

19 Financial Services and Consumer Groups Urge Congress to Exempt Economic Impact Payments from Garnishment

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Congress should protect the third-round of economic impact payments from garnishment so families that need the financial relief can access funds without delay

Washington, D.C. – In a joint letter sent to Congress yesterday, 19 consumer and financial industry organizations urged lawmakers to protect the third round of economic impact payments (EIPs) from garnishment so the money gets to the families who most need it. Allowing EIPs to be garnished could impose significant burdens on some families, especially those in communities of color, who are facing unprecedented circumstances during the ongoing pandemic.

These EIPs 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. However, EIPs from the American Rescue Plan Act of 2021 are not exempt from garnishment, unlike the second round of EIPs from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021.

“We believe it is imperative that Congress ensure that these next stimulus payments are treated as ‘benefits’ subject to the federal exemption from garnishment,” note the consumer groups and financial industry organizations. “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. 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 now raising children in their homes.”

If Congress doesn’t immediately pass standalone legislation addressing garnishment, the new round of EIPs will *not* be protected from garnishment. They need to be protected to “ensure that American families will receive these benefits as intended,” while also allowing financial institutions to follow the law and operate “within the practical realities of existing financial institution systems,” the groups said in the letter.

Without clear statutory language that the EIPs are exempt from garnishment, depository institutions are obligated to comply with court orders and will be forced to freeze bank accounts when served with a garnishment order and, if the consumer does not assert an exemption, turn over some or all of a stimulus payment to judgment creditors.

A copy of the letter signed by the 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, 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, and U.S. PIRG is available [here](#). For more information on how to protect stimulus payments and child tax credits from garnishment, see NCLC's issue brief.