



## Protect Our Checks Act

### Background:

Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which included stimulus payments of up to \$1200 for individuals, \$2400 for couples and an additional \$500 per child. These direct payments were intended to provide some measure of relief to working people and families struggling during this economic crisis arising from the COVID pandemic. This crisis has unveiled and exacerbated the challenges facing working families. According to the Federal Reserve, even prior to this crisis, 40% of Americans did not have enough money on hand to cover a \$400 emergency expense and 30% of adults were “one modest financial setback away from hardship.”<sup>1</sup> These economic payments were intended to serve as a financial lifeline for many of those already struggling on the margins.

Yet, recent reports indicate that financial institutions have been seizing stimulus payments from individuals and families with negative account balances to offset debts owed or cover fees like overdraft and late penalties. While the CARES Act protects these payments from garnishment by federal agencies, it failed to provide protections from seizure by creditors and private debt collectors or offsets by financial institutions.

This was followed by troubling news that Treasury officials had greenlit banks use of stimulus payments to pay-off existing debt<sup>2</sup>. In response, Rep. Pressley and Rep. Meeks sent a [letter](#) to the Treasury, Federal Reserve, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency requesting financial regulators issue guidance prohibiting banks from reducing or using stimulus payments to offset any debts owed by the consumer.

### The Protect Our Checks Act

The [Protect Our Checks Act](#) builds on these Congressional oversight efforts to protect stimulus payments from being used to further undermine the economic security of those already struggling. Specifically, this bill would—

- Protect stimulus payments from being garnished by creditors or debt collectors
- Prevent banks and credit unions that receive stimulus payments via deposit on behalf of consumers from using the payment to offset existing debts or cover any fees like late penalties or overdraft fees
- Prohibits states and municipalities from seizing stimulus checks to pay for state and local taxes

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<sup>1</sup> 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)

<sup>2</sup> 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).