

To protect families who are struggling to make ends meet in the face of mushrooming debt, and to help workers and the economy recover from the COVID-19 crisis, Congress should:

- Adopt a temporary moratorium on the garnishment of wages and bank accounts.
- Permanently increase the amount of wages protected from garnishment to prevent pushing families into poverty.
- Adopt new protections for a base amount of funds in bank accounts sufficient to cover a family's essential expenditures, modeled after the protection of Social Security benefits.

Background

Even before the coronavirus crisis, nearly 33% of American households – and up to 42% for communities of color – had [debt in collection](#) on their credit report. The largest category of pre-COVID debts is medical debts. Other major sources of [debt collection activity](#) are credit cards, telecommunications and other utility bills, and student loans. The [eviction crisis](#) will add hundreds of millions in rental debts.

The COVID-19 crisis is exacerbating the debt collection pressure on American households, especially in communities of color. Tens of millions of people have lost their jobs, temporarily or permanently, and many others had their hours cut. The economy may not [fully recover until 2024](#). African Americans are more likely to have [lost their jobs](#) or to [face reduced hours](#). People of color are also disproportionately the [essential workers](#) staffing grocery stores, delivering food and packages, and supporting our doctors. These workers are more likely to [become sick](#), while they lack [paid sick leave](#) or [health insurance](#) – leaving them without pay and with more medical debt.

Millions of families face debt collection lawsuits, leading to [garnishment of wage](#) and funds in bank accounts from those already struggling to make ends meet. Garnishments hit especially hard in communities of color, [where lawsuits are more common](#) and discrimination has deprived people of the [personal and community assets](#) that white communities can rely on to make it through hard times.

Most collection judgments are [obtained by default](#), and debt buyers often [sue the wrong person or pursue the wrong amount](#). The consumer may not even [receive notice](#) of the lawsuit.

Debts persist for decades. Once a creditor obtains a judgment, they have years or even decades to collect it. [Front-line health care workers](#) have had COVID stimulus checks garnished for decades-old judgments. Judgments also skyrocket due to post-judgment interest. Many consumers have no hopes of ever repaying these mounting debts. A garnishment order is often the trigger compelling the consumer to [file for bankruptcy](#).

Garnishments impact businesses. Employers have to deal with the [burden of managing garnishment orders](#) as well as with the stress and distraction that garnishments impose on their demoralized employees. Banks are stuck in the middle when a bank account is seized, having to deal with an upset customer when funds needed for rent or food have been frozen. Garnishments also drive people out of the banking system.

Congress should impose a temporary moratorium on wage and bank account garnishment to stimulate the economy and help families, businesses, and the courts.

A moratorium on garnishment for consumer debts could infuse hundreds of millions or even billions of dollars into the economy at no cost to the federal government. Restoring access to wages and bank

accounts will help families survive and prevent injustices in light of the [difficulty of accessing the courts](#) in the midst of the pandemic. A moratorium will prevent debt collectors from seizing stimulus payments paid as part of the regular tax refund, which are [not protected](#), and will relieve pressure on [overwhelmed courts](#), where [debt collection cases dominate dockets](#). Employers and banks will be able to concentrate on helping businesses and consumers struggling with the pandemic.

Permanent wage and bank account garnishment reform is necessary.

Federal law fails to prevent wage garnishments from pushing people into poverty. The law allows 25% of wages to be garnished as long as the employee is left with 30 times the federal minimum wage per week: \$217.50 today, less than half the already inadequate poverty level for a family of four. Instead, Congress must:

- Increase wage garnishment protection to [\\$1,000 a week](#), which is about the [living wage](#) for one adult and one or two children in low-cost states, though not in high-cost states such as New York or California.
- Clarify that independent contractors are also protected.
- Adjust the current exemption for child support to prevent impoverishment when funds are collected for debts owed to the state rather than to families.
- Protect workers with multiple garnishment orders from retaliation by employers.

Federal law does not protect bank accounts *at all* unless they contain Social Security and other federal benefits. Even the \$217.50 protected from wage garnishment can be seized out of a bank account in many states. Some states shield small amounts of funds in bank accounts but the protections are rarely automatic; the debtor must find an attorney or know about and negotiate a complex legal process. Most impoverished debtors are unable to do so. Moreover, the bank account is frozen until the court orders the funds released, [blocking access to funds needed for food and rent](#). This process is woefully inadequate and has even [caught nurses](#) trying to pay for essentials in the midst of the COVID-19 crisis.

Congress should adopt bank account garnishment protections modeled after the Social Security regulations that:

- Protect [\\$12,000 in bank accounts](#), which is about three months of expenses at a \$1,000/week living wage in low-cost states, but less than two months for a family in high-cost states.
- Make the protection automatic and self-enforcing, designed to mesh with the procedures used to protect Social Security benefits.
- Protect 100% of retirement accounts, such as IRAs, not already protected from garnishment.
- Permit garnishment orders for child support or alimony, with some limits on orders to collect old debts owed to states, not families.

Wage and bank account garnishment reform can also help stave off a [wave of COVID-19 bankruptcies](#).

Debt collectors should stop seizing money that families need to survive. **Garnishment reform will protect families, businesses, and the entire economy.**

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