

March 10, 2021

The Honorable Janet Yellen
Secretary
U.S. Treasury
1500 Pennsylvania Avenue, NW
Washington DC 20220

Re: Immediate action needed to protect economic impact payments from assignment or garnishment

Dear Secretary Yellen,

The undersigned consumer, banking and credit union industry organizations write to ask you to urge Congress to protect the third round of economic impact payments in the American Rescue Plan Act of 2021 from assignment and garnishment. The attached language mirrors the language in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 that applied to the second round of economic impact payments and should be passed as a standalone bill. Our organizations have worked together to address this issue, and we strongly support adoption of such a bill.

The second economic impact payments paid pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 were exempt from garnishment. In addition, prior to passage of that statute, in July 2020, the Senate unanimously approved S.3841 (Grassley/Wyden), which would have protected the Coronavirus Aid, Relief, and Economic Security Act or CARES Act 2020 from assignment and garnishment.

However, this third round is not exempt, a result we understand was due to limits associated with the budget reconciliation process and application of the Byrd rule during Senate consideration of the bill. Unless Congress immediately adopts legislation to address this issue, the second and third EIPs will be treated inconsistently—those in the second round were exempt but those in the third round will not be exempt.

The economic impact payments are intended 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. Allowing economic impact payments to be garnished could impose significant burdens on some families, especially those in communities of color, facing unprecedented circumstances.

While depository institutions and even many debt collectors and debt buyers believe that economic impact payments should be exempt from garnishment orders, depository institutions are obligated to comply with court orders, and unless Congress immediately passes the attached language in a standalone bill, they will be forced to pay some creditors who attempt to garnish and freeze bank accounts.

It is simple to code the payments as exempt, and we believe it is imperative that Congress ensure that these next stimulus payments are treated as “benefits” subject to the federal exemption from garnishment. Otherwise, the families that most need this money—those struggling with debt and whose entire bank accounts may be frozen by garnishment orders—will not be able to access their funds.

For these reasons, we ask that you urge Congress to quickly pass standalone legislation addressing garnishment. This action is needed to ensure that American families will receive these benefits as intended and fulfills 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
Consumer Action
Consumer Bankers Association
Community Development Bankers Association
Consumer Federation of America
Consumer Reports
Credit Union National Association
Independent Community Bankers of America
Nacha
National Association of Consumer Advocates
National Association of Federally-Insured Credit Unions
National Bankers Association
National Consumer Law Center (on behalf of its low income clients)
Public Citizen
The Clearing House
U.S. PIRG

cc: Members of the U.S. House of Representatives
Members of the United States Senate