

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE

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Chairman McNulty Announces a Hearing on Protecting Social Security Beneficiaries from Predatory Lending and Other Harmful Financial Institution Practices

Congressman Michael R. McNulty (D-NY), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing to examine how certain payday lending and other financial institution practices may harm vulnerable Social Security beneficiaries, and may undermine the intent of the Social Security Act. **The hearing will take place on Tuesday, June 24, 2008, in room B-318 Rayburn House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND

Because Social Security and Supplemental Security Income (SSI) benefits are intended to provide basic income, the Social Security Act contains special provisions to protect these benefits from creditors in order to ensure that funds are available for food, clothing and shelter. Social Security Act section 207 (42 U.S.C. 407) states that the right of an individual to any future benefit payment “shall not be transferable or assignable,” and that none of the benefits “shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.” (There are limited exceptions for alimony, child support, and federal debts.)

However, a number of financial institution practices have come to light which may undermine the intent of these protections:

- Banks and credit unions may place a freeze on a beneficiary’s bank account in response to a court

order issued on behalf of creditors or debt collectors seeking to garnish the assets in the account.

- Some banks accept “direct deposits” of Social Security benefits which are then distributed to the beneficiary only through a check-cashing store, with multiple fees charged by the bank as well as the check-cashing store. These “direct-deposit accounts” offer none of the other features of a typical bank account, such as the ability to write checks against the account or use an ATM card.
- Payday lenders and others who steer beneficiaries into such direct deposit arrangements with banks may offer short-term, high-interest loans to beneficiaries, secured by their monthly check. Fees, interest and payments for the loan are then deducted through automatic withdrawals before the beneficiary ever has access to his or her benefits. As a result, beneficiaries often lose control over their monthly check.

The news media and consumer advocates have described how freezing of accounts by banks on behalf of creditors has harmed beneficiaries. Other reports have revealed that certain lenders and check-cashing operations may be targeting vulnerable Social Security and SSI beneficiaries, assessing needless fees for direct deposit arrangements and potentially exerting undue control over a beneficiary’s monthly check. Moreover, the Social Security Administration (SSA), Treasury and the bank regulating agencies have been contemplating a number of policy changes in response to these problems.

In announcing the hearing, Chairman McNulty stated **“The Social Security Act explicitly protects Social Security benefits from certain debt collection procedures and prohibits assignment of benefits to third parties. Yet, certain financial practices may undermine these protections. Beneficiaries should not lose control over how their funds are spent simply because they lack bank accounts and are steered into abusive direct deposit arrangements. Nor should seniors and people with disabilities be required to navigate through complex legal channels in order to ensure that benefit protections are enforced. We owe it to our most vulnerable citizens to ensure that the Social Security Act’s protections are observed by financial institutions.”**

FOCUS OF THE HEARING

The hearing will examine certain financial practices of banks and other institutions regarding account freezes, garnishment of beneficiary accounts, and high-fee direct deposit arrangements with certain payday lenders and check-cashing businesses. It will also evaluate how these practices may conflict with benefit protections in the Social Security Act, examine the response of SSA and federal agencies that regulate financial institution practices, and consider whether further action is required.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “110th Congress” from the menu entitled, “Committee Hearings” (<http://waysandmeans.house.gov/Hearings.asp?congress=18>).


Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Follow the online instructions, completing all informational forms and clicking "submit" on the final page. ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **Tuesday, July 8, 2008**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

 The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.
