



Millions of Americans have suffered an immediate and dramatic loss of income as a result of the COVID-19 shut down. To help these Americans, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides for payments to individuals up to \$1,200 so that people can pay for food, rent, utilities, medicine, and other basic necessities.

The [CARES Act](#) protects stimulus checks from being reduced to pay certain debts owed to federal and state governments. See § 2201(d). The Act does not specifically address garnishment or bank offsets for other debts but it gives Treasury the authority to issue rules and guidance to carry out the purposes of the stimulus payments. See § 2201(a).

**To ensure that these funds are used as Congress intended — to help people to pay for necessities, not to help debt collectors — the U.S. Treasury Department should treat and code the payments as federal benefits payments in the same way that it handles Social Security and other federal benefits exempt from garnishment.**

Coding the payments as federal benefits will serve these important purposes:

- The payments will be available for food, medicine, utilities, and rent as Congress intended and will not be [seized by debt collectors](#), depriving recipients of the ability to pay for essentials.
- Banks already have systems in place that will automatically protect the payments so there is no need to develop additional procedures.
- Banks will not have to deal with irate customers when desperately needed funds disappear.
- State governments and courts will not have to issue emergency orders to protect these payments, or handle disputes about them, putting banks in the middle.
- People can provide direct deposit information to the Treasury Department without fear of losing their funds so they can receive their payments quickly and safely. Otherwise, consumer advocates, legal services offices, credit counselors, and others will be forced to counsel struggling families to avoid direct deposit and wait for a paper check.
- Treasury will not need to deal with the problems posed by paper checks sent to addresses that may not be accurate.

## WHAT TREASURY CAN DO

Specifically, when transmitting payments electronically, Treasury should apply the “XX” code specified in 31 C.F.R. § 212.3 to designate the payment a “Benefit payment.” This will trigger rules and procedures already in place to protect the payments from garnishment, 31 C.F.R. § 212.6, and will provide banks that act in good faith to protect the payments with a safe harbor from liability, 31 C.F.R. § 212.10. Treasury can make the exempt treatment of the payments clear by using its authority under section 2201(a) of the [CARES Act](#) to issue rules or guidance “as may be necessary to carry out the purposes of this section.” Clearly the purpose of the rebate section of the CARES Act is to give individuals critically needed funds for necessities, not to line the pockets of debt collectors and debt buyers.

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