

Statement of
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Before the
COMMITTEE ON FINANCE
Of the
UNITED STATES SENATE
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Chairman Baucus, Ranking Member Grassley, and members of the Committee, my name is Julie Williams, and I am Chief Counsel and First Senior Deputy Comptroller of the Office of the Comptroller of the Currency (OCC).

Today's hearing highlights the hardships faced by recipients of Social Security, Veterans', and other federal benefits when they are unable to access funds in their deposit accounts to meet their day-to-day living expenses because the account has been frozen in response to a garnishment order.

The fundamentals of the problem are these: Various Federal laws exempt federal benefits payments from garnishment, but those laws do not exempt financial institutions from state court judicial processes and court orders that require a freeze or hold to be placed on funds in an account while the claim of the creditor and the accountholder's defenses to that claim are resolved pursuant to state law procedures.

Thus, even if funds in the account ultimately are established to be federal benefits payments that are exempt from garnishment, until that occurs, the accountholder loses access to some or all of the funds in the account for a period of time. Obviously, for

individuals who rely on those benefits for essential living expenses, this causes significant hardship.

My written statement covers four key points:

First, we completely agree that there is a problem that needs to be addressed.

Second, this problem is complex. The issues presented include unclear and undefined provisions of Federal law, state laws and judicial processes that may unintentionally produce results conflicting with Federal public policy objectives, and questionable practices by debt collectors. The issues presented also implicate important Federal policy objectives concerning how Federal benefits are paid.

Third, there are certain things that the federal banking agencies can do – and we will do – to help, and I will summarize those initiatives in a moment. But the actions that we can take are not a complete solution.

Obtaining a comprehensive resolution of these issues will require coordinated action by multiple parties on multiple fronts. It could well require Congress to enact legislation to clarify intersections of Federal and State law, unless agencies such as the Social Security Administration and Department of Veteran's Affairs conclude that, under the statutes they administer, current law provides them sufficient authority to provide definitive answers to key issues in this area.

We defer to those agencies to advise the Committee on whether or not they have sufficient authority to address these concerns under existing law.

As I said, there are actions the OCC and the other Federal banking agencies can and will take, consistent with our respective regulatory and supervisory authority, to alleviate some of the consumer hardships associated with the process of garnishment of

protected federal benefits funds. One step that we can take is to provide supervisory guidance to our regulated institutions concerning these matters

Yesterday, the OCC and other federal banking agencies issued for comment proposed guidance on practices by depository institutions relating to the garnishment process as it affects accounts containing federal benefits payments. The proposed guidance reflects and seeks comment on many of the same concerns contained in the questions posed in the Committee's letter of invitation.

Specifically, in order for institutions to minimize the hardship to federal benefits recipients *and* comply with state garnishment orders, the proposed guidance advises institutions to have policies and procedures in place to expedite notice to the customer of the garnishment process and the release of customer funds as quickly as possible. The proposed guidance also recommends a number of particular best practices that the agencies have seen among the institutions we supervise.

The OCC also is taking steps to provide customers of national banks with more information to help understand what their rights, protections, and obligations are with respect to federal benefits and the garnishment process. We will be posting this information to www.helpwithmybank.gov, the financial consumer website sponsored by the OCC, in the very near future.

In conclusion, Mr. Chairman, and as I summarized at the outset, we recognize that there is a very real and important problem here. The Federal banking agencies are addressing aspects of the issue that are within our respective authorities, but a comprehensive resolution will require involvement by other key Federal agencies. Ultimately, Congress may have to act.

The OCC stands ready to participate in this effort.

Thank you. I would be pleased to answer your questions.