

Consumer, Banking Groups to Congress: Exempt Economic Impact Payments From Garnishment

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Washington, D.C. — In a letter to congressional leadership today, consumer and banking industry organizations joined together to urge lawmakers to clarify at the earliest possible opportunity that economic impact payments issued by the federal government in response to the coronavirus pandemic should be exempt from otherwise legally binding garnishment orders.

“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 quick access to the economic impact payments all the more essential,” the groups wrote.

The groups noted that 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 those 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, self-executing protection for the stimulus payments imposes a significant burden for some families facing unprecedented circumstances,” according to the letter.

The letter says that only lawmakers can provide the legal clarity needed to address this situation.

“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,” the groups wrote.

A copy of the letter, signed by American Bankers Association, Bank Policy Institute, Consumer Bankers Association, The Clearing House, National Consumer Law Center (on behalf of its low income clients), Americans for Financial Reform, Center for Responsible Lending, Consumer Action, Consumer Federation of America, Consumer Reports, National Association of Consumer Advocates and U.S. PIRG is available [here](#).