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Attorney General's Directive to Debt Collectors, Creditors, and Banking Institutions on CARES Act Payments to Vermonters

The Attorney General issues the following directive to all debt collectors, creditors, and financial institutions regarding the exemption, under Vermont law, of payments issued under the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) from garnishment or attachment.

The CARES Act

The CARES Act was signed into law on March 27, 2020, and provides emergency assistance for individuals, families, and businesses affected by the Coronavirus (COVID-19) crisis. Under the Act, eligible individuals and families can receive a [one-time cash payment](#) from the U.S. Treasury Department.

The Act provides for a one-time cash payment of up to \$1,200 for each eligible individual or up to \$2,400 to eligible individuals filing a joint return, and an additional \$500 per dependent child. These payments come in the form of a refundable tax credit, identified as a "recovery rebate" in the Act. Individuals with higher incomes will receive a lesser payment or no payment at all.

Under Vermont law, [12 V.S.A. § 2740\(19\)\(I\)](#), emergency stimulus payments issued through the CARES Act are exempt from garnishment or collection. The law provides that "compensation for loss of future earnings" is exempt from garnishment or collection as a "property traceable to [an individual's] right to receive, to the extent reasonably necessary for the support of [an individual]" and any dependents of the individual.

The Needs of Vermonters and Our Recovery

CARES Act payments are to be preserved to meet the immediate basic needs of all families at a time of extreme economic dislocation: food, rent/mortgage, and utility needs all must be met.

The long-term benefits of ensuring that necessities are met will help Vermont families ensure that temporary hardship does not become impoverishment. The short-term gain that financial institutions may derive from seizure or garnishment will be more than offset by a domino effect that only creates hardship in other sectors. For example, if a financial institution or credit card company seizes the money, then rent or a mortgage may go unpaid. It also may result in a more permanent inability to meet financial obligations.

Our successful recovery as a state will depend on how quickly Vermont's economy can return to normal. The CARES Act payments were designed and intended to go into the pockets of Americans and then ripple through the economy as they are spent at the grocery store, to keep roofs over heads, or to keep the lights on. We are all in this together. Each of us – government, financial institutions, and individual Vermonters – must do our part to help the recovery.

Directive to Debt Collectors, Creditors, and Banking Institutions

The Vermont Attorney General's Office directs debt collectors, creditors, and banking institutions to comply with Vermont law exempting CARES Act payments from collection. In addition, the Attorney General requests that Vermont banking institutions voluntarily suspend any set-offs or other collection activity for overdrafts or other administrative fees that could otherwise jeopardize the receipt, reallocation, and circulation of CARES Act payments.

Effective: April 21, 2020