsmith2@michigan.gov

Re: Proposed Rule 408.9035, as revised.

Dear Mr. Smith:

The American Payroll Association (APA) would like to take this opportunity to comment on the Department of Labor & Economic Growth's proposed Rule 408.9035, as revised. The APA is a nonprofit professional association representing over 22,000 companies and individuals in all 50 states and Canada. The APA's central mission is to educate its members about best practices associated with paying America's workers, including compliance with all relevant federal, state, and local laws. As part of this mission the APA works with legislative and executive branches of government to find ways for employers to meet their obligations under the law and support public policy initiatives, while minimizing administrative burden.

With growing employer interest in the use of payroll debit cards in the United States, the APA formed a Payroll Card Subcommittee to monitor the use of these cards within the employer community and to help educate policy makers and regulators about their benefits and uses. This subcommittee is made up of 40 active and knowledgeable APA members representing large and mid-size employers, payroll service providers, and other third-party vendors specializing in the support of payroll debit card programs.

Our members noted with interest proposed Rule 408.9035, relating to payroll debit cards. If adopted, the proposed rule would expressly allow employers to compensate their employees using payroll debit cards provided certain conditions are met. The APA strongly agrees that employers should have the option of paying their employees using payroll debit cards, as such cards offer substantial benefits to workers, particularly those without bank accounts. A few examples of these benefits follow:

- About 13% of households do not have a bank account. Workers without bank accounts too often cash their checks at check-cashing stores, which charge an average of 2.5%¹.

¹ Check cashing fees average 2.5% according to a study by the American Payroll Association. With an average net pay of \$506 (reported by one debit card administrator in June 2004), the average check cashing fee would be \$12.65 per payroll (most employees are paid twice a month), or over \$54 per month for workers paid weekly (27% of workers).

- Payroll debit cards represent a new opportunity to establish needed personal financial accounts for some workers. Consumers Union reported that *"... half of persons who are currently unbanked have held a bank account in the past. If the prior accounts were closed for cause, these consumers may be barred for a period of up to seven years from opening a new account"*.
- Payroll debit cards eliminate the need to travel to the workplace to pick up a paycheck, and then to the bank to deposit the check. Traveling workers, those not scheduled for work on payday, those on vacation and others who are away from the workplace appreciate immediate access to their pay.
- At least one free transaction is furnished per pay period. Various payroll debit card programs offer features that may allow cardholders to withdraw the full amount on the card at a bank, transfer the amount on the card to another bank or access all of their funds via a convenience check.
- Debit cards are accepted by over one million retailers nationwide, with cash back at many retailers. No fees apply for point-of-sale purchases or cash back at retailers with many programs; others may charge a nominal POS debit fee.
- Payroll debit cards provide new purchasing power for goods and services that require a debit or credit card, such as utility bills and on-line purchases.
- Workers suffer losses to crime when they carry significant amounts of cash. Lost or stolen cards are easily replaced.
- Payroll Debit cards are securely activated upon issuance, and PINs can be changed by the cardholder as needed. Workers are protected from fraudulent use by provider zero-loss policies or under the upcoming Regulation E amendment.
- Customer service and Web site access are also available for questions or assistance.
- Periodic paper or on-line statements detail all deposits and withdrawals.
- Workers may request additional cards to provide ongoing financial support to family members, with a specific amount funded each payroll.
- Payroll Debit Cards also help workers develop financial management skills and become comfortable with the banking system.

The APA commends the Department on its work with proposed Rule 408.9035, and encourages the Department to adopt the rule. Adoption of the proposed rule would provide employees with a plethora of new benefits that they might not otherwise be able to enjoy. At the same time, the interests of employees would continue to be protected as they would be able to obtain immediate payment of their wages in full, would be provided with at least one free transaction per pay period, and would receive notice of any other fees that they may incur.

The APA would welcome the opportunity to work with the Department should the Department feel it necessary to make additional changes to the proposed rule. Please let us know if we can be of assistance. Thank you.

Sincerely,

William Dunn
 Manager of Government Relations
 American Payroll Association

Cathy Beyda, Esq.
Chair, American Payroll Association Debit Card Committee

A handwritten signature in blue ink, appearing to be 'P. Isberg', with a stylized flourish at the end.

Peter Isberg
National Payroll Reporting Consortium