



November 27, 2007

Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

RE: Proposed Guidance on Garnishment of Exempt Federal Benefit Funds

Dear Ms. Rupp:

This letter is in response to the request for comments regarding the garnishment of exempt federal benefit funds. GECU appreciates the opportunity to present our comments on the proposed guidance.

GECU was chartered in 1932 as Government Employees Credit Union in order to offer financial services to civil service employees and their families. Due to our core membership base, civil service employees, it is evident the proposed guidance will impact GECU and our membership. Today GECU serves a membership of over 275,000 and maintains assets of 1.3 billion.

GECU agrees with the intent of the proposed guidance to encourage financial institutions; 1) to have policies and procedures in place when handling garnishment orders, 2) include an expedited notice to the consumer of the garnishment process, and 3) release funds to the consumer as quickly as possible. However, the proposed guidance will not achieve its purpose of expediting notice to the consumer or reducing the burden to garnishees. We ask that the agencies consider modifying the proposal to minimize the burden that it will have on the consumer to possibly require the establishment of separate accounts for receipt of federal benefit payments, as well as, the undue burden of liability and cost to the financial institutions that the guidance would impose in relation to the handling of garnishments.

It is agreed that consumers should be fully informed of their rights but financial institutions cannot assume all of the responsibilities outlined in the nine best practices. The determination of whether an account may contain federal benefit payments is problematic due to operational and system limitations. It would also be difficult to determine if funds are co-mingled and would require additional personnel to research every account to meet the proposed requirement. The opening of a segregated account would result in significant cost increases for processing statements, additional personnel to process new account documentation, not to mention instances in which more than one benefit is received into joint accounts. There are also increased costs for the monitoring of the account deposits which would require system changes and providing

the proper disclosures. From a business perspective, the increased costs would be passed on to the members and the reality is that most members receiving federal benefit payments are on a fixed income and may not agree to opening additional accounts. We do not wish to place any further undue hardship on any recipient of federal benefit payments for any reason.

Below we have provided our comments on the issues requested by the agencies:

1. *Are there practices that would enable an institution to avoid freezing funds altogether by determining at the time of receipt of a garnishment order that the funds are federally protected and not subject to an exception?*

In some instances a financial institution may be able to identify exempt funds; however, it is not a reasonable task to maintain the identification of exempt funds after funds are commingled without imposing liability to the financial institution and an increase in fees to the consumer.

2. *Are there other permissible practices that would better serve the interests of consumers who have accounts containing federal benefit payments? Are there ways to provide consumers with reasonable access to their funds during the garnishment process?*

Consumers could be asked to establish a separate account for the receipt of their federal benefit payments; however, this would be burdensome to consumers, as some may not wish to keep track of yet another account. This method could also result in commingling of funds after receipt of benefits.

The recommended practice of directing institutions to allow consumers to have access to an amount of funds equal to the amount of the exemption would be difficult to determine and the responsibility for determining the exemptions should not rest entirely with the financial institutions.

3. *Are customers adequately informed of their rights when a creditor attempts to garnish their funds? What could be done to provide consumers with better information?*

When permissible, we believe the current practice does expeditiously notify consumers of their rights however a better more standardized format including an explanation of the garnishment proceedings and the type of exemptions would be more easily understood.

4. *Institutions often charge customers a fee for freezing an account. How do these fees compare to those charged separately when an account holds insufficient funds to cover a check presented for payment? Are there operational justifications for both types of fees to be assessed?*

GECU does not charge a fee for freezing an account. Keeping fees at a minimum is one method in maintaining our philosophy of "people helping people". However, appropriate "reasonable" fees should be charged for repeated

overdrafts when an account holds insufficient funds to cover a check presented for payment.

We strongly urge the regulators to reconsider the proposed guidance in light of the adverse impact on the operations of financial institutions. Thank you for the opportunity to comment on the proposed guidance. If you have questions concerning the comments, please contact me at 915-774-1702.

Respectfully submitted,



Harriet May  
President/CEO

HM:dp