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## Government and Political Affairs Forum Comment Call

To: MCUL Government and Political Affairs Forum and State and Federal Working Groups

From: Vicki Baron, State Legislative Coordinator

Date: February 2, 2010

RE: **Request for Comment Concerning Michigan Draft Legislation to Allow Employers to Require Employees to Receive Wages by Either Direct Deposit or a Payroll Debit Card**

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A majority member of the House Banking Committee was asked to introduce legislation on behalf of a local lobbying firm that represents a large Michigan employer and a major bank. We are writing this comment call to request feedback in order to take a position prior to its introduction.

### Summary:

The draft legislation would amend Public Act 390 of 1978, Sec. 6 (MCL 408.476) to allow employers to require employees to receive wages by either direct deposit or a payroll debit card if the employer fulfills two requirements. One requirement is to give the employee a written form that allows the employee the option to receive wages either by direct deposit to the employee's account at a financial institution or through a payroll debit card. The other requirement is to include a statement on that form indicating that failure to return the form within three days with the account information necessary to implement direct deposit will be presumed to indicate consent to receiving wages through a payroll debit card. The employee would be allowed at least one withdrawal or transfer per pay period without charge for any amount the employee elects up to the balance accessible through the card.

Employers are increasingly turning to electronic wage payment methods to pay employees and save money by not having to offer paper checks to those individuals who may not have a checking or savings account. Therefore, most states have some law regarding the use of payroll debit cards when paying employees. Based on information provided by CUNA, eight states allow employers to mandate the use of payroll cards if they follow certain requirements, two states prohibit the use altogether, and about 27 states offer a "voluntary" or "employee consent" option. Most states that permit the use of payroll debit cards impose one or more of the following conditions on their use:

- Employees must be able to choose to be paid via payroll card.
- Employees must be able to withdraw all funds at least one time on payday without fees or costs.
- The fees after their first full withdrawal must be disclosed in writing.
- Use of pay cards generally must be consistent with direct deposit requirements.

### Questions to Consider:

1. Does your institution currently issue payroll debit cards for employers?
2. If so, what were the required disclosures and fees associated with using the payroll debit card? If not, why?
3. Could a payroll debit card issued by a credit union be used like a regular debit card/credit card?
4. Even though this legislation could "bank the unbanked," do you see this legislation as predominantly benefiting banks over credit unions?

5. Do you see business being taken away or added to credit unions due to the increased use of payroll cards?
6. Would a “volunteer option” to participate make this language better?
7. Do you believe the MCUL should support with amendments or oppose this legislation, and why?

**When and Where to Send Comments:**

Please direct comments and questions to State Legislative Coordinator Vicki Baron on or before **February 11, 2010**.

Vicki Baron  
State Legislative Coordinator  
Michigan Credit Union League  
101 S. Washington Square, Suite 900  
Lansing, MI 48933  
**Email:** [Vicki.Baron@mcul.org](mailto:Vicki.Baron@mcul.org)  
**Fax:** 517-482-3762

We appreciate your responses to this request.