

N A C C A

National Association of Consumer Credit Administrators

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June 19, 2008

Ms. Ashley Harder
Office of Regulations
Social Security Administration
922 Altmeyer Building
6401 Security Boulevard
Baltimore, MD 21235-6401

Docket No. SSA 2008-0023

Use of Master and Sub Accounts and Other Account Arrangements for the Payment of Benefits

Dear Ms. Harder:

The following comments to the above referenced Docket No. SSA 2008-0023 are being offered by the National Association of Consumer Credit Administrators (NACCA). The association consists of state regulators responsible for the administration of state usury and consumer credit laws. All fifty states are represented in the association in addition to Alberta, Canada, the District of Columbia, and Puerto Rico.

There are 38 states that have statutes regulating payday lending and 31 states with check cashing statutes. Lenders or check cashers may have account arrangements that permit benefit payments to be deposited into a third-party "master" account when the third-party maintains separate "sub" accounts for individual (beneficiary) accounts.

State regulators did not report a large number of specific complaints on this issue. However, this could be partially due to the fact that state statutes do not typically regulate/address this area of social security benefits. Also, complaints from customers of high cost lenders is typically fairly minimal. Customers who use these services are not prone to complain about these lenders who may be seen as lenders of last resort for some customers.

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The request for comment noted that there was particular concern about certain high-cost lenders directing beneficiaries to set up accounts in their own name. Funds representing benefit payments are then directly deposited into the "master" account. The loan company deducts the loan principal, fees, and interest before depositing the remaining benefits into the beneficiary's sub account. Concern was also expressed about certain check cashers requiring customers to follow overly burdensome procedures for the beneficiary to withdraw their own funds from the sub accounts set-up by the check casher or lender.

The Social Security Administration (SSA) could amend its regulations to provide a more limited list of exceptions to the rule forbidding the deposit of funds into the account of someone other than the beneficiary. The beneficiary should always have primary control over the funds in their account.

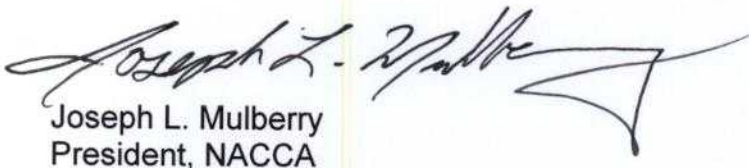
Even if the master/sub account provisions are modified and limited, social security customers may enter into transactions with high cost lenders or check cashers that may be very expensive. This could include the customer authorizing an automated clearing house (ACH) authorization. However, in these scenarios, the beneficiary has at least had their full benefit check directly deposited into the beneficiary's own account prior to any disbursements.

The use of master/sub-accounts and corresponding loan agreements that do not permit the customer to terminate direct-deposit arrangements or pre-authorized transfers gives these lenders an unfair advantage over other lenders using ACH type authorizations that may be canceled at any time. The customer is still subject to payment of all fees due at the time of cancellation.

Further education of social security recipients of their ability to control the deposit and subsequent disbursement of funds may be another goal that could be undertaken.

NACCA appreciates the opportunity to comment on the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph L. Mulberry", with a large, stylized flourish extending to the right.

Joseph L. Mulberry
President, NACCA