



<http://finance.senate.gov>  
Press\_Office@finance-rep.senate.gov

Statement of Senator Chuck Grassley  
Senate Committee on Finance Hearing  
Frozen Out: A Review of Bank Treatment of Social Security Benefits  
September 20, 2007

Section 207 of the Social Security Act prohibits taking Social Security benefits to collect debts unless expressly permitted by law. This section states in relevant part:

“...none of the moneys paid or payable ... under this title shall be subject to execution, levy, attachment, garnishment, or other legal process,... except ... by express reference to this section.”

Similar protections apply to other federal programs, including Supplemental Security Income, civil service retirement, railroad retirement, and veterans benefits. These protections are designed to prevent debt collectors from depriving beneficiaries of subsistence funds necessary for daily living expenses.

Despite these protections, creditors are able to secure state court judgments against Social Security beneficiaries in an effort to collect debts. In response to these judgments, financial institutions place a “freeze” on beneficiaries’ accounts.

State law generally requires the notification of account holders who are subject to a freeze and provides them an opportunity to seek redress through the courts. However, pending a successful court challenge, beneficiaries are denied access to their funds, resulting in financial hardship, bounced checks, and excessive fees.

The purpose of today’s hearing is to examine how the protections afforded under Section 207 are being undermined by current banking and legal procedures and determine what steps can be taken to address this problem.

Specifically, the Committee will seek to ascertain whether it is possible to avoid placing a freeze on protected federal benefits, thereby avoiding any harm, rather than seeking to remove the freeze after the damage has already been done.