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NATIONAL CONSUMER LAW CENTER HAILS RULE TO PROTECT SENIORS' BANK ACCOUNTS

BOSTON – New rules proposed by Obama's Treasury Department would prevent debt collectors from triggering the illegal seizure of Social Security funds from the bank accounts of tens of thousands of seniors.

“Once enacted, this regulation will stop banks from illegally freezing Social Security, SSI and veterans' benefits to satisfy garnishment orders from debt collectors.” said Margot Saunders, an attorney with the National Consumer Law Center.

Existing law exempts Social Security, veterans and other federal benefits from being taken through court orders obtained by creditors and debt collectors. However, banks regularly freeze accounts that contain such funds and charge hefty overdraft, bounced check and garnishment fees to consumers.

“This is a critical protection for seniors and others who depend on federal benefits to pay for food, medicine and shelter,” Saunders said.

The proposed rules will require banks to identify bank accounts which in the past 60 days have had direct deposit of Social Security, veterans and other federal benefits. All of the federal benefits deposited during those 60 days will be protected from seizure, regardless of whether other, non-exempt funds have also been deposited or withdrawn from the account.

“The National Consumer Law Center applauds the Obama administration and Senators Max Baucus and Herb Kohl for finding a solution to a flaw in the banking system that has financially strangled vulnerable seniors and other recipients of Social Security and other federal benefits,” Saunders said.

The proposed rules were made public Wednesday and posted on-line at www.federalregister.gov/OFRUpload/OFRData/2010-08899_PL.pdf . Comments will be received by Treasury through mid June. Saunders urged citizens and organizations to file comments in support of those rules starting on April 19 at www.regulations.gov .

The National Consumer Law Center is a non-profit organization with 39 years of experience working on issues that affect low-income consumers. NCLC publishes legal manuals and consumer guides and works with and trains legal services, government and private attorneys, community groups and organizations representing low-income and elderly consumers. Support for NCLC's advocacy was provided in part by The Retirement Research Foundation.

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