



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

The financial institution is providing this summary prepared by the U.S. Treasury to apprise state or federal law enforcement or courts, state agencies, municipalities, and municipal corporations of a new federal rule affecting garnishment orders.

UNDER A NEW FEDERAL RULE, THIS FINANCIAL INSTITUTION HAS UP TO TWO BUSINESS DAYS TO REVIEW ACCOUNTS IN ORDER TO PROTECT FEDERAL BENEFIT PAYMENTS FROM GARNISHMENT ORDERS, INCLUDING SEIZURE ORDERS, ISSUED OR CAUSED TO BE ISSUED BY A STATE AGENCY, MUNICIPALITY, MUNICIPAL CORPORATON, STATE OR FEDERAL LAW ENFORCEMENT AGENCIES, OR COURTS.

What is this new federal rule?

On June 28, 2013, a new federal rule was issued by the Department of the Treasury, the Social Security Administration, the Department of Veteran Affairs, the Railroad Retirement Board, and the Office of Personnel Management to implement statutory restrictions on the garnishment of certain exempt federal benefit payments.

The rule, 31 CFR Part 212, establishes procedures that financial institutions must follow when they receive a garnishment order against an account holder. Upon receipt of a garnishment order a financial institutions must conduct an account review (1) to identify and protect exempt federal benefit payments which may have been deposited in the account in the past two months, and (2) to determine the amount of funds, which may be \$0, that can be garnished.

When served a garnishment order, including garnishment orders issued or caused to be issued by a state agency, state or federal courts or law enforcement, municipal corporations, or state municipalities, a financial institution (1) must perform an account review, and (2) has up to *two business days* following the receipt of the garnishment order to complete the account review.

What does this new law mean for local law enforcement attempting to seize funds?

#1. The financial institution, by operation of federal law, cannot surrender any funds under the garnishment order before the account review is complete. Also by operation of federal law, the financial institution has up to two business days to complete the account review. When served a garnishment order (including seizure orders), a financial institution must perform an account review no later than *two* business days following the receipt of (a) the garnishment order



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and (b) sufficient information to determine whether the debtor or defendant is an account holder. Thus, a financial institution may have more than two business days to identify an account holder and complete the account review. During this account review period, the financial institution must allow an account holder unimpeded access to funds in the account.

#2. If protected federal benefit payments are identified by the financial institution, the account holder must be given access to those funds. Federal benefit payments are protected and are not provided to the party seeking to seize or restrain them.

#3. The only exception to these requirements is permitted for state child support enforcement agencies and certain federal garnishment orders where a “Notice of Right to Garnish Federal Benefits” has been attached to garnishment order. If a “Notice of Right to Garnish Federal Benefits” is attached to the order, the financial institution should follow its customary procedures for handling the order.

State child support enforcement or certain federal garnishment orders may bypass the account review process ONLY when a Notice of Right to Garnish Federal Benefits is attached to the garnishment order.