



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, DC 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

#### **Attachment:**

[Proposed Guidance on Garnishment of Exempt Federal Benefit Funds - PDF](#)

#### **Contact:**

Senior Policy Analyst Patricia I. Cashman  
at [PCashman@FDIC.gov](mailto:PCashman@FDIC.gov) or (202) 898-6534  
Counsel Mark Mellon at [MMellon@FDIC.gov](mailto:MMellon@FDIC.gov) or (202)  
898-3884 Karen Currie, Examination Specialist  
at [Kcurrie@fdic.gov](mailto:Kcurrie@fdic.gov) or (202) 898-3981

#### **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](http://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.