

PROTECTIONS FOR FEDERAL BENEFITS DEPOSITED INTO BANK ACCOUNTS

Starting May 1, 2011, most federal benefits in a bank account will automatically be protected from judgment creditors. Creditors can no longer freeze all the money in your bank account. Up to two months worth of federal benefits will be automatically protected.

What federal benefits are protected by the new rule?

Social Security benefits

SSI benefits

Veterans' benefits

Federal Railroad Retirement benefits and Unemployment & Sickness benefits

Federal Civil Service Retirement benefits

Federal Employee Retirement System benefits

How do I make sure my federal benefits are protected by the new rule?

Have your federal benefits direct deposited into your bank account.

How does the rule work?

If a creditor who has a judgment against you wants to garnish the money in your bank account, the creditor must file a request for garnishment, known as a writ, with the court. Once signed by the court, it is served on your bank. The bank must then determine whether it can freeze any of the money in your account. The bank must add up all of the federal benefits direct deposited to your bank account in the last two months. This is the "protected amount." For example, if you get \$800 in Social Security deposited to your account every month, your protected amount in that bank account is \$1,600.

None of your money will be frozen or taken if your balance in that account is less than the protected amount. In addition the bank cannot charge you a garnishment fee from the protected amount. **Remember: keep your account balance below your protected amount!**

What if my account balance is more than my protected amount?

The rule does not protect the balance that is over the protected amount. The amount over the protected amount will be frozen and could be turned over to the creditor, **unless** you file a claim for exemption with the court. Call Legal Aid or another attorney **immediately** if any money in your bank account is frozen by the bank, so you can file a motion to keep your money.

(Over)



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What if my bank account has other money in it besides federal benefits?

It does not matter if you deposit other money into the account. All of the money in the account is protected if the account balance is below the protected amount. Remember, the protected amount is the total of all federal benefits direct deposited to the account in the two months before the garnishment.

I have other bank accounts that do not get deposits of federal benefits. Should I close them?

The new rule only protects money in a bank account where federal benefits are direct deposited. You may be able to protect money from other sources by putting that money in an account that also has direct deposit of federal benefits, as long as your account balance stays below the protected amount. If money in other accounts is frozen, you may be able to protect that money by filing a claim for exemption with the court. You should call Legal Aid or another attorney **immediately** if your bank account is garnished or frozen.

What if I have a bank account that is a joint account with another person such as my spouse?

If federal benefits are directly deposited into the account, the bank will still determine the protected amount and that amount will not be frozen, regardless of how many account holders are on the account.

What if I transfer money to another account from the bank account they were deposited into?

If you transfer money out of the bank account into which they were directly deposited into another account which does not have direct deposit of federal benefits, the transferred amount will not be protected and may be frozen. If money in other accounts is frozen, you may be able to protect that money by filing a claim for exemption with the court.

How will I know if a creditor tries to garnish my bank account?

After a writ of garnishment is served on your bank, the creditor has to send you a notice that it is attempting to garnish your bank account. If your account has federal benefits direct deposited into it, the bank will send you a notice about your rights. The notice will tell you what, if anything, has happened to your account. Call Legal Aid or another attorney if the notice says that money has been frozen or taken, or if you have any questions about what is happening to your account.

Please contact Legal Aid if you have questions or if your bank freezes your account.

Maryland Legal Aid
410-951-7777
800-999-8904

Maryland Senior Legal Helpline
800-896-4213