



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-87-2007
October 9, 2007

Garnishment of Exempt Federal Benefit Funds Proposed Interagency Guidance

Summary: The five federal financial regulatory agencies are seeking public comment on the attached proposed guidance encouraging federally regulated financial institutions to follow best practices to protect federal benefit payments from garnishment orders.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Compliance Officer

Related Topics:

Garnishment
Federal Benefit Funds
Deposit Account Fees
Deposit Account Management

Attachments:

Proposed Guidance on Garnishment of Exempt
Federal Benefit Funds

Contacts:

Senior Policy Analyst Patricia I. Cashman at
PCashman@FDIC.gov or (202) 898-6534

Counsel Mark Mellon at MMellon@FDIC.gov or
(202) 898-3884

Senior Examination Specialist Patricia Colohan at
Pcolohan@FDIC.gov or (202) 898-7283

Note:

FDIC financial institution letters (FILs) may be
accessed from the FDIC's Web site at
www.fdic.gov/news/news/financial/2007/index.html.

To receive FILs electronically, please visit
<http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters
may be obtained via the FDIC's Public Information
Center (1-877-275-3342 or 703-562-2200).

Highlights:

- Federal law protects federal benefit payments—such as Social Security benefits, Supplemental Security Income benefits, Veterans' benefits, Federal Civil Service retirement benefits, and Federal Railroad benefits—from garnishment orders and the claims of judgment creditors subject to certain exceptions, such as garnishment orders relating to alimony or child support payments.
- Creditors and debt collectors are often able to obtain orders from state courts garnishing funds in a consumer's account. These state garnishment orders may not specifically address the issue of exempt funds.
- To comply with state court garnishment orders, financial institutions often place a temporary freeze or hold on an account upon receipt of a garnishment order. The freeze can cause significant hardship for the account holder.
- The agencies have developed this proposed guidance, which includes best practices, to encourage financial institutions to minimize the hardships on federal benefit recipients and to do so while remaining in compliance with applicable law.
- The FDIC requests comment on the proposed guidance and answers to the questions contained in the Federal Register Notice on or before November 27, 2007.