No Fresh Start in 2019: How States Still Let Debt Collectors Push Families into Poverty

Millions of families have still not recovered from the Great Recession of 2008, and the astronomic growth of the debt buyer and collection industries makes them increasingly vulnerable to seizure of essential wages and property to pay their oldest debts. NCLC surveys the exemption laws of the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. Sadly, ***not one*** jurisdiction's laws meet basic standards so that debtors can continue to work productively to support themselves and their families.

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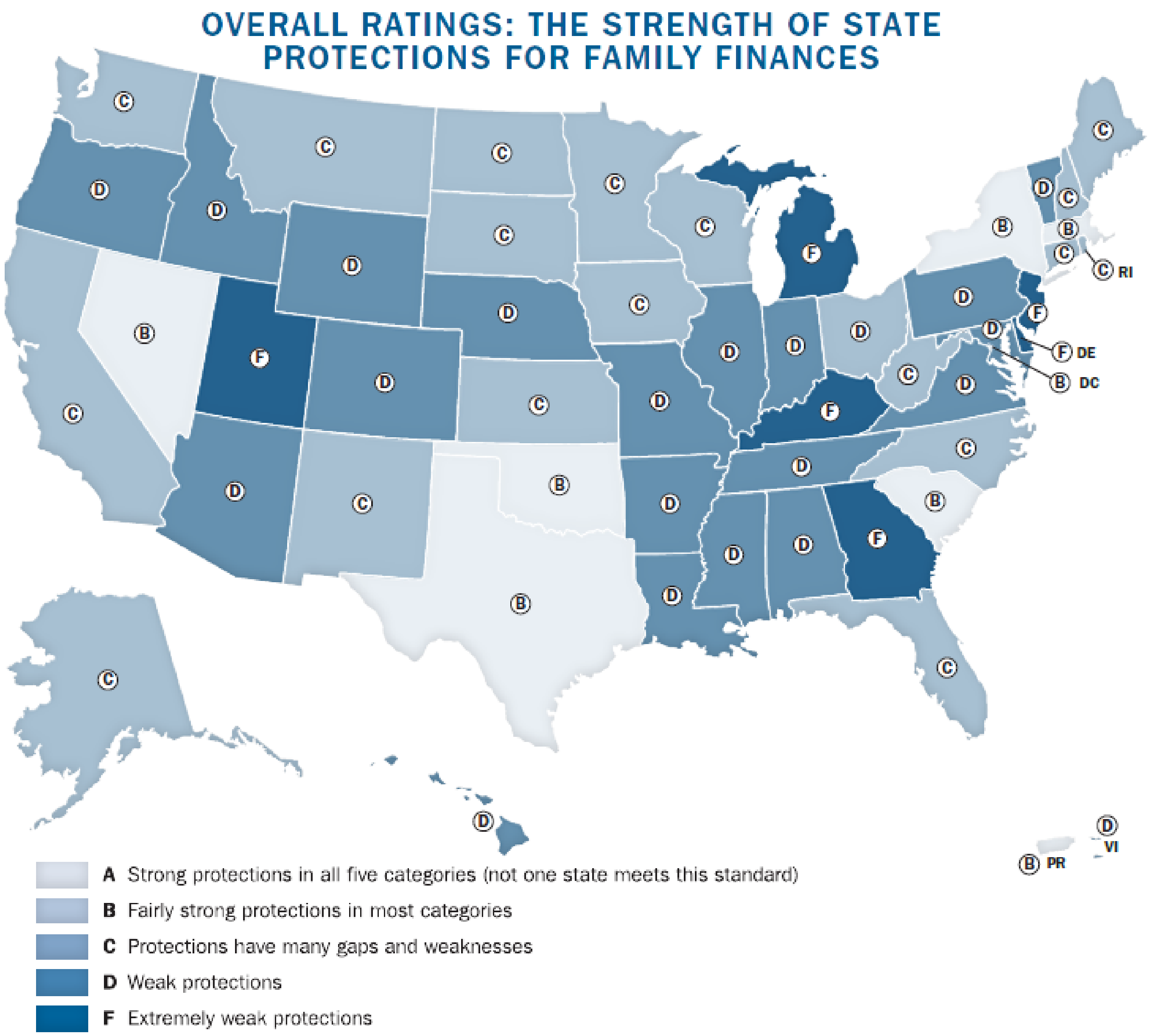
Overview

States’ outdated exemption laws fuel the lucrative and fast-growing debt buyer industry, pushing families into destitution. By updating their exemption laws, states can prevent debt buyers from reducing families to poverty. These protections also benefit society at large, by keeping workers in the work force, helping families stay together, and reducing the demand on funds for unemployment compensation and social services. *Not one* jurisdiction’s laws meet basic standards.



Key Recommendations

State exemption laws should be reformed to:

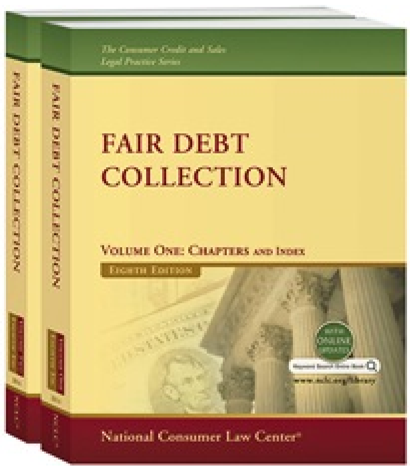
- **Preserve the debtor's ability to work** by protecting a working car, work tools and equipment, and money for commuting and other daily work expenses.
- **Protect the family's housing, necessary household goods, and means of transportation.**
- **Protect a living wage for working debtors** that will meet basic needs and maintain a safe, decent standard of living within the community.
- **Protect at least $3,000 in a bank account** so that debtors can pay rent, daycare, and utilities.
- **Protect retirees from destitution** by restricting creditors' ability to seize retirement funds**.**
- **Be automatically updated for inflation.**
- **Close loopholes that enable some lenders (such as payday lenders) to evade exemption laws.**
- **Be self-enforcing to the extent possible** so that the debtor does not have to file complicated papers or attend court hearings.

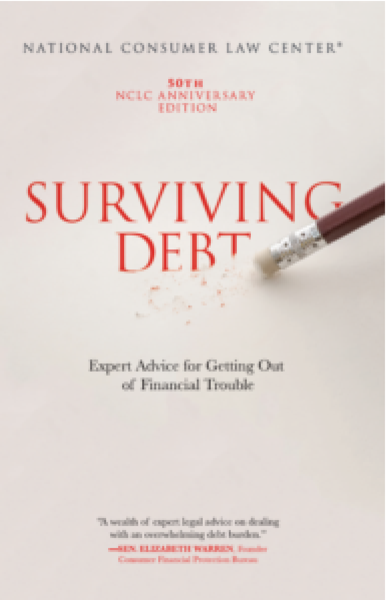
This report builds on NCLC's advocacy, training, publications, and public policy work on fair debt collection to promote family financial well-being. Learn more

***Model Family Financial Protection Act*:**
NCLC has written model language for states to achieve these goals. The model law also includes
steps that states can take to reduce the pervasive abuse of the court system by debt buyers.

Related Publications

- *The Debt Machine: How the Collection Industry Hounds Consumers and Overwhelms the Courts* (July 2010)
- What States Can Do to Help Consumers: Debt Collection, May 2019
- State Debt Collection Fact Sheets, 2018
- For attorneys: *Fair Debt Collection* and *Collection Actions*
- For consumers: *Surviving Debt* (consumer book) and Consumer Debt Advice (free articles)

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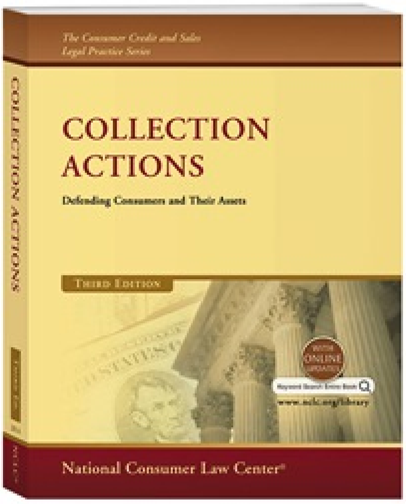
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