

**Jordan, Sheron**

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**From:** \_Regulatory Comments  
**Sent:** Tuesday, November 27, 2007 12:03 PM  
**To:** Jordan, Sheron  
**Subject:** FW: STCU Comments on Proposed Guidance (Garnishment of Federal Benefit Payments)

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**From:** Teresa Wilhelm [mailto:teresaw@stcu.org]  
**Sent:** Tuesday, November 20, 2007 1:54 PM  
**To:** \_Regulatory Comments  
**Subject:** STCU Comments on Proposed Guidance (Garnishment of Federal Benefit Payments)

November 20, 2007

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

Re: Spokane Teachers Credit Union  
Comments on Proposed Guidance (Garnishment of Federal Benefit Payments)

Dear Ms. Rupp:

Spokane Teachers Credit Union (STCU) is a state chartered credit union and serves the Spokane, Washington area. It has approximately 70,000 members and \$900 million in assets. STCU is pleased to have the opportunity to comment on the joint proposed guidance regarding garnishment of federal benefit payments.

STCU agrees with the general principle of the guidance proposed and understands the hardships associated with freezing exempt funds (such as SSA and VA benefits) when those funds are a member's only source of income. Some of the best practices mentioned in the proposed guidance are excellent ideas and currently practiced at our credit union.

We fully support prompt notification to members when a freeze is placed pursuant to a garnishment order. Distributing pre-printed materials regarding exempt funds at the same time will maximize the impact of that notification. We would like to emphasize the need for pre-printed materials as our credit union should not be responsible for developing materials in an area where we have no inherent expertise. Also, timely handling of garnishment orders is equally important in order to lift the freeze as soon as permissible under state law.

STCU has concerns, however, with the bulk of the guidance. Much of the proposal suggests that credit unions determine whether or not an account contains exempt funds. *It is our opinion that this determination is solely the responsibility of the judge in the case.* Financial institutions

11/28/2007

should not be asked to act as arbiters of justice; we simply don't have the education, training, expertise or even the authority to do so.

It would be very difficult for us to accurately monitor and track exempt funds based on our existing account structure. Members may open multiple sub-accounts under the umbrella of a specific member number. Automatic and electronic transfers between the sub accounts are common and frequent. As garnishments often come with the umbrella account number or a social security number, all of the member's liquid asset accounts could be frozen or attached and extensive research would be necessary to identify exempt funds. The costs associated with this additional research would be substantial and a negative impact to all STCU members.

As you know, STCU can be held liable for any funds that are withdrawn by a member after receipt of a garnishment order. This means our credit union runs a real and tangible risk if we, as suggested by this guidance, allow access to a portion of the account equivalent to the documented amount of exempt federal benefit funds. Offering a segregated account for only exempt funds would require us to restrict a member's access to their own funds and increase our monitoring responsibilities.

Finally, by introducing our credit union into the garnishment process in an active role, the agencies are adding a third party in an already complicated transaction. By putting the credit union in this role, the agencies will require vastly more credit union staff time to screen accounts and to field members' questions. This will also add to the members' confusion—do they need to go to the judge, or do they need to go to the credit union to dispute the garnishment or gain access to the exempt funds?

STCU's traditional role of notification and prompt action assures fair treatment of all parties in a dispute and does not impede the course of justice. We support the portions of the guidance that adhere to this traditional role— notifying the member when a garnishment is placed, providing the member with information about exempt funds, and acting on court orders as quickly as possible.

STCU appreciates the opportunity to comment on this proposed guidance. Thank you for your time and attention.

Sincerely,

**Teresa Wilhelm** | Compliance Manager

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**STCU Administration**

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