

## Senate Bill No. 497

### CHAPTER 546

An act to amend Section 17325 of the Family Code, to amend Sections 1339.1 and 2701 of the Unemployment Insurance Code, and to amend Section 11006.2 of the Welfare and Institutions Code, relating to direct deposit of funds.

[Approved by Governor October 5, 2021. Filed with Secretary  
of State October 5, 2021.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 497, Limón. Qualifying accounts for direct deposit of publicly administered funds.

(1) Existing law requires unemployment compensation benefits administered by the Employment Development Department (EDD), child support payments made through the State Disbursement Unit of the Department of Child Support Services, and specified public assistance payments, including payments made under the California Work Opportunity and Responsibility to Kids (CalWORKs) program, that are directly deposited to an account of the recipient's choice to be deposited into a qualifying account. Existing law defines "qualifying account" for these purposes to mean either a demand deposit or savings account at an insured financial institution in the name of the person entitled to receipt of the payments, as applicable, or a prepaid card account that meets certain requirements, including that the prepaid card account may not be attached to any credit or overdraft feature that is automatically repaid from the account after delivery of the payment.

This bill would change the definition of qualifying account, including eliminating a prepaid card account and instead authorizing a prepaid account or a demand deposit or savings account offered by or through an entity other than an insured depository financial institution, as specified, that is not attached to an automatic credit or overdraft feature, unless the credit or overdraft feature has no fee, charge, or cost, or it complies with the requirements for consumer credit under the federal Truth in Lending Act. To the extent this bill would increase the responsibilities of counties in providing benefits under the CalWORKs program, the bill would impose a state-mandated local program.

For purposes of the above-mentioned public assistance payments under the jurisdiction of the State Department of Social Services, including payments made under the CalWORKs program, the bill would authorize the department to implement, administer, interpret, or make specific those provisions through all-county letters or similar written instructions, to be

issued no later than October 1, 2022, with the same force and effect as regulations.

(2) Existing law also authorizes the EDD to administer the disability insurance compensation program, which includes family temporary disability insurance benefits. Existing law requires the EDD to make disability compensation payments through public employment offices or other agencies approved by the Director of Employment Development. Existing law requires, beginning January 1, 2024, the EDD to provide a person entitled to receive disability benefits and family temporary disability insurance benefits with the option to receive payments by direct deposit into a qualifying account, as defined, of the recipient's choice, in addition to other alternative disbursement payment methods.

This bill would revise the description of a person to whom EDD must provide the option of direct deposit and would require, if the benefits are directly deposited to an account of the recipient's choice, the payments to only be deposited to an account that meets the requirements of a qualifying account. The bill would prohibit a person or entity that is not an insured depository financial institution, as defined, that offers, maintains, or manages an account that is not a qualifying account from soliciting, accepting, or facilitating the direct deposit of these benefits to the account. Under the bill, the EDD would not be held liable for authorizing a direct deposit of these benefits into an account designated by the recipient that is not a qualifying account.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

*The people of the State of California do enact as follows:*

SECTION 1. Section 17325 of the Family Code is amended to read:

17325. (a) (1) Notwithstanding any other law, if child support payments are directly deposited to an account of the recipient's choice, as authorized under the federal Electronic Fund Transfer Act (EFTA) (15 U.S.C. Sec. 1693 et seq.), the payments may only be deposited to an account that meets the requirements of a qualifying account, as defined in paragraph (2), for deposit of child support payments.

(2) For purposes of this section, a "qualifying account" is one of the following:

(A) A demand deposit or savings account at an insured depository financial institution that is offered directly by the insured depository financial institution on its internet website or through its branches and that is in the name of the person entitled to the receipt of child support payments.

(B) A prepaid account, or a demand deposit or savings account offered by, or through, an entity other than an insured depository financial institution, that meets all of the following:

(i) The account is held at an insured depository financial institution.

(ii) The account is set up to meet the requirements for direct or passthrough deposit or share insurance payable to the person entitled to the receipt of child support payments by the Federal Deposit Insurance Corporation in accordance with Part 330 of Title 12 of the Code of Federal Regulations, or the National Credit Union Share Insurance Fund in accordance with Part 745 of Title 12 of the Code of Federal Regulations.

(iii) The account is not attached to a credit or overdraft feature that is automatically repaid from the account unless the credit or overdraft feature has no fee, charge, or cost, whether direct, required, voluntary, or involuntary, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account under the federal Truth in Lending Act (15 U.S.C. Sec. 1601 et seq.) and its implementing regulations.

(iv) The account complies with all of the requirements, and provides the holder of the account with all of the consumer protections, that apply to an account under the rules implementing the EFTA.

(3) A person or entity that is not an insured depository financial institution that offers, maintains, or manages an account that does not comply with paragraph (2) shall not solicit, accept, or facilitate the direct deposit of child support payments to the account.

(b) For purposes of this section, the department shall not be held liable for authorizing a direct deposit of child support payments into an account designated by the recipient that does not comply with paragraph (2) of subdivision (a). The department has no obligation to determine whether an account at the insured depository financial institution of the recipient's choice is a qualifying account as described in subdivision (a).

(c) For the purposes of this section, the following definitions shall apply:

(1) "Insured depository financial institution" means a state or national bank, a state or federal savings and loan association, a mutual savings bank, or a state or federal credit union that holds deposits insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) "Prepaid account" has the same meaning as that term is defined in regulations under the EFTA.

SEC. 2. Section 1339.1 of the Unemployment Insurance Code is amended to read:

1339.1. (a) (1) Notwithstanding this part, if unemployment compensation benefit payments are directly deposited to an account of the recipient's choice, as authorized under the federal Electronic Fund Transfer Act (EFTA) (15 U.S.C. Sec. 1693 et seq.), the payments may only be deposited to an account that meets the requirements of a qualifying account, as defined in paragraph (2), for deposit of public assistance payments, including unemployment compensation benefits.

(2) For purposes of this section, a “qualifying account” is one of the following:

(A) A demand deposit or savings account at an insured depository financial institution that is offered directly by the insured depository financial institution on its internet website or through its branches and that is in the name of the person entitled to receipt of public assistance payments.

(B) A prepaid account, or a demand deposit or savings account offered by, or through, an entity other than an insured depository financial institution, that meets all of the following:

(i) The account is held at an insured depository financial institution.

(ii) The account is set up to meet the requirements for direct or passthrough deposit or share insurance payable to the person entitled to the receipt of public assistance payments by the Federal Deposit Insurance Corporation in accordance with Part 330 of Title 12 of the Code of Federal Regulations, or the National Credit Union Share Insurance Fund in accordance with Part 745 of Title 12 of the Code of Federal Regulations.

(iii) The account is not attached to a credit or overdraft feature that is automatically repaid from the account unless the credit or overdraft feature has no fee, charge, or cost, whether direct, required, voluntary, or involuntary, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account under the federal Truth in Lending Act (15 U.S.C. Sec. 1601 et seq.) and its implementing regulations.

(iv) The account complies with all of the requirements, and provides the holder of the account with all of the consumer protections, that apply to an account under the rules implementing the EFTA.

(3) A person or entity that is not an insured depository financial institution that offers, maintains, or manages an account that does not comply with paragraph (2) shall not solicit, accept, or facilitate the direct deposit of unemployment compensation benefit payments to the account.

(b) The department has no obligation to determine whether an account at the insured depository financial institution of the recipient’s choice is a qualifying account, as described in subdivision (a). For purposes of this section, the department shall not be held liable for authorizing a direct deposit of unemployment compensation benefit payments into an account designated by the recipient that does not comply with paragraph (2) of subdivision (a).

(c) For the purposes of this section, the following definitions shall apply:

(1) “Insured depository financial institution” means a state or national bank, a state or federal savings and loan association, a mutual savings bank, or a state or federal credit union that holds deposits insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) “Prepaid account” has the same meaning as that term is defined in regulations under the EFTA.

SEC. 3. Section 2701 of the Unemployment Insurance Code is amended to read:

2701. (a) Disability benefits shall be paid by the department through public employment offices or other agencies approved by the director.

(b) Beginning January 1, 2024, the department shall provide a person entitled to receive disability benefits or family temporary disability insurance benefits under Chapter 7 (commencing with Section 3300) the option to receive payments by direct deposit, as regulated under the federal Electronic Fund Transfer Act (EFTA) (15 U.S.C. Sec. 1693 et seq.), into a qualifying account, as defined in paragraph (3) of subdivision (e), of the recipient's choice, in addition to other alternative disbursement payment methods, including, but not limited to, debit cards and checks.

(c) (1) Notwithstanding any other law, if disability benefits or family temporary disability insurance benefits are directly deposited to an account of the recipient's choice, as authorized under the federal Electronic Fund Transfer Act (EFTA) (15 U.S.C. Sec. 1693 et seq.), the payments shall only be deposited to an account that meets the requirements of a qualifying account, as defined in paragraph (3) of subdivision (e).

(2) A person or entity that is not an insured depository financial institution that offers, maintains, or manages an account that does not comply with paragraph (3) of subdivision (e) shall not solicit, accept, or facilitate the direct deposit of disability benefits or family temporary disability insurance benefits to the account.

(d) For purposes of this section, the department shall not be held liable for authorizing a direct deposit of disability benefits or family temporary disability insurance benefits into an account designated by the recipient that does not comply with paragraph (3) of subdivision (e). The department has no obligation to determine whether an account at the insured depository financial institution of the recipient's choice is a qualifying account, as described in paragraph (3) of subdivision (e).

(e) For the purposes of this section, the following definitions shall apply:

(1) "Insured depository financial institution" means a state or national bank, a state or federal savings and loan association, a mutual savings bank, or a state or federal credit union that holds deposits insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) "Prepaid account" has the same meaning as that term is defined in regulations under the EFTA.

(3) "Qualifying account" is one of the following:

(A) A demand deposit or savings account at an insured depository financial institution that is offered directly by the insured depository financial institution on its internet website or through its branches and that is in the name of the person entitled to the receipt of disability benefits or family temporary disability insurance benefits.

(B) A prepaid account, or a demand deposit or savings account offered by, or through, an entity other than an insured depository financial institution, that meets all of the following:

(i) The account is held at an insured depository financial institution.

(ii) The account is set up to meet the requirements for direct or passthrough deposit or share insurance payable to the person entitled to the

receipt of disability benefits or family temporary disability insurance benefits by the Federal Deposit Insurance Corporation in accordance with Part 330 of Title 12 of the Code of Federal Regulations, or the National Credit Union Share Insurance Fund in accordance with Part 745 of Title 12 of the Code of Federal Regulations.

(iii) The account is not attached to a credit or overdraft feature that is automatically repaid from the account unless the credit or overdraft feature has no fee, charge, or cost, whether direct, required, voluntary, or involuntary, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account under the federal Truth in Lending Act (15 U.S.C. Sec. 1601 et seq.) and its implementing regulations.

(iv) The account complies with all of the requirements, and provides the holder of the account with all of the consumer protections, that apply to an account under the rules implementing the EFTA.

SEC. 4. Section 11006.2 of the Welfare and Institutions Code is amended to read:

11006.2. (a) The department may provide for the delivery of public assistance payments at any time during the month.

(b) (1) Notwithstanding any other law, any person entitled to the receipt of public assistance payments may authorize payment to be directly deposited by electronic fund transfer into the person's qualifying account at the insured depository financial institution of the person's choice under a program for direct deposit by electronic transfer as established in this section. The direct deposit to a qualifying account shall discharge the department's obligation with respect to the payment.

(2) Each county treasurer shall make an agreement with one or more insured depository financial institutions participating in the Automated Clearing House pursuant to the local rules, and shall, by December 1, 2001, establish a program for the direct deposit by electronic fund transfer of payments to any person entitled to the receipt of public assistance benefits who authorizes the direct deposit of the benefits into the person's qualifying account at the insured depository financial institution of the person's choice. Each county treasurer has no obligation to determine whether the account at the insured depository financial institution of the person's choice is a qualifying account, as defined in paragraph (3).

(3) For purposes of this section, a "qualifying account" is one of the following:

(A) A demand deposit or savings account at an insured depository financial institution that is offered directly by the insured depository financial institution on its internet website or through its branches and that is in the name of the person entitled to receipt of public assistance payments.

(B) A prepaid account, or a demand deposit or savings account offered by or through an entity other than an insured depository financial institution, that meets all of the following:

(i) The account is held at an insured depository financial institution.

(ii) The account is set up to meet the requirements for direct or passthrough deposit or share insurance payable to the person entitled to the receipt of public assistance payments by the Federal Deposit Insurance Corporation in accordance with Part 330 of Title 12 of the Code of Federal Regulations, or the National Credit Union Share Insurance Fund in accordance with Part 745 of Title 12 of the Code of Federal Regulations.

(iii) The account is not attached to a credit or overdraft feature that is automatically repaid from the account unless the credit or overdraft feature has no fee, charge, or cost, whether direct, required, voluntary, or involuntary, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account under the federal Truth in Lending Act (15 U.S.C. Sec. 1601 et seq.) and its implementing regulations.

(iv) The account complies with all of the requirements, and provides the holder of the account with all of the consumer protections, that apply to an account under the rules implementing the Electronic Fund Transfer Act (EFTA) (15 U.S.C. Sec. 1693 et seq.).

(4) A person or entity that is not an insured depository financial institution that offers, maintains, or manages an account that does not comply with paragraph (3) shall not solicit, accept, or facilitate the direct deposit of public assistance payments to the account.

(5) For purposes of this section, each county treasurer and county welfare department shall not be held liable for authorizing a direct deposit of public assistance payments into an account, designated by the person entitled to receipt of public assistance benefits, that does not comply with paragraph (3).

(6) This subdivision shall apply in each county that offers a program for direct deposit by electronic funds transfer to some or all of its employees.

(c) For the purposes of this section, the following definitions shall apply:

(1) “Insured depository financial institution” means a state or national bank, a state or federal savings and loan association, a mutual savings bank, or a state or federal credit union that holds deposits insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) “Prepaid account” has the same meaning as that term is defined in regulations under the EFTA.

(d) (1) Notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the department may implement, administer, interpret, or make specific this section by means of all-county letters or similar written instructions from the department. These all-county letters or similar instructions shall have the same force and effect as regulations.

(2) Any all-county letters or similar written instructions that the department elects to issue pursuant to paragraph (1) shall be issued no later than October 1, 2022.

SEC. 5. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and

school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

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