

“We don’t need to be charged for being poor.”

The Cost to Families of Paying Fees to Access Public Assistance

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Across the country, the vast majority of families that receive Temporary Assistance for Needy Families (TANF) and other forms of public assistance get it through Electronic Benefit Transfer cards (EBT). States determine, through TANF and other program rules and via the terms of state contracts with EBT service providers, how these cards can be used to get cash and at what cost. Typical fees that families pay include transaction fees charged by the EBT provider that states pass on to recipients as well as surcharges imposed by ATM owners that consider EBT cards “out-of-network.” To pay the fees families have to use a portion of their monthly grants which may be their only source income and already insufficient to lift them above the federal poverty line.



Transaction fees that states pass on to aid recipients vary from \$0.40 per withdrawal to \$1.25, while ATM out-of-network surcharges, which are tacked on to any transaction fees charged, can be as high as \$6 or more per withdrawal.ⁱ Other state rules can exacerbate the impact of fees: Kansas just adopted a law to limit EBT cash withdrawals to \$25 a day which will inevitably increase the number of ATM fees that EBT users will have to pay to access their aid. In California, participants in the state’s public assistance programs lose over [\\$19 million a year](#) in aid to cash access fees paid directly out of their grants. The fees are a significant cost to families surviving on very little. The average grant for CalWORKs, California’s TANF program, is only about \$500 a month while General Assistance, the state’s program for indigent adults who do not qualify for CalWORKs, averages only \$220 a month.

The California Reinvestment Coalition teamed up with the California Community Colleges CalWORKs Association (CCCCA) and the Alameda County Social Services Agency (SSA) to survey EBT card users to learn how their families deal with these fees, including what they do to try to avoid them, how the fees impact their families, and what they think should be done about these fees.ⁱⁱ To our knowledge, this is the first time anyone has asked TANF and other public assistance recipients about their experience of these fees.

“I’m spending money I desperately need on fees instead of diapers, my kid’s allergy medicine, toilet paper... Sure, I can go elsewhere and avoid fees, but then I’d be out the cost of gas or the bus fee. It’s a vicious cycle.”



Our Survey Findings

Paying fees to use EBT cards reduces the amount of aid that families can use.

The impact of the fees cannot be overstated. For families trying to meet make ends meet with very little money, even the smallest loss represents a trade-off. As one survey respondent put it, “That fee is money I could put towards paying a bill.”

Out of 107 total survey respondents, 27% reported paying more than \$15 in total fees over the last three months and another 35% paid between \$5 and \$10 in the same time period. Roughly a third of the respondents paid the fees out of General Assistance grants which tend to be much smaller than the average \$500 monthly CalWORKs grants.

Other factors amplify the cost and impact of fees, such as the fact that most ATMs only disburse money in \$20 increments. One person illustrated this: “[The fee] lessens our money available. We only get \$600 per month, so if we pay fees that means we can only get \$580. A \$3 fee means losing \$20.”

Many banks limit the amount that can be withdrawn in a single ATM transaction, forcing EBT users to conduct multiple withdrawals and pay multiple fees. A family that receives \$500 in aid would have to make at least two withdrawals at most ATMs that limit withdrawals to \$200 or \$300. Using a typical ATM that charges \$3 per withdrawal, that family would lose 1.2% of their monthly benefits on cash access fees.

The costs to families can be great. “At times it has limited me from purchasing a much needed item or a gallon of gas,” said one respondent. Another feared that because of the fees, “I am then short on my rent and that could have my children and me homeless.”

“If you do not want to pay fees and you want to maximize your benefit, it takes a tremendous amount of planning and time.”

Avoiding EBT fees is hard and can create other costs.

California has taken steps to limit the cost of using EBT cards, including waiving the transactions fees for the first four ATM withdrawals per month, requiring that the EBT service provider deliver access to a major statewide ATM network that will not impose a surcharge fee, and allowing card users to get cash back when they use the card to pay for purchases at no additional cost.ⁱⁱⁱ

Even so, most survey respondents indicated that it was hard to avoid the fees despite trying very hard to do so. Several felt that it was impossible. As one respondent put it, “No matter where you go, everybody charges fees. It’s like paying taxes.”

When asked to name the challenges to avoiding fees, survey respondents most often noted the relative scarcity of free ATMs that are conveniently located and accessible. For many respondents, the lack of free ATMs nearby posed a Catch-22: pay the fees at the local ATMs or pay the cost, in both time

“I have almost no money. So, every dollar counts. \$3 here and there adds up. I live in a tiny mountain town, where there are no feasible free options. My cash assistance should not be wasted on unavoidable fees.”



and money, to find the nearest free one. Several people compared the cost of fees to gas or bus fare. One person who pays fees said, "I am on campus all of the time, so it is more convenient to pull the money out through the ATM, rather than have to run that errand. I have enough to keep me busy as it is."

Some respondents travel to different towns to avoid fees or delay withdrawals until they will be near a free ATM. "I end up timing my withdrawals for when I drive down to Folsom, where the nearest free ATM is located. It's too much of a hassle to get small bits of cash back at the grocery store," said one respondent.

Even though most people said that they have used the strategy of getting cash back with purchase to avoid fees, they also pointed to its limits. For one, the cash-back strategy requires EBT users to make a purchase. This made several survey respondents feel as if they were being forced to spend money on purchases when what they needed was cash. Second, many stores limit the amount of cash back they will provide with a single purchase, requiring EBT users to split up their purchases to get the entire amount of cash back that they need.

By far the most widely used strategy to limit the amount of fees paid is withdrawing cash from ATMs in the largest amounts possible. This does not eliminate fees, it merely reduces the number of transactions for which they must pay a fee. "The fees that they charge to withdraw cash [make] you have to withdraw all at once so you don't pay fees

"It took me years to find the [free] ATM I use and if it has any issues then I am stuck paying for the money to use another servicer."

"Where I live, there are almost no free options. I can get money back at the grocery store, but then I have to pay for something I may not need. I have to take my money out in smaller chunks, just to get what I need, so that I can then put it in my bank account and pay my rent."

for every withdrawal," wrote one respondent. Besides fees, another downside to this strategy is being seen withdrawing large amounts of cash. One respondent wrote, "[The fee] encourages me to get out only LARGE amounts since I'm being charged and then I am in fear of being robbed before I can get it deposited."

Most survey participants did not know very much about or use the ATM network contracted by the state to provide free access for four withdrawals a month, MoneyPass. Only thirteen of the 107 respondents knew that EBT users are allowed four withdrawals per month at MoneyPass ATMs without transaction or surcharge fees. Only a third of those surveyed said they used MoneyPass ATMs to avoid fees.

Avoiding fees is easier when EBT users can access conveniently located free ATMs.

Only thirty of the 107 total survey respondents had been able to avoid paying fees altogether or had paid less than \$5 in fees in the three months prior to being surveyed. These included 22 community college students, which had a higher proportion of people receiving CalWORKs and only eight of the clients surveyed at the Alameda County Social Service Agency, which had a higher proportion of respondents who received General Assistance. This may reflect a resource gap among the two groups since CalWORKs provides, on average, twice the amount provided by general Assistance.



Nearly all who had successfully avoided or limited fee payments said that they get cash at a location that is free and/or conveniently located near them. Two respondents mentioned traveling to use the free ATMs. One person said she goes out of her way to a particular bank's ATM "because it's the only ATM that doesn't charge fees and is a somewhat reasonable distance from my house, job, and school." By contrast, a General Assistance recipient who was not able to avoid fees, mentioned during the survey that he was homeless and disabled and found it difficult to travel to find free ATM locations.

Several people expressed relief at finding free cash withdrawal locations. "Before I found ATMs that didn't charge. I would probably spend 10 bucks on fees alone," said one respondent. Another person who found a free ATM said, "Any other ATM will take \$3-\$4.00 off my card. At any check cashing place it would cost \$14-\$18.00 to remove the cash. I need the money for rent. I cannot afford the extra cost to remove the money. It took me years to find the ATM I use and if it has any issues then I am stuck paying for the money to use another servicer."

Many EBT users do not know they have the choice to receive aid via direct deposit to a personal bank account.

Although California provides public assistance recipients the right to receive cash aid via direct deposit to a personal account, 77 of the 107 survey respondents did not know that direct deposit was an option. Only two respondents already use direct deposit to receive aid.

Using direct deposit would allow aid recipients to skip the state's EBT system and avoid fees by using their bank's own ATM network for free as often as they need (and would also provide aid recipients federal consumer protections for debit card

transactions not available to EBT users). Most of the respondents said not knowing the option existed is the reason they do not currently use that option. Notably, several survey respondents who already have bank or credit union accounts use them to avoid fees. They use their EBT cards to withdraw as much cash and in as few transactions as possible at their bank's ATMs and then deposit the money in the same ATM. Once deposited, the money can be used to pay bills they cannot pay with their EBT cards. As one person put it, "I usually withdraw at my bank then put money in my checking to pay my bills."

Some who knew about this strategy had other issues preventing them from using it. For example, fourteen respondents said the reason they do not use direct deposit is because they do not own a bank account. Others mentioned the difficulty or length of time to set up direct deposit as a barrier, including one respondent who tried to set up direct deposit and failed.

Other people were concerned that bank overdraft fees or other existing debts would be automatically paid from bank accounts before they could access their aid. Several were under the mistaken impression that if they used direct deposit, the county could invade their privacy by looking into their bank account.^{iv} Very few, only three people, said they simply preferred not to use direct deposit.

"I have never paid fees because I thought it was inherently wrong to charge fees to someone who supports a child off of that small amount of money so I found out how to avoid them but as a result it causes a lot of undue stress and lost time."



The EBT fee system is unfair to families and taxpayers.

Many survey participants discussed the ways fees impact both families and the state. Several thought the fees add insult to injury. One respondent wrote, “[M]ost people who are on assistance are struggling to make ends meet. Financially it is like kicking someone while they are already down.” “Poor people are poor enough. We don’t need to be charged for being poor,” said another.

Several people mentioned the hardships that the fees posed to their ability to meet household needs. They said that ending fees to use EBT cards would, “give people a chance to get all the money they were given in a given month,” and “help us use our limited amounts of money on the necessities that we need.” “Being on assistance means we need financial help and every cent matters. Paying fees to withdraw money takes away from the money our families need.”

Several others noted paying bank fees is not the intended use of the state’s money, making statements like, “I’m sure that a lot of money is going to these ATM machines instead of it going to poor families. The money should go to the poor not rich corporations.”

Our Policy Recommendations

EBT users know what would help them avoid cash access fees.

Policy makers and welfare rights advocates should listen to aid recipients about their experience of losing money to cash access fees to develop

responses that support families’ ability to use public assistance to meet household needs. Responses to these surveys suggest two key reforms that states can adopt to prevent public assistance from being unnecessarily lost to fees.

“Why would you use a system that further takes money from the needy? In essence, the [state] is paying these fees since they are [state] funds. If you add them all up I bet it’s a lot of wasted money for everyone. Well except, the banks and ATM companies who once again profit from everyone’s misfortune.”

1. *States can lower the amount of public assistance spent on fees by increasing access to free and conveniently located ATMs and providing help to locate them.*

Survey respondents had very clear ideas about what would help them use EBT cards to get cash more easily and to avoid fees. In response to an open ended question about what would help make getting cash easier, people overwhelmingly suggested lowering or eliminating fees or increasing the number of free ATMs they could use.

In addition to the amount of money saved, many people mentioned the positive impacts on their time and stress levels if they did not have to worry about fees. One person said, “It can be a hardship to find and get to an ATM that doesn’t charge fees, especially if you have to take the bus. The ability to use any ATM without fear of being charged a fee would be a great help.” Another person noted, “We are low income families, every dollar is needed. [Not having to pay fees would] be great and save us time looking for the banks with low rates and also help with our expenses.”

We also tested specific measures and asked respondents to rate them as “very helpful,” “helpful,” “somewhat helpful,” or “not helpful.” The responses indicate that next to having more abundant free ATMs, help locating existing free



ATMs would help the most. Nearly 90% said that having better signs on free ATMs would be “very helpful” or “helpful.”

Eight-five percent said that a toll-free number to locate free ATMs would be “very helpful” or “helpful.” Over 80% said that having free ATMs located in county offices would be “very helpful” or “helpful.”^v Sixty percent said that having a smart-phone or online app to locate free ATMs would be “very helpful” or “helpful.”

Many people also thought that additional information about the fees they are paying would help them avoid future fees. Just over 70% said that getting monthly statements that include the fees they have paid would be “very helpful” or “helpful.”

2. States can increase use of direct deposit by helping aid recipients learn about safe, low or no fee bank accounts and making direct deposit an easy option.

While over 70% of respondents did not know that they could receive aid by direct deposit, nearly 80% said that help setting up direct deposit into a bank or credit union account would be “very helpful” or “helpful” to avoid fees. Some EBT users are already using their bank or credit union accounts to avoid fees. Several participants stated that they prefer to use their bank’s ATMs and, as one person put, “[then] immediately put some or all of my cash aid into my checking account at that same bank.”

Using direct deposit can help aid recipients avoid fees by allowing them to skip the step of having to withdraw cash at ATMs at a fee. Additionally, recipients can use their bank or credit union’s ATMs at no cost as often as they need and preserve the ability to get cash back with purchases. However, as

several survey respondents indicated, many accounts come with hefty fees of their own, the most expensive of which are overdraft fees which average \$35.

For that reason, states should make sure to inform aid recipients about bank and credit union accounts that are safe from fees. When asked how interested they would be in learning about an account that is free with direct deposit, has no overdraft fees, can be opened with just \$25 and is available to people who have been denied by other banks, seventy-two said they were “interested” or “very interested.”

Thankfully, a number of such accounts already exist, including those identified by [CRC SafeMoney](#) project. Some banks that charge \$3 or more to use EBT cards in their ATMs offer accounts that meet this criteria, including a few that process a large portion of California’s EBT transactions.^{vi} Rather than charge aid recipients for fee revenue, these banks could be banking aid recipients.

Case workers who interact with aid recipients can help guide them into using direct deposit. Sixty-five of the 107 survey participants said they would feel comfortable talking to their county worker about directly deposit.

Final Words

James Baldwin told us, “Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.” This is true even for public assistance recipients that must pay to access their aid. As many of survey respondents indicated, this is a poor use of state and federal funds that are intended to meet basic needs, like clothing and school supplies. We think it is time to end the fees and to stop charging people for being poor.



The California Reinvestment Coalition advocates for financial and economic justice for communities plagued by systemic inequality because of income, race, immigration status and gender.

The California Community Colleges CalWORKs Association represents the interests of the more than 35,000 community college students that receive CalWORKs assistance in California.

The Alameda County Social Services Agency (SSA) is one of the 58 county welfare agencies that administer TANF and other public assistance programs.

ⁱ “Reforming California’s EBT Contract,” a report commissioned by CRC by David Jonas, candidate for Masters in Public Policy at University of Berkeley, May 2014. In California, the four largest banks, Bank of America, JPMorgan Chase, Wells Fargo and Union Bank, charge \$3 per ATM withdrawal.

ⁱⁱ We conducted two nearly identical surveys: 50 CalWORKs and General Assistance recipients were surveyed in the lobbies of SSA offices by SSA staff, and 57 community college CalWORKs recipients who answered an online survey. The surveys were not designed to solicit responses from randomly selected respondents that are representative of California’s public assistance program participants. Survey questions are available by request. When was survey conducted?

ⁱⁱⁱ The California Department of Social Services is proposing to take much stronger steps to reduce fees in its next EBT service contract. For more info, see: <http://calreinvest.org/news/19-million-in-atm-fees-charged-annually-to-calworks-recipients-to-shrink-under-proposed-california-state-contract>

^{iv} Federal privacy laws narrowly restrict the non-public data that banks can provide without the account owner’s consent, a court order, or a warrant. 12 CFR §1016.15

^v Alameda County is doing exactly this. See, http://www.mercurynews.com/breaking-news/ci_27336815/alameda-county-install-no-fee-atms-families-need.

^{vi} See CRC’s SafeMoney standards: <http://calreinvest.org/crc-issues/safemoney%E2%84%A2-account>.