

May 28, 2020

Senator Chuck Grassley, Chairman
Senator Ron Wyden, Ranking Member
Senate Finance Committee
United States Senate
Washington, DC 20510

Re: S.3841 (Grassley), a bill to protect 2020 recovery rebates for individuals from assignment or garnishment (support)

Dear Chairman Grassley and Ranking Member Wyden,

The undersigned consumer and banking industry organizations write in strong support of your bill S.3841, which would protect 2020 recovery rebates for individuals from assignment or garnishment. Our organizations have worked together to address this issue and we believe that it is possible to protect American families in a manner that is also workable for financial institutions.

Congress passed the CARES Act to help families purchase food and other necessities to make ends meet. Many people were already struggling prior to the coronavirus crisis and millions have now been laid off or had their hours cut. The intense demand for the emergency unemployment benefits that Congress authorized has overwhelmed state unemployment agencies and has led to delays in people receiving those benefits, especially for self-employed or 1099 workers who do not fit within previous unemployment application procedures. This makes access to the economic impact payments all the more essential.

Under the CARES Act, Congress exempted these payments from offset for debts owed to federal and state agencies, except in the case of child support, but did not address court-ordered garnishments to pay creditors. While financial institutions and even many debt collectors and debt buyers believe that the payments should be exempt from garnishment orders, some creditors have continued to attempt to garnish and freeze bank accounts. Banks are obligated to comply with garnishment orders unless lifted by a court. Yet many consumers do not know that they may have a legal defense to garnishment orders under state exemption laws or for other reasons, and the crisis has also made it difficult to impossible to access attorneys or the courts – presenting due process issues. The lack of clear protection for the stimulus payments imposes a significant burden for some families facing unprecedented circumstances.

While the IRS has already sent a significant number of the payments, it is not too late to act. We believe it is imperative that Congress make it clear that these payments are treated as benefits subject to the federal exemption from garnishment. Consumers may have avenues for protecting payments sent to accounts where garnishment orders are still pending or have not yet been served, and the bill allows financial institutions to respond to customer requests to exempt the payments from garnishment.

Unless Congress takes action to provide legal certainty, the families that most need this money – those who are struggling with debt and whose entire bank accounts may have been frozen by garnishment orders – will be not be able to access the funds. We urge Congress to provide this certainty to ensure that American families are receiving these benefits as intended to fulfill our common goal of protecting these payments from garnishment within the practical realities of existing financial institution systems.

Thank you for your efforts to protect American families during this emergency.

American Bankers Association

Americans for Financial Reform

Bank Policy Institute

Center for Responsible Lending

Consumer Action

Consumer Bankers Association

Consumer Federation of America

Consumer Reports

Independent Community Bankers of America

National Association of Consumer Advocates

National Consumer Law Center (on behalf of its low income clients)

Public Citizen

The Clearing House

U.S. PIRG