

Congress of the United States
Washington, DC 20515

May 1, 2020

The Honorable Steve Mnuchin
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

The Honorable Joseph M. Otting
Comptroller
Office of the Comptroller of the Currency
Washington, DC 20219

The Honorable Rodney E. Hood
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

The Honorable Kathleen L. Kraninger
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Secretary Mnuchin, Chair Powell, Chairman McWilliams, Comptroller Otting, Chairman Hood, and Director Kraninger:

We write to express our strong concern about financial institutions seizing stimulus payments from individuals and families with negative account balances to offset debts owed to them. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief to the millions of Americans experiencing economic hardship as a result of the COVID-19 pandemic. The CARES Act provides economic impact payments to eligible individuals up to \$1,200 (or \$2,400 for joint filers), and \$500 per qualifying child under age 17.¹ For individuals who provided direct deposit information with their 2018 and 2019 tax returns, the Internal Revenue Service (IRS) indicated it would directly deposit economic impact payments.² The IRS distributed the first wave of economic payments via direct deposit beginning on April 12, 2020.³ Additionally, the IRS created the *Get My Payment* tool on its website to allow individuals who had not utilized direct

¹ CARES Act, § 2201.

² IRS, How to Use the Tools on IRS.gov to Get Your Economic Impact Payment, <https://www.irs.gov/newsroom/how-to-use-the-tools-on-irsgov-to-get-your-economic-impact-payment> (Apr. 16, 2020).

³ Michael Collins and Christal Hayes, Treasury says first coronavirus stimulus checks have gone out and many will get payments by April 15, USA Today, <https://www.usatoday.com/story/news/politics/2020/04/13/coronavirus-stimulus-checks-first-payments-going-out-irs/2968900001/> (Apr. 14, 2020).

deposit on their tax return to provide their bank account information to allow for expedited receipt of their economic impact payments.⁴

However, we are deeply concerned by recent media reports indicating that some depository institutions are seizing economic impact payments from individuals with negative account balances. According to the reports, individuals already struggling financially did not receive their economic impact payments due to their accounts being overdrawn.⁵ It is simply unacceptable that financial institutions are using funds meant to serve as a lifeline to further punish those already facing hardship during this unprecedented public health and economic crisis.

According to Federal Reserve data, prior to the start of the current crisis, 40% of Americans could not meet a \$400 emergency without borrowing money or selling personal belongings, and 30% of adults were “one modest financial setback away from hardship”⁶. It would be unconscionable for banks to withhold taxpayer-funded assistance from these financially vulnerable Americans during this critical time when doing so would surely cause lasting financial harm to millions of American families across the country.

Problematically, it has come to our attention that the Department of Treasury indicated its assent to such conduct during a recent webinar with financial institutions. According to one report, during this webinar, a Treasury Department official stated that there was nothing in the law that would stop financial institutions from seizing stimulus funds to pay themselves for other unrelated debts owed to them.⁷ The article concluded: “[i]n other words, the statement was a green light for banks to take advantage of the coronavirus to collect prior debt.”⁸

This statement ignores the fact that the Department of Treasury could use its authority under Section 2201(h) of the CARES Act to issue regulations or other guidance clarifying that financial institutions accepting stimulus payment deposits should not offset or reduce the stimulus amounts to satisfy outstanding debts owed to them, including for overdrafts or other fees that should be waived due to this crisis. We urge Treasury to issue such necessary regulations or clarifying guidance immediately. Especially in times of crisis, consumer protection must remain a priority and millions of Americans cannot afford to wait.

Furthermore, as financial regulatory agencies responsible for supervising the nation’s depository institutions, the Federal Reserve, FDIC, OCC, NCUA, and CFPB must do more to help hardworking Americans during this crisis. As regulators, you have issued various joint statements addressing actions these institutions should take to assist their customers during the COVID-19

⁴ David Dayen, Your Coronavirus Check Is Coming. Your Bank Can Grab It, <https://prospect.org/coronavirus/banks-can-grab-stimulus-check-pay-debts/> (Apr. 14, 2020).

⁵ Emily Flitter and Alan Rappeport, Some Banks Keep Customers’ Stimulus Checks if Accounts Are Overdrawn, <https://www.nytimes.com/2020/04/16/business/stimulus-paychecks-garnish-banks.html> (Apr. 16, 2020).

⁶ Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2018, <https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-preface.htm> (May 2019)

⁷ David Dayen, Your Coronavirus Check Is Coming. Your Bank Can Grab It, <https://prospect.org/coronavirus/banks-can-grab-stimulus-check-pay-debts/> (Apr. 14, 2020).

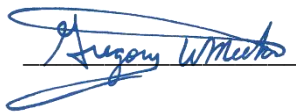
⁸ *Id.*

pandemic. For example, on April 3, 2020, you jointly issued such a statement “to enable mortgage servicers to work with struggling consumers affected by the Coronavirus Disease (referred to as COVID-19) emergency.”⁹ Therefore, in addition to the aforementioned guidance Treasury should issue, we urge your agencies to immediately work together to issue a joint statement or guidance discouraging financial institutions you oversee from collecting from overdrawn accounts and other debts owed to them to ensure individuals receive the full economic impact payments Congress intended.

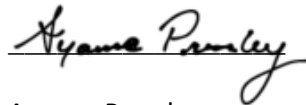
We are dealing with an extraordinary crisis that has and will continue to harm millions of hardworking people. During these challenging times, the Department of Treasury as well as financial regulatory agencies must do their utmost to prohibit financial institutions’ withholding of stimulus payments and further exacerbating the economic hardship of their customers.

We look forward to your timely response.

Sincerely,



Gregory W. Meeks
Member of Congress



Ayanna Pressley
Member of Congress

⁹ Joint Statement on Supervisory and Enforcement Practices Regarding the Mortgage Servicing Rules in Response to the COVID-19 Emergency and the CARES Act, https://files.consumerfinance.gov/f/documents/cfpb_interagency-statement_mortgage-servicing-rules-covid-19.pdf (Apr. 3, 2020).