

United States Senate

WASHINGTON, DC 20510

May 14, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner:

We are writing to urge you to issue a much-needed rule clarification protecting Social Security, Supplemental Security Income (SSI), and Veterans' benefit funds from creditors. Such a rule is especially necessary at this time in light of your April 9 call for more seniors to enroll in direct deposit. Our position is that until adequate protections are in place, the Treasury should not be promoting a payout system that puts seniors and veterans benefits at risk.

Congress intended for Social Security, SSI, and Veterans' benefits to ensure a minimum existence for our nation's veterans, elderly and disabled. The law currently states that no Social Security funds paid or payable shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law. We believe that the clear intent and spirit of this law is to protect these exempted funds for their vulnerable beneficiaries.

In 2007, the Senate Finance Committee held a hearing reviewing bank treatment of Social Security benefits. At this hearing, Waverly Taliaferro, a Social beneficiary who had his account frozen, testified that he lost more than forty pounds during the twenty three days he was denied access to his social security funds, his only source of income. Each month, thousands of other low-income recipients of Social Security and SSI payments are left temporarily destitute when banks allow attachments and garnishments to freeze their only assets.

The House Ways and Means Subcommittee on Social Security also held a hearing last June during which the Department of Treasury stated that a coordinated effort between Treasury, the bank regulating agencies, and the Social Security Administration to address the garnishment and freezing problem was well underway. We understand that while some progress in crafting a partial solution was made, the effort has since stalled.

AARP recently released a report detailing the rise in bankruptcies among seniors. During these tough economic times, we are hearing more and more stories about illegal garnishments from concerned constituents. In 2007, we requested that the Social Security Administration's Inspector General to survey a sample of banks in order to document how widespread the practice has become. Their research, released in July 2008, showed that two-thirds of America's 12 largest banks are violating federal law by garnishing over \$30 million from accounts that contain

government benefits. Unfortunately, this only represents a small portion of the problem, as the report did not detail how many seniors, like Mr. Taliaferro, were denied access to their funds for extensive periods of time without an actual garnishment taking place.

We know that the Treasury Department is dealing with many difficult problems at present, and we applaud you and your staff for the important work you are doing to get our economy back on track. The effects of the economic downturn can be particularly difficult for Social Security, SSI, and Veterans beneficiaries, especially those who are illegally denied access to their government benefits. We urge you to act immediately on their behalf to draft a rule to safeguard their direct deposit benefits.

We appreciate your attention to this very important matter.

Sincerely,



Senator Herb Kohl



Senator Claire McCaskill

cc: The Honorable Michael Astrue, Commissioner of Social Security
The Honorable Ben Bernanke, Chairman, Federal Reserve Board
The Honorable Sheila C. Blair, Chair, Federal Deposit Insurance Corporation
The Honorable John Dugan, Comptroller of the Currency
The Honorable John E. Bowman, Acting Director, Office of Thrift Supervision
The Honorable Michael E. Fryzel, Chairman, National Credit Union Administration