

July 31, 2020

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

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

Dear Speaker Pelosi and Minority Leader McCarthy:

The undersigned consumer and banking industry organizations write to express our strong support for S.3841, recently passed Senate legislation 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 depository 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. Under the CARES Act, Congress exempted these economic impact 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 depository 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. Depository institutions 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 made it difficult or impossible to access attorneys or the courts—presenting due process issues. The lack of clear protection for the economic impact payments imposes a significant burden for some families facing unprecedented circumstances.

We believe it is imperative that Congress make it clear that these stimulus payments should be 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 depository institutions to respond to customer requests to exempt the payments from garnishment. It is important to note that to date about 12 million Americans risk missing out on the CARES Act economic impact payments because they, unlike millions of people who have or will be receiving the payments automatically from the IRS, have not previously filed tax returns and must file a form by October 15 to receive a payment this year or file a 2020 tax return next year to receive a payment in 2021. This group includes very low-income families with children, people who have been disconnected from work opportunities for a long period, and many low-income adults not raising children in their home.

S. 3841 is bipartisan legislation that would protect these recovery rebates for individuals. We are pleased that on July 23rd this legislation passed the United States Senate by

unanimous consent. 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 be frozen by garnishment orders—will be not be able to access the funds. **We urge the House of Representatives to follow the Senate’s lead and quickly approve S. 3841 and provide this certainty to ensure that American families will receive 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.

Sincerely,

American Bankers Association
Americans for Financial Reform
Bank Policy Institute
Center for Responsible Lending
Community Development Bankers Association
Consumer Action
Consumer Bankers Association
Consumer Federation of America
Consumer Reports
Independent Community Bankers of America
National Association of Consumer Advocates
National Bankers Association
National Consumer Law Center (on behalf of its low income clients)
Public Citizen
The Clearing House
U.S. PIRG

cc: The Honorable Richard Neal
Chairman
House Ways and Means Committee

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee

The Honorable Maxine Waters
Chairwoman
House Financial Services Committee

The Honorable Patrick McHenry
Ranking Member
House Financial Services Committee

Members of the United States House of Representatives