

**Questions for the Hearing to Consider Pending Nominations  
May 13, 2009**

**Additional questions for Mr. Michael S. Barr, Assistant Secretary-Designate for Financial Institutions, U.S. Department of the Treasury, from Senator Kohl:**

1. The illegal Freezing and garnishment of federally exempt funds from the bank accounts of recipients of Social Security, SSI and Veterans Benefits is a serious problem across America -- leaving many of our elderly and disabled citizens temporarily destitute for weeks at a time. Treasury has been working with the payor agencies, including the SSA and the VA, federal banking regulators, and representatives of recipients, to develop a proposed federal regulation that would resolve the problem. However, despite our repeated requests, this development process has not been completed. Can you commit to getting this process completed in your first month as Assistant Secretary for Financial Institutions?

*A: I am fully committed to ensuring that Federal anti-garnishment statutes are given full force and effect, and as one of my first priorities will work with colleagues in the Fiscal Service at the Treasury, as well as with Federal benefit agencies across the government, to complete the issuance of a joint regulation to solve the problem of account freezes and garnishment of protected funds. In addition, working with both consumer advocates and Federal bank regulators, I am confident that such a regulation will embody strong protections for Federal beneficiaries without imposing burdens or shifting liabilities to financial institutions, which need better Federal guidance on how to respond to garnishment and attachment orders from State courts. Federal regulations and consumer protections must evolve in response to new debt collection tactics to protect the lifeline benefits of our most vulnerable citizens.*

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2. In addition to the illegal garnishment of exempt funds, there are numerous other ways that both banks and other financial service providers are depleting the benefits of our workers and our veterans. High cost loans, payday loans, and high bank fees, such as overdraft fees, are all currently permitted to be taken directly from Social Security and other benefit payments, which should be protected by law. We understand that this has been a problem since Treasury first wrote regulations under EFT 99 (the law passed in 1996 requiring federal funds to be electronically deposited). Although the Treasury initiated an inquiry about these issues in 1998, nothing was done to ensure that these problems be resolved. Can you commit to addressing this serious problem in your first six months as Assistant Secretary for Financial Institutions?

*A: I believe that, as with account freezes and garnishment of protected benefits, this problem can be addressed through the joint efforts of the Treasury, Federal benefit agencies, and Federal bank regulators. The Treasury can enhance its regulations governing the routing of electronic Federal payments to help ensure that benefits are not deposited with third parties that deduct fees or loan repayments prior to allowing beneficiaries access to their funds. The Federal benefit agencies, in turn, must improve their policies and practices designed to prevent the assignment of Federal benefits to third party creditors and debt collectors.*