NO FRESH START 2023

WILL STATES LET DEBT COLLECTORS PUSH FAMILIES INTO POVERTY AS ECONOMIC UNCERTAINTY LOOMS?

NCLC National Consumer Law Center
Fighting Together for Economic Justice

December 2023

National Consumer Law Center

Fighting Together for Economic Justice

ABOUT THE NATIONAL CONSUMER LAW CENTER

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services; and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state governments and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness.

NCLC.ORG

ABOUT THE AUTHORS

Michael Best is a senior staff attorney at the National Consumer Law Center, where he advocates for state policies that protect low-income families' essential income and assets. Previously, he was the director of advocacy outreach at Consumer Federation of America, where he worked to build and strengthen coalitions around consumer advocacy work in the financial services sphere. Before joining the consumer movement, he worked in the labor movement. Michael is a graduate of Northeastern University School of Law and Northeastern University.

Carolyn Carter is deputy director of the National Consumer Law Center and has specialized in consumer law issues for over 30 years. She is co-author or contributing author of a number of NCLC legal treatises, including *Collection Actions*, *Consumer Credit Regulation*, and *Fair Debt Collection*. Previously, she worked for the Legal Aid Society of Cleveland, as a staff attorney and as law reform director, and was co-director of a legal services program in Pennsylvania. She has served as a member of the Federal Reserve Board's Consumer Advisory Council. Carolyn is a graduate of Brown University and Yale Law School and is admitted to the Pennsylvania bar.

ACKNOWLEDGMENTS

NCLC thanks Mary Kingsley, a Massachusetts attorney, for extensive research and analysis; NCLC attorneys April Kuehnhoff, Lauren Saunders, Margot Saunders, John Rao, and Odette Williamson, and NCLC Senior Utility Analyst John Howat for analysis, advice, and review; Senior Fellow Bob Hobbs for his significant contributions to the 2013 version of this report; Chief Communications Officer Michelle Deakin and NCLC Communications Manager Stephen Rouzer for communications support; NCLC's Digital Content Associate Ella Halpine for the design; and NCLC Researcher Anna Kowanko for research and fact-checking. NCLC also thanks the Annie E. Casey Foundation for its long-term support of NCLC's work to advance consumer protections, especially for young adults.

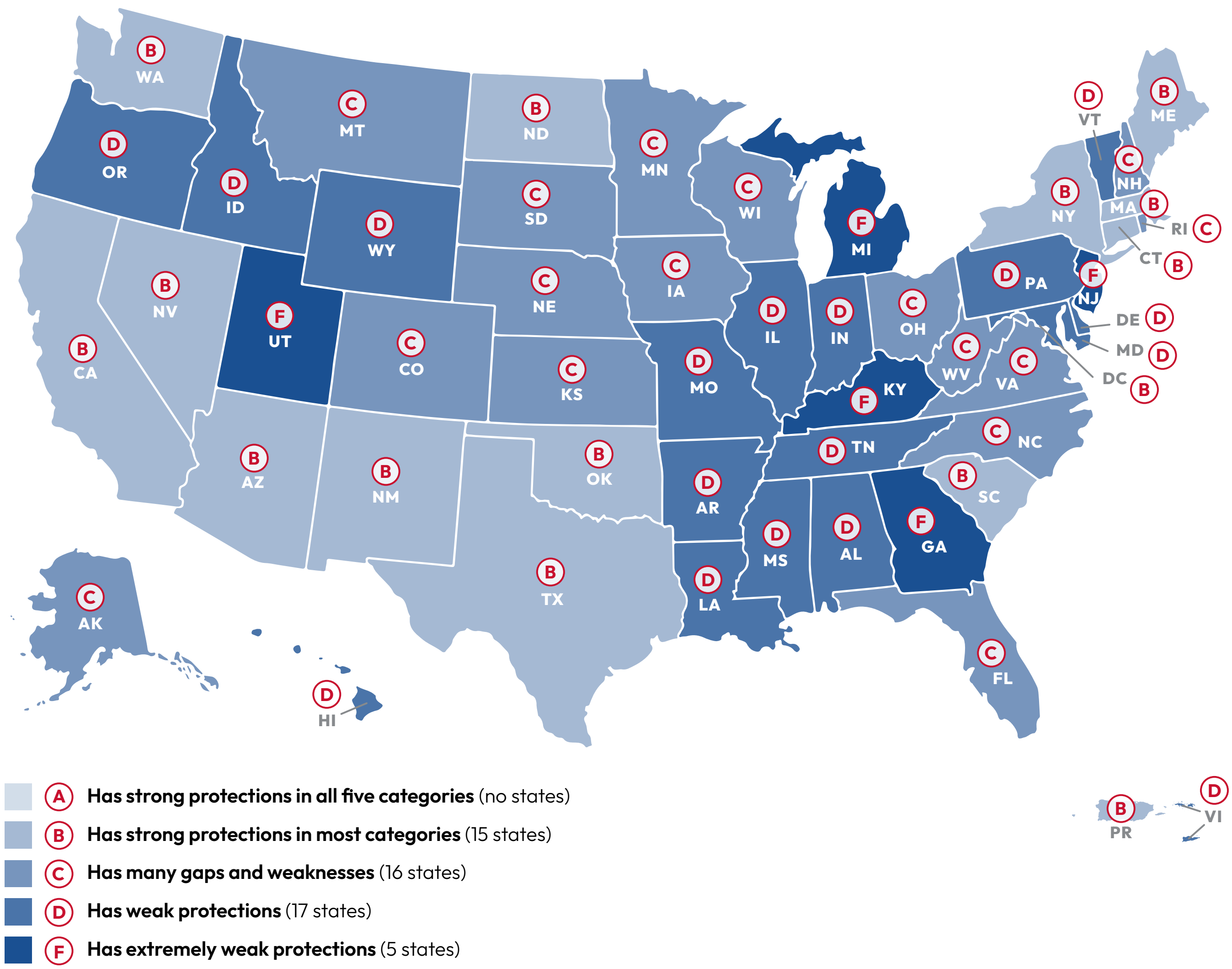
The views expressed in the report are solely those of NCLC and the authors.

NO FRESH START 2023

WILL STATES LET DEBT COLLECTORS PUSH FAMILIES INTO POVERTY AS ECONOMIC UNCERTAINTY LOOMS?

TABLE OF CONTENTS

Map 1: Overall Ratings: The Strength of State Protections for Family Finances



For detail, see protection of wages, the home, the family car, a basic amount in a bank account, and household goods. See the State Summaries for state-by-state explanations of these ratings.

INTRODUCTION

State exemption laws, which protect income and property from seizure by creditors, debt buyers, and the debt collectors they hire, are a fundamental safeguard for families. Exemption laws are designed to protect consumers and their families from poverty and to preserve their ability to be productive members of society and achieve financial rehabilitation.

These protections are particularly important in the current environment of economic uncertainty where the cost of basic necessities have increased, families no longer have pandemic protections to fall back on, and the labor market is cooling.[1] Yet *not one* jurisdiction meets five basic standards:

- Preventing creditors from seizing so much of the debtor's wages that the debtor is pushed below a living wage;
- Allowing the debtor to keep a used car of at least average value;
- Preserving the family's home—at least a median-value home;
- Preserving a basic amount in a bank account so that the debtor's funds to pay essential costs such as rent, utilities, and commuting expenses are not cleaned out; and
- Preventing seizure and sale of the debtor's necessary household goods.

This report details the extent to which states protect families in each of these five areas. It grades the states on each protection, and determines each state's overall average.

BEST STATES: No state attains an A average on these basic protections. **Arizona**, which was the only state rated A last year, fell to a high B because its recently increased homestead exemption no longer protects a median value home. This is an illustration of the importance of future-proofing exemption statutes by either pegging them to a value (like median home value) or indexing them to inflation, so they increase as inflation increases. **Nevada** also rates a high B.

Three states, **New Mexico**, **North Dakota** and **Washington**, moved from Cs to Bs this year. **New Mexico** made a significant overhaul of its exemption statute, including greatly increasing the protections for a family car and home, allowing the use of the higher local minimum wage (rather than the stagnant federal wage) in wage protection calculations, and creating an explicit means of exempting a bank account. **North Dakota** and **Washington** both significantly increased their protection of the family car. **Nebraska** moved from a D to a C this year simply because it adjusted its protection of the family car for inflation, increasing the protection enough to qualify for a higher grade in that category.

We have increased or decreased a number of states' grades for their protection of wages compared to last year. However, as explained in more detail in the discussion below of wages and in our Rating Criteria, most of these changes result from updating our criteria for a C grade to account for inflation, and a change in our method of calculating the protected amount to account for the growing gap between the federal minimum wage and state minimum wages.

WORST STATES: At the opposite end of the scale are several states whose exemption laws reflect indifference to struggling debtors. These states allow creditors—or the debt collectors they hire—to seize nearly everything a debtor owns, even the minimal items necessary for the debtor to continue working and providing for a family. **Georgia**, **Kentucky**, **Michigan**, **New Jersey**, and **Utah** are the worst and rate an F. Meanwhile, **Pennsylvania** and **Wyoming** are nearly as bad, rating low D grades.

WHY STATE EXEMPTION LAWS ARE IMPORTANT

State exemption laws are a fundamental protection for families. Without these laws, once a creditor obtained a ruling from a court that a consumer owed it a sum of money, the creditor could seize the debtor's entire paycheck, bank account, car, and household goods, and sell the debtor's home. Exemption laws place limits on these seizures. They are designed to protect consumers and their families from poverty, and to preserve their ability to be productive members of society and to recover and achieve financial rehabilitation.

The COVID-19 pandemic exposed the enormous gaps in the states' exemption laws. Only when stimulus checks started going out to families' bank accounts did many states realize that they had no protection for a basic amount in a bank account. As workers lost jobs and hours, states scrambled to institute moratoriums on wage seizure, bank account balance seizure, and collection lawsuits. Since then, families have been battered by the highest inflation rates in a generation, and now face a softening labor market and increasing economic uncertainty.

She Didn't Know She Still Owed Money to Her Utility. Then 25% of Her Paycheck Was Gone.

Last November, Kristal Dailey looked at her weekly paycheck and realized about $150 was missing, a quarter of her take-home earnings from a factory just outside Detroit, where she makes just over $18 an hour. "I'm like, 'What the heck is this from?'" she said. Dailey immediately reached out to her company's human resources department. That's when embarrassment and then anger replaced her initial shock. Her check, she learned, was being garnished over a $1,500 debt that was at least five years old. The money was being taken by a collection company she'd never heard of, after a court hearing she hadn't attended. The garnishment went on for more than eight weeks; no matter how much she worked, 25% of her wages were garnished. "It was terrible," she said. "I just had a baby, just got back to work. For them to start taking $150, $160 out was drastic to me."

Source: Excerpted from Sarah Alvarez, *Pro Publica*, "She Didn't Know She Still Owed Money to Her Utility. Then 25% of Her Paycheck Was Gone." (Aug. 19, 2022)

Exemption laws are particularly important because they protect cars, work tools, and other property that consumers need to stay in the workforce. When individuals lose their jobs, the consequences fall not just on them and their families, but also on landlords, local merchants, and other creditors that the consumer might have paid.

Without exemption laws, seizures by debt collectors drain away the wages and resources that families need—and that the local economy needs them to be spending at Main Street businesses. Reform of exemption laws not only protect families from destitution but can also act as an economic stimulus tool that steers money into state and local communities. By protecting families from impoverishment, exemption laws also save costs that taxpayers would otherwise have to bear for services such as emergency shelter and foster care.

Exemption laws also deter predatory lending. Creditors are less likely to make unaffordable loans if they know they will have to rely on the consumer's ability to repay the debt, not on seizure of the consumer's essential property. The gaps in exemption laws also give debt collectors enormous leverage. By threatening to take a debtor's essential personal property, such as the family car or household goods, a debt collector may persuade a debtor to use the money needed for rent or medicine to pay an old credit card bill that ought to be a much lower priority.

Exemption laws are primarily an area of state authority. Federal law requires employers to protect a small amount of a debtor's wages from creditors: 75% of wages or 30 times the federal minimum wage per week. At the current minimum wage of $7.25 an hour, the federal protection does not even reach the poverty level, but states can protect more.

In addition, federal bankruptcy law provides its own set of exemptions for debtors who file bankruptcy. However, states are allowed to opt out and replace the federal bankruptcy exemptions with their own, and many have done so. Moreover, since only a small percentage of consumers in financial distress file for bankruptcy,[2] most distressed consumers depend on the rules that apply in state debt collection lawsuits, not the rules that apply in bankruptcy court, for their protection. Accordingly, while this report includes some federal recommendations, it focuses on the laws that apply to debtors who do not file bankruptcy.

A full analysis of state exemption laws and their interpretation can be found in National Consumer Law Center's *Collection Actions* (5th ed. 2020). An appendix to that book includes detailed summaries of each state's exemption laws.

Toxic Mix: How the Wealth Gap Creates a Bigger Debt Burden for Black and Latino/Hispanic Families

The extent to which states protect consumers' income and assets from seizure by creditors is particularly important for communities of color, as weak exemption laws build on, and widen, the racial wealth gap. Communities of color are disproportionately burdened by debt,[3] and disproportionately subject to judgments in collection lawsuits[4] and wage seizure.[5]

These disparities are not surprising, given the country's vast and long-standing racial wealth gap. The median income for white households in 2022 was nearly $80,000, compared to just over $51,000 for Black households, and just under $66,000 for Latino/Hispanic households.[6]

Differences in assets needed to weather shocks are even more stark. When hit with challenging financial times, Black and Latino/Hispanic households have less of a safety net to draw on. While white families had a median wealth of $285,000 in 2022, Black families had just $44,900 and Latino/Hispanic families just $61,600.[7] A typical white family had $8,100 in reserve for emergencies in 2019, compared to just $1,500 for Black families and $2,000 for Latino families.[8]

Not only do communities of color have fewer assets to cushion financial shocks, but they are also more likely to experience those shocks or to have income so low that even small bumps are mountains. Black and Latino households also disproportionately experience unemployment[9] and are disproportionally represented in the poverty population compared to their share of the total population.[10]

The roots of these disparities can be traced in part to systematic, government-sponsored exclusion of Black families from homeownership opportunities, the most significant form of wealth-building and financial stability for most Americans. For example, when the federal government first embarked on a program of long-term federally backed mortgage loans in the 1930s to enable Americans to become homeowners, it systematically excluded Black neighborhoods.[11] Today, Black and Latino households have far lower homeownership rates compared to white households. In 2022, while the homeownership rate for white households was 75%, Black and Latino households had rates of just 45% and 57% respectively.[12] Black and Latino borrowers who do own homes pay hundreds of millions of dollars more, collectively, on their mortgages every year, due to higher average interest rates.[13]

Households of color often must spend more on everyday expenses as well. For instance, Black households pay hundreds of dollars more a year on their energy bills than white households,[14] and families in predominantly non-white urban neighborhoods pay more for food.[15] Black borrowers owe, on average, $25,000 more in student loans than white borrowers,[16] and are charged higher interest rates on car loans and more for car insurance.[17] Neighborhoods of color are also disproportionately targeted by predatory lenders.[18]

HOW STATE EXEMPTION LAWS WORK

Exemption laws come into play when a creditor goes to court and obtains a judgment against a consumer. A judgment is a decision from the court that the consumer owes a specific sum of money. The creditor can then take steps to seize the consumer's wages or property to pay the debt. Typically, the creditor asks the court or an official, such as a sheriff, to seize property (attachment), order the consumer's employer to withhold a portion of the consumer's wages (wage seizure or wage garnishment), or order a bank to pay the consumer's funds to the creditor (bank account seizure or garnishment). The creditor can also place a "judgment lien" on the consumer's real estate and then foreclose on that lien, forcing sale of the home.

The state's exemption laws specify how much of the consumer's wages and property the creditor can seize and how much it cannot seize. As discussed in more detail later in this report, a growing number of states make a protection for the debtor's bank account self-executing: the court instructs the bank to protect the exempt amount.

In addition, most aspects of the states' protections for a debtor's wages are self-executing—the garnishment papers that the employer gets instruct the employer to calculate the amount that is protected from seizure and to turn over only any wages above that amount. However, some states include a protection that depends on some individual characteristic of the debtor, such as hardship, the number of dependents, or whether the debtor has recently received public assistance. Creditors or employers may ignore these important protections, taking the position that they are nullities unless the debtor goes to court or takes some other affirmative step to claim them.

Regardless of the size of an exemption, it is much more likely to be effective if it is structured to be self-executing. If a debtor has to file papers to claim an exemption, or take time off work to attend court hearings, the percentage of debtors who actually benefit from the protection the legislature created is likely to be very small. These steps are often daunting for consumers, who are typically left to navigate the judicial system on their own without attorneys. Since more than 70% of debt suits are default judgments,[19] where working people never get heard in court, a self-executing protection is the only way most people will ever get the benefit the law is meant to give them.

Many states provide earmarked exemptions for particular types of property. For example, **Arizona** exempts a home worth up to $400,000, a car worth $15,000, $5,000 in a bank account, and $15,000 in household goods. Other states provide a wildcard exemption—one that the debtor can use to protect a variety of types of property. For example, **Mississippi** protects a home worth $75,000, but then provides a $10,000 wildcard exemption to cover the debtor's car, bank account, household goods, and all other property. Since different debtors will choose to apply a wildcard exemption in different ways, it is hard to compare the level of protection that a state provides for a particular type of property. In this report we have therefore assumed that a debtor will apply most of a wildcard first to protect a family car, then to protect a basic amount in a bank account, and then, if any of the wildcard is left, to protect household goods. This approach standardizes the treatment of the wildcard and avoids double-counting it.

Because of inflation and changes in society, exemption laws can become irrelevant simply due to the passage of time. States can reduce the erosion of these critical protections by building in automatic inflation adjustments. **Alaska** is one example: the dollar amounts in its exemption law are adjusted by statute every second year to reflect changes in the Consumer Price Index. Laws in **Alabama**, **Arizona**, **California**, **Indiana**, **Maine**, **Minnesota**, **Nebraska**, **New York**, **Ohio**, **South Carolina**, and **Utah** also provide for automatic inflation adjustments.[20] It is surprising that more states have not adopted this simple, yet fair and effective approach.

PROTECTION OF WAGES: CAN A CREDITOR REDUCE A DEBTOR TO BELOW THE POVERTY LEVEL?

Protection of wages is one of the most important roles of exemption laws. When creditors seize a consumer's wages, the employer is required to take the money from the consumer's paycheck and send it to the creditor. The consumer never sees that money and cannot use it to pay higher-priority obligations, such as rent, food, and childcare. Instead, the money goes to pay old credit card debts, written-off medical bills, or the amount still owed after a car was repossessed and sold. Year after year, the wages of about four million workers are seized for consumer debts.[21]

Wage seizure can doom a family's efforts to stay afloat. In most states, an employer is even permitted to fire a worker whose wages are seized for more than one debt.[22]

Since 1970, federal law has protected 75% of a wage earner's paycheck or 30 times the federal minimum wage, whichever is greater. This means that wage seizure will not reduce a debtor's paycheck below $217.50 (30 times the current federal minimum wage of $7.25 an hour). But a weekly paycheck of $217.50 places even a single individual who has no dependents below the federal poverty level.[23] For a family of four, $217.50 per week is *less* *than half* of the federal poverty guideline ($576.92).[24] Even if it were doubled, the federal minimum wage would still be far below a living wage for most families.[25]

Federal law gives states the option of protecting a larger portion of a debtor's paycheck if they choose. Yet only 13 jurisdictions protect even a poverty-level wage for a family of four, and eight jurisdictions do not go beyond the federal minimum at all.

Map 2: State Protection of Wages

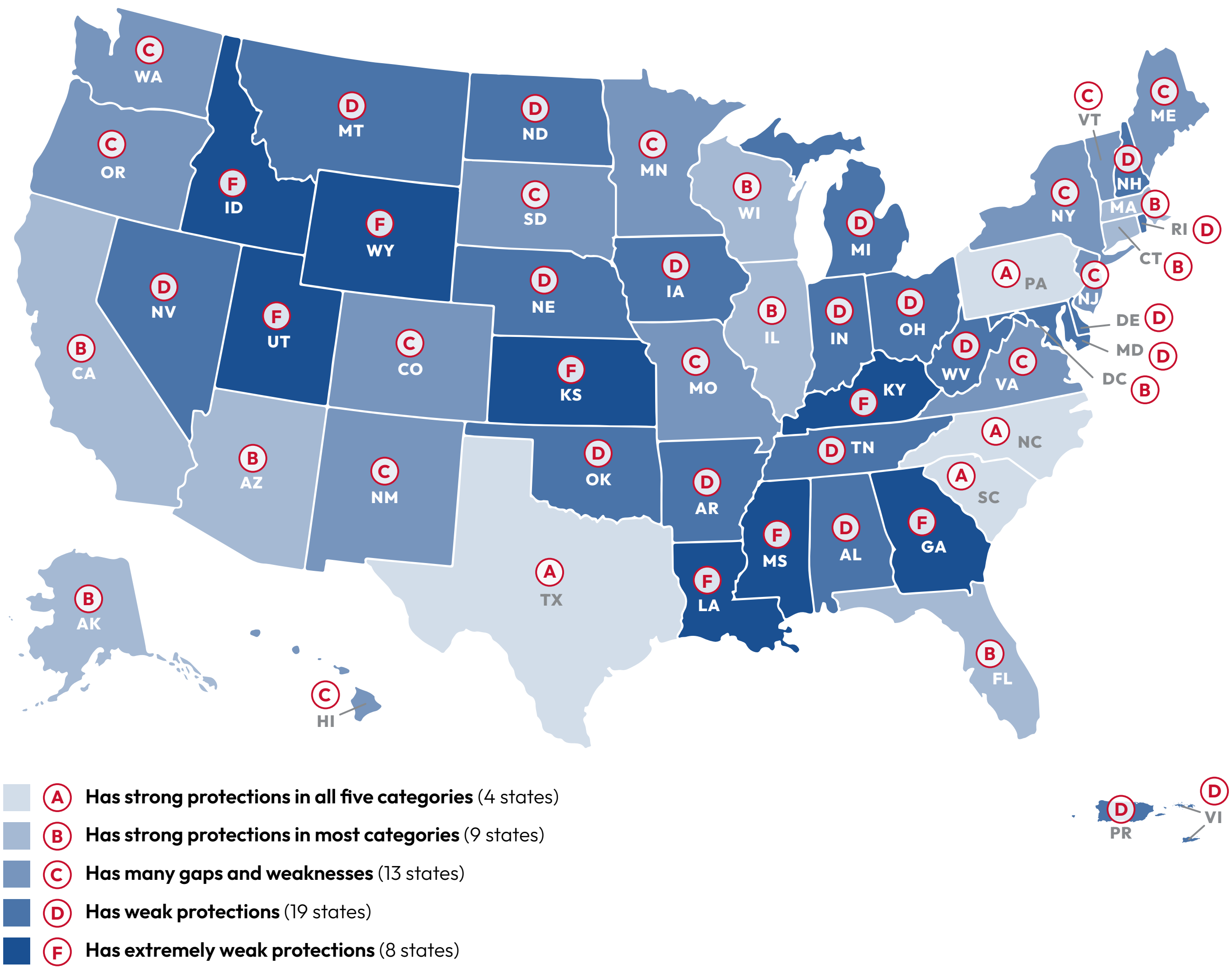


Table 1 lists the states that fall into each category. See our Rating Criteria for details and our State Summaries for state-by-state information.

THE BEST STATES: Four states ban wage seizure entirely for typical consumer debts:

- North Carolina
- Pennsylvania (but with a major weakness that allows wage seizure for debts arising out of residential leases[26])
- South Carolina
- Texas

These four states earn an A rating for protection of wages. Nine additional jurisdictions—**Alaska**, **Arizona**, **California**, **Connecticut**, **the District of Columbia**, **Florida**, **Illinois**, **Massachusetts**, and **Wisconsin**—at least prevent a debt collector from reducing a family to below the poverty level, and receive a B rating, though their protections may be insufficient to protect a living wage.

THE WORST STATES: Eight jurisdictions—**Georgia**, **Idaho**, **Kansas**, **Kentucky**, **Louisiana**, **Mississippi**, **Utah**, and **Wyoming**—are rated F. They protect no more of a worker's wages than the federal minimum: $217.50 a week, less than half the poverty level for a family of four.

Table 1: State Protection of Wages

NCLC's *Model Family Financial Protection Act* Recommendation: **$1,000 of disposable income (to be adjusted for inflation); if debtor earns more than this amount, 10% of excess (15% if weekly disposable income exceeds $1,200)**

STATE	STATUTE PROTECTS	AMOUNT PROTECTED (per week for full-time minimum wage worker)
"A" States that Ban Wage Garnishment for Most Debts		
North Carolina	All wages exempt	
Pennsylvania	All wages exempt for most debts (but with a major loophole for landlord-tenant debt)	
South Carolina	All wages exempt	
Texas	All wages exempt	

STATE	STATUTE PROTECTS	AMOUNT PROTECTED (per week for full-time minimum wage worker)
"B" States that Protect Enough Wages So That Paycheck Does Not Drop Below the Poverty Level ($576.92 per week for family of four)		
Alaska	$743 per week if debtor is sole support of debtor's household	$743
Arizona	60 times the highest applicable minimum wage (federal, state ($13.85/hour), or local), or 90% of disposable earnings. May be reduced to 5% in case of "extreme economic hardship" to debtor or family.	$831
California	80% of disposable earnings or 48 times the state (15.50/hour) or local minimum wage. If debtor earns more than 48 times the state minimum wage, 40% of the amount in excess of 48 times the state minimum wage can be seized.	$744
Connecticut	75% of wages or 40 times federal or state ($15/hour) minimum wage	$600
District of Columbia	40 times D.C. minimum wage ($17/hour); wage seizure limited to 25% of amount in excess of this amount; amount protected can be increased if undue hardship is shown	$680
Florida	$750 if wage earner is head of family	$750
Illinois	85% of gross wages or 45 times federal or state ($13/hour) minimum wage	$585
Massachusetts	85% of gross wages or 50 times the greater of the federal or state ($15/hour) minimum wage	$750
Wisconsin	Federal poverty amount, based on family size, is exempt; also allows hardship exemption	$577
"C" States that Protect at Least $400 per Week		
Colorado	80% of disposable income or 40 times state minimum wage ($13.65/hour)	$546
Hawaii	Protects all but 5% of the first $100 in wages, all but 10% of next $100, and all but 20% of remainder. Calculation assumes 40 hours at state minimum wage ($12/hour).	$409
Maine	75% of wages or 40 times federal or state ($13.80/hour) minimum wage	$552

STATE	STATUTE PROTECTS	AMOUNT PROTECTED (per week for full-time minimum wage worker)
Minnesota	75% of wages or 40 times federal or state ($10.59/hour) minimum wage. Also exempts wages of anyone who is, or was within the last 6 months, eligible for public assistance.	$423.60
Missouri	90% of wages for head of family. Calculation assumes 40 hours at state minimum wage ($12/hour). Also allows reduction in case of hardship.	$432
New Jersey	90% of wages if under 250% of poverty. Calculation assumes 40 hours at state minimum wage ($14.13/hour).	$508.68
New Mexico	75% of wages or 40 times highest applicable minimum wage. State minimum wage is $12/hour.	$480
New York	90% of gross wages, or 30 times federal or state minimum wage. State minimum wage varies from $14.20 to $15/hour. Also prohibits wage seizure if debtor receives public assistance or would be qualified to receive it if wages were reduced by the garnishment.	$540
Oregon	Protects the greater of 75% of wages or $254/week. Calculation assumes 40 hours at state minimum wage ($15.45/hour).	$463.50
South Dakota	80% of wages or 40 times federal or state ($10.80/hour) minimum wage, plus $25 per dependent	$482
Vermont	For debt arising from consumer credit transaction, 85% of wages or 40 times federal minimum wage; more if debtor shows need. Percentage calculation assumes 40 hours at state minimum wage ($13.18/hour).	$448.12
Virginia	75% of wages or 40 times federal or state ($12.00) minimum wage. If household income does not exceed $1,750/month, additional exemptions of $34/week for one child, $52/week for two, and $66/week for three or more.	$480
Washington	For consumer debt, 80% of disposable earnings or 35 times state minimum wage ($15.74/hour)	$550.90

STATE	STATUTE PROTECTS	AMOUNT PROTECTED (per week for full-time minimum wage worker)
"D" States that Preserve More of a Worker's Wages Than the Minimum Required by Federal Law		
Alabama	By statute, protects only the federal minimum, 75% of wages or 30 times federal minimum wage. However, the state constitution provides a $1,000 wildcard for personal property, and an intermediate state appellate court decision holds that this can be applied to exempt up to $1,000 in wages in the hands of the debtor's employer. While the state supreme court has not yet spoken, the existence of this decision justifies raising the state's rating to a D.	$217.50, but may be able to protect more with wildcard.
Arkansas	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but since worker will be paid at state minimum wage, $11/hour, 75% of that will be more than federal minimum.	$330
Delaware	85% of wages protected. Since worker will be paid at state minimum wage, $11.75/hour, 85% of that will be $399.50.	$399.50
Indiana	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but allows reduction in case of hardship	$217.50, but allows reduction in case of hardship.
Iowa	For debts arising from consumer contract, 75% of wages or 40 times minimum wage; also places dollar cap on amount that can be garnished in a year	$290
Maryland	75% of wages or 30 times state minimum wage ($13.25/hour)	$397.50
Michigan	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage. Percentage calculation assumes 40 hours at state minimum wage ($10.10/hour).	$303
Montana	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage. Percentage calculation assumes 40 hours at state minimum wage ($9.95/hour).	$298.50

STATE	STATUTE PROTECTS	AMOUNT PROTECTED (per week for full-time minimum wage worker)
Nebraska	85% of wages for head of household. Calculation assumes 40 hours at state minimum wage ($10.50/hour).	$357
Nevada	82% of wages or 50 times federal minimum wage. Percentage calculation assumes 40 hours at state minimum wage ($11.25/hour).	$369
New Hampshire	50 times federal minimum wage	$362.50
North Dakota	75% of wages or 40 times federal minimum wage, plus $20 per dependent	$330
Ohio	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage. Percentage calculation assumes 40 hours at state minimum wage ($10.10/hour).	$303
Oklahoma	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but allows hardship exemption.	$217.50, but allows hardship exception
Puerto Rico	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but percentage calculation assumes 40 hours at state minimum wage ($8.50/hour).	$255
Rhode Island	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, but percentage calculation assumes 40 hours at state minimum wage ($13/hour). Also prohibits wage seizure for one year after receipt of public assistance.	$390
Tennessee	Federal minimum (75% of wages or 30 times federal minimum wage), plus $2.50 per week for each dependent child under age 16	$222.50
Virgin Islands	90% of wages. Calculation assumes 40 hours at state minimum wage ($10.50/hour).	$378
West Virginia	80% of wages or 50 times federal minimum wage; more can be exempted upon showing of hardship if debt arises from consumer credit sale, consumer lease, or consumer loan, or as court deems just	$362.50

STATE	STATUTE PROTECTS	AMOUNT PROTECTED (per week for full-time minimum wage worker)
"F" States that Protect Only the Federal Minimum		
Georgia	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage, except for private student loans	$217.50
Idaho	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50
Kansas	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50
Kentucky	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50
Louisiana	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50
Mississippi	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50
Utah	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50
Wyoming	Only protects the federal minimum, 75% of wages or 30 times federal minimum wage	$217.50

Note: *In calculating the amount protected, we assume that the debtor is the head of household, has two dependent children, and is working 40 hours a week at the state or federal minimum wage, whichever is higher. For this 2023 report, the standard for a C grade has been adjusted from $350 to $400 to account for inflation.*

CNN report: UAMS sued more than 8,000 patients since 2019 to collect medical debt

"The University of Arkansas for Medical Sciences has sued more than 8,000 patients, including hundreds of its own employees, to collect on unpaid medical bills since 2019[. ...] Most of the lawsuits involved unpaid bills of about $1,000 or less, with some as little as $100, and many resulted in additional court fees or wage garnishment for the defendants. [...] “Y’all say you’re for the people, but how am I going to survive when you’re taking hundreds of dollars out of my paycheck?” one hospital housekeeper said anonymously due to fear of retaliation."

Source: Arkansas Advocate

A Note About This Year's Criteria

Many wage seizure laws protect the higher of two calculations—one based on a flat amount, such as $750 or 30 times the federal or state minimum wage, and the other based on a percentage of the worker's weekly earnings. Up until now, for the percentage-based calculations, we have assumed that our sample worker is working full-time at the federal minimum wage.

However, as the federal minimum wage continues to stagnate, more states have increased their own minimum wages. As a result, the gap between the state and federal minimum wage has increased and will make more of a difference in the percentage calculation. Although not all workers are covered by state minimum wage laws, we have decided that, in a state with a higher minimum wage than the federal minimum, we should assume that a full-time worker is earning 40 times the state minimum wage, and the percentage of earnings should be based on that figure. This results in protecting a greater amount of wages in a number of states and raises several states' grades. However, this is not because of an improvement in state wage seizure laws but just because of our revision of our calculation method.

We have also, for this report, changed our criteria for rating states' wage seizure laws. We initially set the criterion for a C grade at $350—if a state protected $350 or more per week, it would earn a C grade. We chose $350 as the criterion because it was halfway between the amount protected by federal law ($217.50) and the federal poverty level. But the federal poverty level has increased with inflation, so the halfway point is now $400. We have therefore replaced $350 with $400 as the criterion for a C grade.

Three other rating criteria—those for the family car, a bank account, and household goods—are also being eroded by inflation. In 2024, we plan to increase these criteria to take inflation into account. (Our rating criterion for protection of the family home is based on the median home price in the state, so already has a built-in inflation adjustment.)

NCLC's *Model Family Financial Protection Act* suggests protecting at least $1,000 per week of wages (to be adjusted for inflation).[27] If the debtor nets more than that amount but no more than $1,200 a week (the approximate equivalent of $70,000 a year in gross wages), 10% of the excess amount can be seized. If the debtor earns more than that, 15% can be seized. The model law thus allows creditors to make use of wage seizure, but it protects a debtor from a disastrous reduction in the income necessary to meet daily expenses. In a few states, $1,000 per week might be sufficient to protect close to a living wage, but states with high costs of living should consider protecting more.

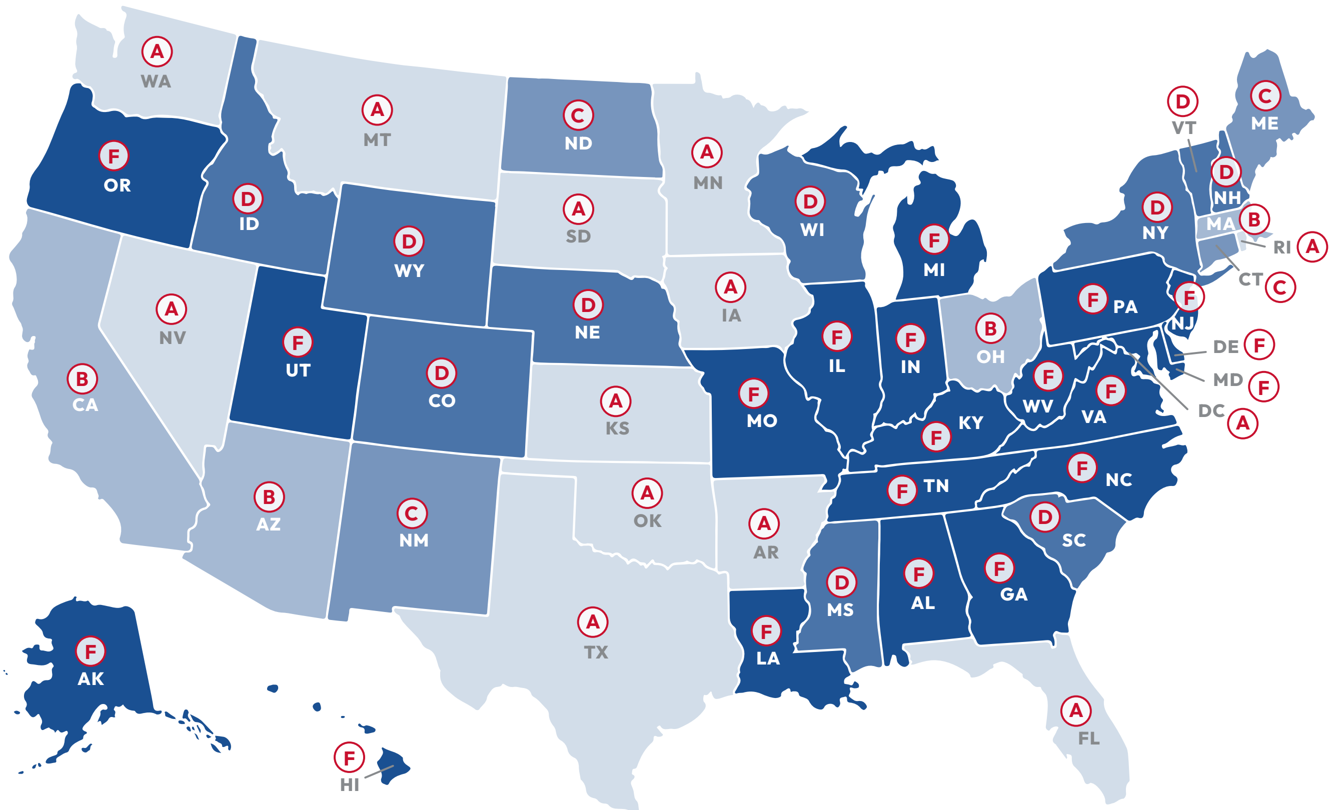
A growing issue is whether wages retain their exemption after deposit in a bank account. There is no federal protection for wages once deposited. A state's failure to protect wages after deposit in a bank account enables creditors to evade the protection of the consumer's wages by going directly to the bank account and cleaning it out. This danger is increasing as more employers use direct deposit to pay their workers. Whether states protect wages after deposit—or, better yet, provide a general protection for a basic amount in a bank account—is discussed here in connection with our evaluation of state protections for bank accounts.

PROTECTING THE FAMILY HOME FROM CREDITORS

Protection of the family home from creditors is one of the fundamental purposes of exemption laws. Loss of the home can mean a loss of support networks. It can also mean loss of a job if the family cannot find replacement housing within commuting distance. For a farm family, loss of the home means loss of their source of support. Losing the family home is particularly hard on children, as it often means that they must change schools and leave friends and relatives behind. The mere existence of a judgment lien— the first step toward seizing a home—can be an obstacle to selling or refinancing a home or financing repairs to it.[28]

Map 3: Protection of the Family Home

Table 2 lists the states that fall into each category. See our Rating Criteria for details and our State Summaries for state-by-state information.



- **A** **Protects the family home regardless of value, or protects a median-priced home in the state** (14 states)
- **B** **Protects a home worth 75% to 99% of state median price** (5 states)
- **C** **Protects a home worth 50% to 74% of state median price** (4 states)
- **D** **Protects a home worth 25% to 49% of state median price** (10 states)
- **F** **Provides little or no protection for the family home** (20 states)

BEST STATES: Fourteen jurisdictions receive an A rating because they protect at least the median value of a home. Nine of these jurisdictions protect the family home regardless of value: **Arkansas**, **the District of Columbia**, **Florida**, **Iowa**, **Kansas**, **Oklahoma**, **Puerto Rico**, **South Dakota**, and **Texas**. All of these jurisdictions except the **District of Columbia** and **Puerto Rico** place limits on the number of acres that the exempt homestead can include.

The remaining five jurisdictions that achieve an A rating—**Minnesota**, **Montana**, **Nevada**, **Rhode Island**,[29] and **Washington**—have a dollar cap on the amount of the homestead exemption, but the cap is high enough so that a median-priced home in that state is exempt. Arizona and Massachusetts formerly fell into this category, but both states have fallen from an A to a B this year because the median home price in the state has increased beyond the protection. This a good reason for states to adopt NCLC's recommendation to tie the exemption to the median home price in a state, or simply protect a home regardless of value.

WORST STATES: Twenty jurisdictions—**Alabama**, **Alaska**, **Delaware**, **Georgia**, **Hawaii**, **Illinois**, **Indiana**, **Kentucky**, **Louisiana**, **Maryland**, **Michigan**, **Missouri**, **New Jersey**, **North Carolina**, **Oregon**, **Pennsylvania**, **Tennessee**, **Utah**, **Virginia**, **West Virginia**—rate an F. These states protect less than 25% of the median home value in their state. Their exemption amounts are so small that they are likely to save only a heavily mortgaged home.

Seven of this final group of states—**Delaware**, **Kentucky**, **Maryland**, **Michigan**, **New Jersey**, **Pennsylvania**, and **West Virginia**—are especially deserving of an F grade because they provide no realistic protection at all for the family home. **Pennsylvania**, for example, provides a wildcard exemption of just $300. The debtor can apply this exemption to a car, household goods, a home, or other property. **Delaware** allows the head of a household to apply a $500 wildcard exemption to the family home. Only if the debtor files bankruptcy is a realistic homestead exemption ($125,000) available, but even that is less than half the median home value in the state. **New Jersey** provides no exemption at all that can be applied to a home. **Maryland** provides a $6,000 homestead exemption; **Kentucky** and **West Virginia** allow $5,000; and **Michigan**'s exemption is just $3,500.

Table 2: Protection of the Family Home

NCLC's Model Family Financial Protection Act Recommendation: **median house price**

STATE	AMOUNT OF PROTECTION
"A" States that Protect the Family Home Regardless of Value	
Arkansas	Limit on number of acres, but no dollar cap
District of Columbia	No dollar cap if head of family
Florida	Limit on number of acres, but no dollar cap
Iowa	Limit on number of acres, but no dollar cap
Kansas	Limit on number of acres, but no dollar cap
Oklahoma	Limit on number of acres, but no dollar cap
Puerto Rico	No dollar cap
South Dakota	Limit on number of acres, but no dollar cap
Texas	Limit on number of acres, but no dollar cap
"A" States that Protect a Median-Priced Home in the State	
Minnesota	$480,000
Montana	$378,560
Nevada	$605,000
Rhode Island	$500,000
Washington	$125,000 or median sale price of home in the county
"B" States that Protect a Home Worth 75% to 99% of State Median Price	
Arizona	$400,000
California	$339,195 or median price of home in the county, with cap of $678,391
Massachusetts	$500,000 (if recorded as homestead)

STATE	AMOUNT OF PROTECTION
Ohio	$161,375
Virgin Islands	$300,000
"C" States that Protect a Home Worth 50% to 74% of State Median Price	
Connecticut	$250,000
Maine	$160,000
New Mexico	$150,000
North Dakota	$150,000
"D" States that Protect a Home Worth 25% to 49% of State Median Price	
Colorado	$250,000
Idaho	$175,000
Mississippi	$75,000
Nebraska	$60,000
New Hampshire	$120,000
New York	$179,975 (in the 10 most populous counties)
South Carolina	$67,100
Vermont	$125,000
Wisconsin	$75,000
Wyoming	$100,000
"F" States that Provide Little or No Protection for the Family Home	
Alabama	$18,850
Alaska	$72,900
Delaware	$500

STATE	AMOUNT OF PROTECTION
Georgia	$21,500
Hawaii	$30,000
Illinois	$15,000
Indiana	$22,750
Kentucky	$5,000
Louisiana	$35,000
Maryland	$6,000 wildcard can be applied to real property
Michigan	$3,500
Missouri	$15,000
New Jersey	None
North Carolina	$35,000
Oregon	$40,000
Pennsylvania	$300 wildcard can be applied to real property
Tennessee	$35,000
Utah	$48,700
Virginia	$25,000, plus wildcard of $5,000 and $500 per dependent
West Virginia	$5,000 if parent or married person

Elders who have lived in a home a long time and have paid down their mortgages are particularly likely to face loss of their homes in states that have low homestead exemptions. The reason is that a creditor's ability to force the sale of a home typically depends on whether the debtor's equity in it is less than the exemption amount. Accordingly, a home with a large mortgage debt may be exempt even if the home's market value would exceed the exemption amount. The reason is that, if the creditor forced the sale of a mortgaged home, the proceeds would go first to pay off the mortgage debt and only the amount left after that would go toward the creditor's debt. By contrast, an older homeowner may have a low mortgage balance or no balance, so will be more vulnerable to a forced sale of the home.

Some states—even some states that provide little or no other protection for the home—recognize a doctrine called "tenancy by the entireties" under which a home owned by a married couple cannot be subjected to a forced sale by a creditor unless both spouses owe the debt. This legal doctrine protects some homes, but it has limited application since often both spouses owe the debt. In addition, it provides no protection at all to widows, widowers, and divorced or single parents who incur debts, even though they may be most in need of protection.

As noted above, some states protect the debtor's home regardless of its value, usually with a limit on acreage, such as a half-acre in an urban area or 160 acres in a rural area. This approach most clearly recognizes the importance of the home. However, this approach has engendered controversy because of occasional attempts by wealthy individuals to shield all their assets from creditors by moving to one of these states and investing all their assets in an exempt home. While these cases are exceedingly rare, they may have made states reluctant to adopt uncapped homestead exemptions. NCLC's *Model Family Financial Protection Act* provides a homestead exemption tied to the median home price in the state.

Exempting the family home does not leave the creditor empty-handed. Typically, homestead exemption laws are structured so that a judgment creditor—a creditor that has obtained a court ruling that the debtor owes a specific sum—can place a lien on the family home. Some states preclude execution on this lien (that is, they prevent the judgment creditor from forcing a sale of the home). However, when the family sells the home, the creditor can take any proceeds that exceed the exempt amount. The creditor may even be able take the exempt amount if the debtor does not use the sale proceeds promptly to buy a new home. Alternatively, if the home is not sold while the judgment debtor is alive, the creditor is paid when the homeowners die.

THE FAMILY CAR: CAN A BREADWINNER CONTINUE TO GET TO WORK?

For many workers, a car is essential to employment. Many wage earners have to work substantial distances from their homes. Public transportation may be unavailable, so infrequent that it is difficult to use, or closed on evenings and weekends when they need to work. Even those whose jobs are near public transportation may be unable to work unless they have a car to take children to and from daycare.

Loss of a car can place a family on a downward trajectory that leads to job loss and a cascade of unpaid utility bills, deferred medical care, unpaid rent, and eviction or foreclosure. The effect of allowing creditors to seize the family car has wide ramifications, hurting not just the consumer and the consumer's family but also the consumer's landlord, the local utility provider, and other creditors that the consumer would like to pay.

Map 4: Protection of the Family Car

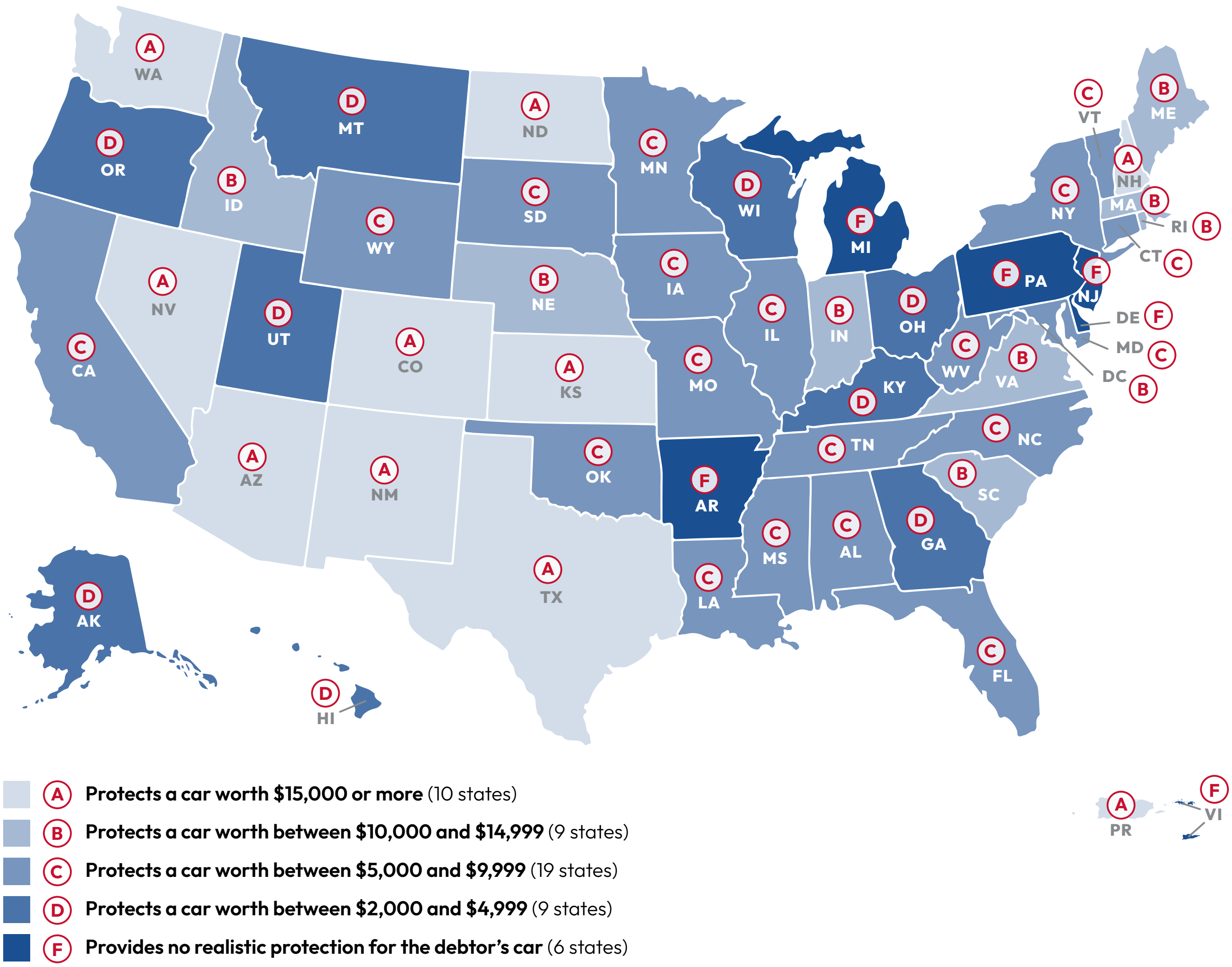


Table 3 lists the states that fall into each category. The ratings for AL, AR, CT, DE, DC, FL, GA, ID, IL, IN, IA, ME, MD, MA, MS, MO, NE, NH, NJ, NM, NY, NC, ND, PA, SC, SD, TN, TX, VT, VA, WA, and WV are based in whole or in part on use of a wildcard (an exemption that can be used to protect items of the debtor's choice). See our Rating Criteria for details, and our State Summaries for state-by-state information.

NCLC's *Model Family Financial Protection Act* gives a debtor a $15,000 exemption for a car. This is considerably less than the average $29,472 retail price for a used vehicle.[30] However, since that average is based on all vehicles, reducing it to $15,000 might be sufficient in at least some circumstances to protect a low- or mid-priced vehicle that a struggling debtor is more likely to be driving. We have therefore, at least for now, continued to use $15,000 as the standard for an A rating. However, in 2024 we plan to update this standard for inflation.

In states that provide wildcard exemptions, there are complexities in evaluating whether a state meets this standard. A wildcard is an exemption that is not earmarked for a particular category of property. Instead, the debtor has some choices about which property to apply it to. For example, Illinois provides a $2,400 exemption for a car and a $4,000 wildcard exemption, but no exemption for a bank account or household goods. A debtor could use the $4,000 wildcard to increase the protection for the car to $6,400, or to protect some household goods or a basic amount in a bank account.

To treat these wildcards in a uniform way so that state-to-state comparisons are possible, in this report we assume that any wildcard is used first to increase the exemption for a car to as close to $15,000 as possible. If there is any remaining amount, it is used to protect a small bank account, and then any remainder after that is used to protect household goods. (However, if the wildcard is at least $3,000 and there is no other protection for a bank account or household goods, we have set aside $1,000 of it for those purposes). If the state makes the wildcard available only to a debtor who does not claim a homestead exemption, this report treats it as available. Details and specifics about these protocols are found in our Rating Criteria.

BEST STATES: Only 10 jurisdictions—**Arizona** ($15,000), **Colorado** ($15,000), **Kansas** ($20,000), **Nevada** ($15,000), **New Hampshire** ($10,000 plus all of one wildcard and part of a second), **New Mexico** ($10,400 plus part of a wildcard), **North Dakota** ($10,000 per year plus part of a wildcard), **Puerto Rico** (if the car is needed for work), **Texas** ($15,000 through use of a wildcard), and **Washington** ($15,000 plus $1,000 of a wildcard)—preserve at least a $15,000 vehicle from seizure by creditors. These jurisdictions receive an A rating. Several other states, such as **Louisiana**, **Massachusetts**, and **Minnesota**, protect a car worth $15,000 or more, but only if the car is specially modified for use by a disabled person (or, in the case of **Massachusetts**, if the debtor is elderly).[31]

WORST STATES: Six jurisdictions—**Arkansas** ($500), **Delaware** ($500), **Michigan** ($1,000), **New Jersey** ($1,000), **Pennsylvania** ($300), and the **Virgin Islands** ($0)—provide no realistic protection for a family's car and are rated F. In four of these states, an exemption of $1,000 or less is all that is available to protect not just the debtor's car but also any other personal property the debtor owns, including household goods (and in the case of **Pennsylvania** the debtor's home as well).

Table 3: Protection of the Family Car

NCLC's Model Family Financial Protection Act Recommendation:
$15,000 car ($25,000 if adapted for disability), plus $10,000 wildcard

STATE	AMOUNT OF PROTECTION
"A" States that Protect a Car Worth $15,000 or More	
Arizona	$15,000
Colorado	$15,000
Kansas	$20,000
Nevada	$15,000
New Hampshire	$15,000 (amount includes a wildcard*)
New Mexico	$15,000 (amount includes a wildcard*)
North Dakota	$15,000 (amount includes a wildcard*)
Puerto Rico	No limit on value if used in occupation
Texas	$15,000 (through use of a wildcard*)
Washington	$15,000 (amount includes a wildcard*)
"B" States that Protect a Car Worth Between $10,000 and $14,999	
District of Columbia	$10,500 (amount includes a wildcard*)
Idaho	$11,500 (amount includes a wildcard*)
Indiana	$11,100 (through use of a wildcard*)
Maine	$10,500 (amount includes a wildcard*)
Massachusetts	$13,500 (amount includes a wildcard*)
Nebraska	$10,940 (amount includes a wildcard*)
Rhode Island	$12,000
South Carolina	$13,400 (amount includes a wildcard*)
Virginia	$11,000 (amount includes a wildcard*)

STATE	AMOUNT OF PROTECTION
"C" States that Protect a Car Worth Between $5,000 and $9,999	
Alabama	$9,425 (through use of a wildcard*)
California	$7,500
Connecticut	$8,000 (amount includes a wildcard*)
Florida	$5,000 (amount includes a wildcard*)
Illinois	$5,400 (amount includes a wildcard*)
Iowa	$8,000 (amount includes a wildcard*)
Louisiana	$7,500
Maryland	$5,000 (through use of a wildcard*)
Minnesota	$5,200
Mississippi	$9,000 (through use of a wildcard*)
Missouri	$5,550 (amount includes a wildcard*)
New York	$6,000 (amount includes a wildcard*)
North Carolina	$7,500 (amount includes a wildcard*)
Oklahoma	$7,500
South Dakota	$6,000 (through use of a wildcard*)
Tennessee	$9,000 (through use of a wildcard*)
Vermont	$9,900 (amount includes a wildcard*)
West Virginia	$6,000 (amount includes a wildcard*)
Wyoming	$5,000
"D" States that Protect a Car Worth Between $2,000 and $4,999	
Alaska	$4,050
Georgia	$4,000 (through use of a wildcard*)
Hawaii	$2,575

STATE	AMOUNT OF PROTECTION
Kentucky	$2,500
Montana	$4,000
Ohio	$4,450
Oregon	$3,000
Utah	$3,000
Wisconsin	$4,000
"F" States that Provide No Realistic Protection for the Debtor's Car	
Arkansas	$500 (through use of a wildcard*)
Delaware	$500 (through use of a wildcard*)
Michigan	$1,000 if necessary for debtor to carry on trade or occupation
New Jersey	$1,000 (through use of a wildcard*)
Pennsylvania	$300 (through use of a wildcard*)
Virgin Islands	None

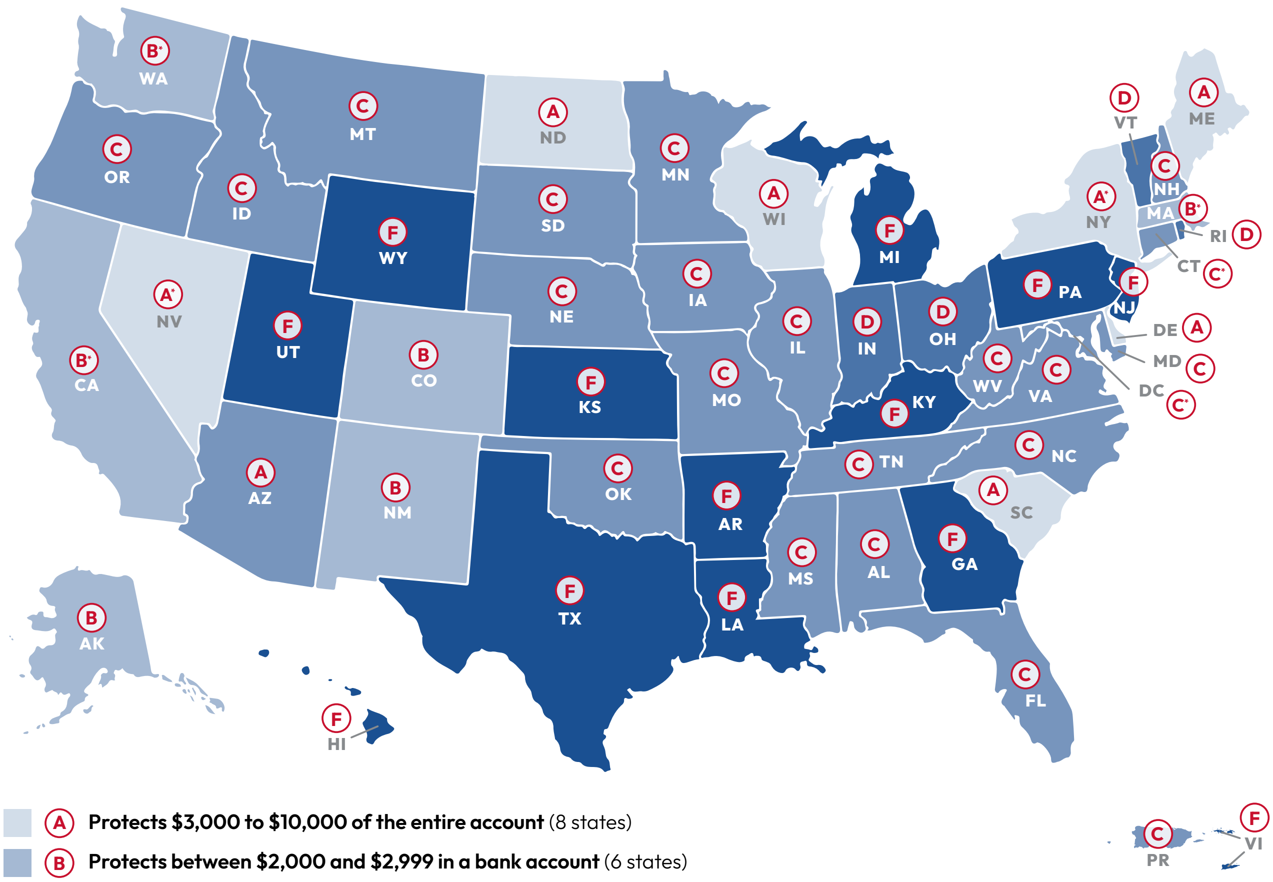
**This table assumes that, if the state allows a "wildcard" exemption (one that is not limited to a particular category of property, but can be used to protect items of the debtor's choice), the debtor will apply all or most of it first to protect a car up to $15,000 in value.*

PROTECTING A BASIC AMOUNT IN A BANK ACCOUNT

Even if a state's exemption laws protect a debtor's wages, home, and car, a debtor needs access to a basic amount of cash to commute to work, buy groceries, and make the upcoming rent or mortgage payment or the next payment on the family car. A debtor who is left without cash may also be unable to pay for transportation, daycare, utility service, and other necessities. An additional cushion is necessary to handle irregular expenses such as car repairs and medical expenses, potential income shocks such as unemployment or a cut in hours, and savings needed for retirement.

Every state except **Delaware** gives a creditor the right to seize funds in a bank account in the debtor's name once the creditor has obtained a judgment from a court determining that the debtor owes a debt. Many states allow the creditor to clean out the account completely, protecting at most a few special types of accounts such as college savings accounts or a few types of funds, such as state benefits. Only a few states set a fixed amount that the creditor cannot touch.

Map 5: Protection of Family Bank Accounts



- Ⓐ **Protects $3,000 to $10,000 of the entire account** (8 states)
- Ⓑ **Protects between $2,000 and $2,999 in a bank account** (6 states)
- Ⓒ **Protects between $1,000 and $1,999 in a bank account, or treat deposited wages as exempt** (22 states)
- Ⓓ **Protects between $300 and $999 in a bank account** (4 states)
- Ⓕ **Protects less than $300 in a bank account** (13 states)

* The protections in CA, CT, DC, MA, MD, NV, NY, and WA are in whole or in part made explicitly self-executing.

Table 4 lists the states that fall into each category. The ratings for AL, DC, FL, IL, MD, MS, NE, NV, NH, NM, NC, ND, OR, SD, TN, VA, and WA are based in whole or in part on use of a wildcard (an exemption that can be used to protect items of the debtor's choice). See our Rating Criteria for details and our State Summaries for state-by-state information.

Protecting bank accounts is particularly important in light of the growing practice by employers to pay wages electronically through direct deposit. If a creditor can clean out the debtor's bank account, this can amount to seizure of 100% of the debtor's wages, in effect nullifying the federal and state limits on wage seizure. Some state wage seizure laws are interpreted to protect wages even after they are deposited in a bank account, but typically these laws are not self-executing: the debtor must go to court and present evidence tracing the funds on deposit to specific wage deposits. Many debtors will not know about this protection, and even if they do, this process can take weeks and will be daunting for many debtors. In the meantime, the account is frozen, so the debtor cannot pay the rent, transportation, car payment, or mortgage payment, and any outstanding checks will bounce. The resulting overdraft fees that will be imposed when the next paycheck is deposited are likely to undermine the debtor's ability to pay the next month's bills, creating a rapid downward spiral.

The same result can occur for day laborers and workers in the gig economy. In many states, their earnings are not protected by the wage seizure laws. If those earnings are deposited into a bank account, the entire amount is vulnerable to seizure by a creditor.

The Importance of Self-Executing Protections

Legal protection on paper is meaningless if it does not apply in practice. Self-executing protections, which do not rely on a debtor knowing the law or having access to an attorney, are the best way to ensure that the law is enforced.

In 2010, a group of federal agencies led by the U.S. Department of the Treasury addressed the problem of protecting federal benefits, such as Social Security, that are direct-deposited into the beneficiary's bank account. Even though federal law makes Social Security and other similar federal benefits immune from seizure for most purposes except child support, creditors were seizing those funds once they were deposited. To reverse the seizure of the benefits, the beneficiary had to navigate the court system and prove the source of the funds. In the meantime, the beneficiary had no access to these essential benefits, and any checks the beneficiary had written—for rent or anything else—were bouncing.

In 2010, the Treasury Department adopted a rule that requires a bank that receives a garnishment order to determine whether the bank account contains electronically deposited exempt federal benefits. If it does, the bank must protect the last two months of those deposits.[32]

The beauty of the Treasury rule's protection is that it is self-executing. The bank protects the funds. No action on the part of the beneficiary is necessary—the beneficiary does not have to know their rights, file papers in court, attend court hearings, or present evidence about the source of the funds. The account is not frozen while the beneficiary tries to navigate the judicial system.

At least seven states—**California**, **Connecticut**, **Nevada**, **Maryland**, **Massachusetts**, **New York**, and **Washington**—have taken the Treasury rule's approach and explicitly applied it to all bank accounts, creating a self-executing protection for a specified amount ranging from $400 in **Nevada** to $3,600 in **New York**, and **Delaware** bans bank account seizure altogether. A self-executing protection for a specified dollar amount, without regard to the source of the funds, ensures that the exemption will achieve its purpose of protecting the debtor, saves time and money for the legal system, and relieves banks of the need to do complicated accounting or assist the debtor in tracing the source of the funds. These states serve as models for the nation in how to make an exemption for a bank account effective in achieving its goal of protecting the funds that families need to survive.

HOW THE STATES RATE

Our analysis of states' protection of bank accounts is from the point of view of a debtor who is supporting a family and renting a home or apartment. When a family's bank account is cleaned out, that often means that the rent money is gone, as well as the money the family set aside for other essential monthly bills and future needs.

Some states provide a targeted exemption for a bank account, while others provide a wildcard that can be used to protect a bank account. When a state takes the wildcard approach, we have assumed, for purposes of uniformity, that the debtor will apply the wildcard first to the extent necessary to protect a car, and then, if possible, will protect a basic amount in a bank account. However, some states provide wildcards that can only be used for tangible personal property, not for a bank account, and some states provide no means at all to exempt a basic amount in a bank account. Table 4 describes how we applied wildcards to bank accounts, and our State Summaries provide state-by-state explanations of how we applied wildcards and other exemptions. See Rating Criteria for more detail about how we applied wildcards.

In rating the states, we give a state an A if it protects $3,000 or more in a bank account. However, $3,000 is a very modest protection. As the estimated median monthly rent for a two-bedroom apartment in 2023 in the United States is about $1,320,[33] preserving $3,000 in a bank account could enable a family to pay rent, plus at least some other essential expenses, for one month. But the median rent in a metropolitan area can greatly exceed $1,100 per month, and a two-bedroom unit will be too small for many families. $3,000 is less than half of the average monthly expenses for a family of four.[34] It is well below the monthly income HUD uses to define a "low income family," and less than even the income for a "very low-income family."[35]

In addition, exemption laws should protect more than one month's worth of regular income. Families need funds for irregular expenses like car or home repairs or medical expenses. They need a cushion for income shocks like a layoff, a cut in hours, or the need to take time off for medical reasons or child or elder care. And exemption laws should not promote poverty for seniors by allowing assets and savings needed for retirement to be completely wiped out. Bankrate.com recommends an emergency fund of 3 to 6 times a family's monthly costs.[36] NCLC's *Model Family Financial Protection Act* recommends an exemption for $12,000 in a bank account.

We give a state a B if it protects between $2,000 and $2,999, and a C if it either protects $1,000 to $1,999 or provides that deposited wages are protected. States that protect between $300 and $999 rate a D, and states that protect less than $300 rate an F.

Since our ratings are based primarily on the amount protected, they give only part of the picture. For example, while our rating system gives **California** just a B because the amount protected is less than $3,000, the self-executing nature of its protection means that, in practice, it is more beneficial to families than the exemptions in states that protect a higher dollar amount but are not self-executing.

BEST STATES: **Delaware** is the top state, banning all bank account seizures. **Arizona**, **Maine**, **Nevada**, **New York**,[37] **North Dakota**, **South Carolina**, and **Wisconsin** protect $3,000 to $10,000 in a bank account through an earmarked exemption or a wildcard. We give these seven states an A rating.

WORST STATES: Thirteen jurisdictions—**Arkansas**, **Georgia**, **Hawaii**, **Kansas**, **Kentucky**, **Louisiana**, **Michigan**, **New Jersey**, **Pennsylvania**, **Texas**, **Utah**, **the Virgin Islands**, and **Wyoming**—rate an F. These states provide no means for a debtor to exempt any amount in a bank account or protect only a few specialized types of accounts such as college tuition accounts.

Table 4: Protection of Family Bank Accounts

NCLC's Model Family Financial Protection Act Recommendation:
$12,000 in a bank account

STATE	AMOUNT OF PROTECTION
"A" States that Protect $3,000 or More in a Bank Account	
Arizona	$5,000

STATE	AMOUNT OF PROTECTION
Delaware	Prohibits garnishment of bank account
Maine	$3,000 self-executing protection
Nevada	$10,400, $400 of which is self-executing (amount includes a $10,000 wildcard*)
New York	$3,600 (240 times the greater of the state or federal minimum wage, currently $15/hour in NYC area, less in rest of state)
North Dakota	$3,000 (uses $3,000 of two wildcards* that total $32,500, $25,000 of which is available only if debtor does not claim a homestead exemption)
South Carolina	$6,700 (available only if debtor does not claim a homestead exemption)
Wisconsin	$5,000
"B" States that Protect Between $2,000 and $2,999 in a Bank Account	
Alaska	$2,970 is protected if a person who is supporting a family does not receive weekly, biweekly, or monthly earnings
California	Wages remain exempt after deposit; in addition, California has a self-executing protection for $2,080
Colorado	$2,500
Massachusetts	$2,500 self-executing protection
New Mexico	$2,400 (through use of a wildcard specifically earmarked for bank accounts*)
Washington	$2,000, of which $1,000 is a self-executing protection (uses $2,000 of a $3,000 wildcard* that is available if the debt is a consumer debt)
"C" States that Protect Between $1,000 and $1,999 in a Bank Account, or Protect Deposited Wages	
Alabama	$1,000 (uses $1,000 of two wildcards* that total $10,425)
Connecticut	Self-executing $1,000 protection
District of Columbia	$1,000 (uses $1,000 of $8,925 in wildcards,* all but $850 of which is available only if debtor does not claim a homestead exemption)

STATE	AMOUNT OF PROTECTION
Florida	$1,000 (uses $1,000 of $5,000 in wildcards,* $4,000 of which is available only if debtor does not claim a homestead exemption), plus wages remain exempt after deposit
Idaho	Wages remain exempt after deposit; this protection is automatic if wages were electronically deposited
Illinois	$1,000 (uses $1,000 of a $4,000 wildcard*)
Iowa	Wages remain exempt after deposit
Maryland	$1,500 (uses $1,000 of a $6,000 wildcard* plus a $500 earmarked self-executing protection)
Minnesota	Wages remain exempt after deposit
Mississippi	$1,000 (uses $1,000 of a $10,000 wildcard*)
Missouri	Wages remain exempt after deposit
Montana	Wages remain exempt after deposit
Nebraska	$1,000 (uses $1,000 of a $5,000 wildcard*), plus wages remain exempt after deposit
New Hampshire	$1,000 (uses a wildcard* that ranges from $1,000 to $8,000 depending on what other exemptions debtor takes)
North Carolina	$1,000 (uses $1,000 of a $5,000 wildcard* that is available only if debtor does not claim a homestead exemption), plus wages remain exempt after deposit
Oklahoma	Wages remain exempt after deposit
Oregon	Wages remain exempt after deposit; $400 wildcard* may also be used
Puerto Rico	Wages remain exempt after deposit
South Dakota	$1,000 (uses $1,000 of a $7,000 wildcard*)
Tennessee	$1,000 (uses $1,000 of a $10,000 wildcard*)
Virginia	$1,000 (uses $1,000 of a $6,000 wildcard*)
West Virginia	$1,100
"D" States that Protect a Car Worth Between $2,000 and $4,999	
Indiana	$450

STATE	AMOUNT OF PROTECTION
Ohio	$550
Rhode Island	$500
Vermont	$700
"F" States that Provide No Realistic Protection for the Debtor's Car	
Arkansas	No protection
Georgia	No protection
Hawaii	No protection
Kansas	No protection
Kentucky	No protection
Louisiana	No protection
Michigan	No protection
New Jersey	No protection
Pennsylvania	No protection
Texas	No protection
Utah	No protection
Virgin Islands	No protection
Wyoming	No protection

**This table assumes that, if the state allows a "wildcard" exemption (one that is not limited to a particular category of property, but can be used to protect items of the debtor's choice), the debtor will apply all or most of it first to protect a car up to $15,000 in value, and then the remainder to protect up to $3,000 in a bank account if the state does not provide an earmarked exemption for a bank account. In some states, the wildcard exemption is also the only exemption available to protect a home. See our [Rating Criteria] for details and our [State Summaries] for state-by-state information.*

STOPPING CREDITORS FROM THREATENING SEIZURE OF A DEBTOR'S HOUSEHOLD GOODS

Household goods usually have little resale value. Seizing them and selling them does little to pay off a debt. The costs of seizure and sale can even exceed the proceeds of the sale.

Yet, while the consumer's household goods are of little use to the creditor, they are of enormous value to families. Without beds, tables, chairs, a stove, a refrigerator, and other furniture and appliances, parents cannot maintain a household for themselves and their dependents.

Threats to seize household goods are often merely a debt collector's harassment tactic rather than an actual way of recovering debts. Yet the mere threat to take a consumer's household goods, even when the creditor rarely or never follows through, places tremendous pressure on families. The threat can induce consumers to pay old written-off credit card and other low-priority debts rather than high-priority obligations such as rent and utility bills.

Map 6: Protection of Family Household Goods

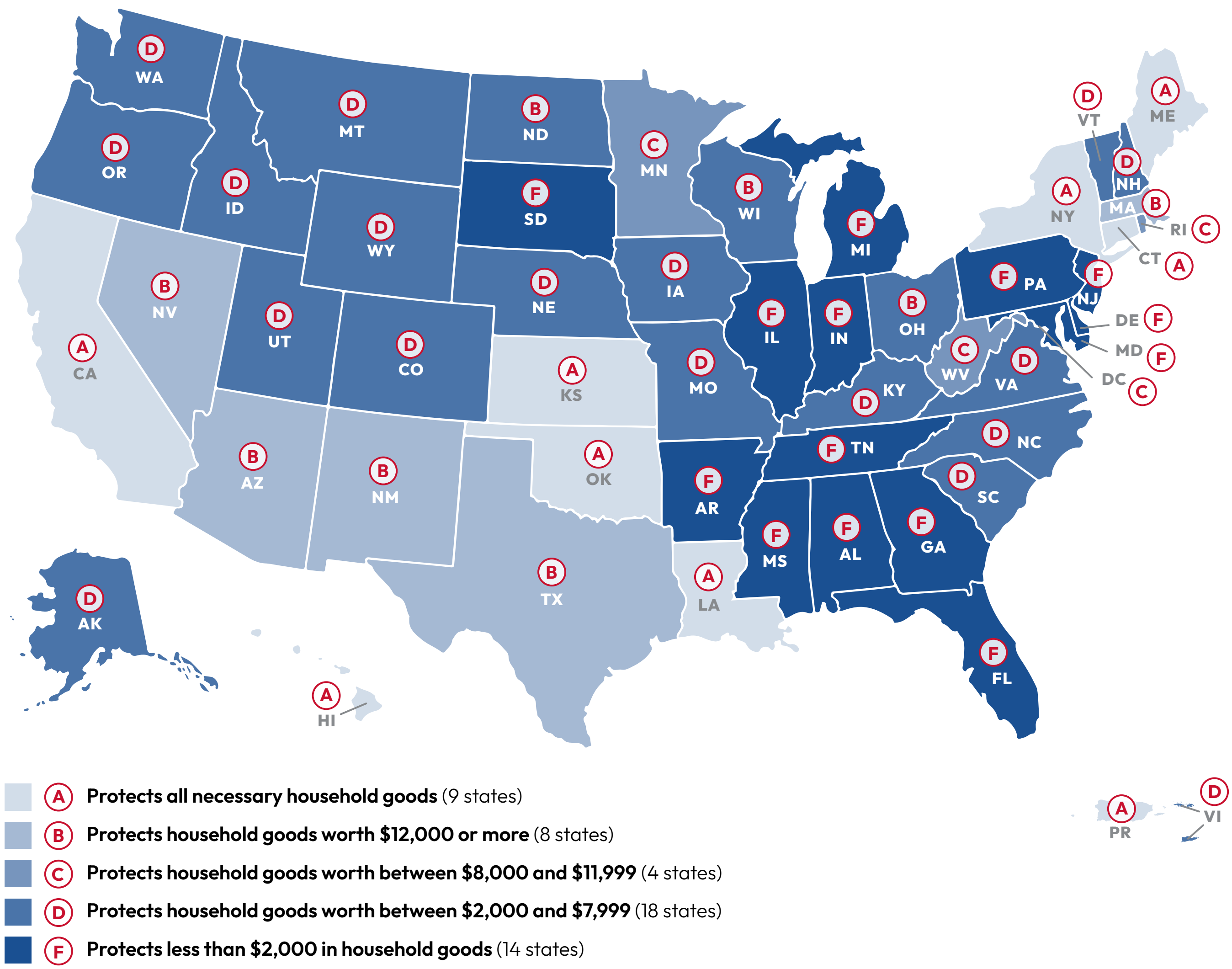


Table 5 lists the states that fall into each category. The ratings for GA, IN, ND, NM, and TX are based in whole or in part on use of a wildcard (an exemption that can be used to protect items of the debtor's choice). In a number of other states, the wildcard was exhausted by applying it to a car or bank account. See our Rating Criteria for details and our State Summaries for state-by-state information.

BEST STATES: The strongest approach is to protect all of a consumer's necessary household goods and appliances. Seven jurisdictions—**California**, **Connecticut**, **Hawaii**, **Kansas**, **Maine** (with a cap on the amount of any individual item), **Oklahoma**, and **Puerto Rico**—follow this approach. Two additional jurisdictions—**New York** and **Louisiana**—achieve a similar result by exempting lists of household goods that include all or almost all of the essential items a family is likely to have. We have given each of these nine states an A rating. New Mexico previously protected all necessary household goods, but as part of the exemption statute's overhaul (which resulted in many positive changes) this protection was reduced to an earmarked $75,000 protection (which can be supplemented by an $8,000 in wildcard).

Other states allow the consumer to exempt household goods up to a dollar amount. Often a wildcard—an exemption that can be applied to protect items chosen by the debtor, up to a certain aggregate dollar amount—comes into play as well. In this report we have assumed, for the sake of uniformity, that the debtor would apply any wildcard first to protect a car and a basic amount in a bank account (see our Rating Criteria), and only apply any remaining amount to protect household goods. However, debtors would have to make their own individual choices. Some states also provide a separate exemption for certain specified household items, such as beds or certain appliances, so in those states a general exemption for household goods or a wildcard exemption may stretch a little farther. We give states a B rating if they protect household goods worth $12,000 or more, a C rating if it is between $8,000 and $11,999, a D rating if it is between $2,000 and $7,999, and an F rating if the state protects less than $2,000 in household goods.

WORST STATES: Fourteen jurisdictions—**Alabama**, **Arkansas**, **Delaware**, **Florida**, **Georgia**, **Illinois**, **Indiana**, **Maryland**, **Michigan**, **Mississippi**, **New Jersey**, **Pennsylvania**, **South Dakota**, and **Tennessee**—protect virtually none of the debtor's household goods, and are rated F. For example, **Arkansas** provides a $200 exemption ($500 if the debtor is married or the head of a household), which must cover all personal property. **Delaware** provides just a $500 exemption for all personal property except work tools, clothing, and bedding. This shocking indifference to debtors and their families means that creditors can clean out a family's home even though used household goods typically have little or no resale value.

Table 5: Protection of Household Goods

NCLC's Model Family Financial Protection Act Recommendation: **all household goods, but creditor can seek court order to seize any item worth over $3,000**

STATE	AMOUNT OF PROTECTION
"A" States that Protect All Necessary Household Goods	
California	All necessary household goods
Connecticut	All necessary household goods
Hawaii	All necessary household goods
Kansas	All necessary household goods
Louisiana	No dollar cap for extensive list of household goods used by debtor or family
Maine	No dollar cap
New York	Extensive list of household goods, including all furniture, with no dollar cap
Oklahoma	All household and kitchen furniture
Puerto Rico	All necessary household goods
"B" States that Protect Household Goods Worth $12,000 or More	
Arizona	$15,000
Massachusetts	$15,000
Nevada	$12,000
New Mexico	$85,400 (amount includes a wildcard*)
North Dakota	$24,500 (through use of a two wildcards,* one of which is available only if the debtor does not claim a homestead)
Ohio	$14,875
Texas	$85,000 (through use of a wildcard*)
Wisconsin	$12,000

STATE	AMOUNT OF PROTECTION
"C" States that Protect Household Goods Worth Between $8,000 and $11,999	
District of Columbia	$8,625
Minnesota	$11,700
Rhode Island	$9,600
West Virginia	$8,000
"D" States that Protect Household Goods Worth Between $2,000 and $7,999	
Alaska	$4,050
Colorado	$6,000
Idaho	$7,500
Iowa	$7,000
Kentucky	$3,000
Missouri	$3,000
Montana	$7,000
Nebraska	$3,582
New Hampshire	$3,500
North Carolina	$7,000
Oregon	$3,000
South Carolina	$5,375
Utah	$4,000
Vermont	$2,500
Virgin Islands	$3,000
Virginia	$5,000
Washington	$7,500
Wyoming	$4,000

STATE	AMOUNT OF PROTECTION
"F" States that Protect Less than $2,000 in Household Goods	
Alabama	No protection
Arkansas	No protection
Delaware	No protection
Florida	No protection
Georgia	$1,000 (through use of a wildcard*)
Illinois	No protection
Indiana	$1,000 (through use of a wildcard*)
Maryland	$1,000
Michigan	$1,000
Mississippi	No protection
New Jersey	$1,000
Pennsylvania	No protection
South Dakota	No protection
Tennessee	No protection

**This table assumes that, if the state allows a "wildcard" exemption (one that is not limited to a particular category of property, but can be used to protect items of the debtor's choice), the debtor will apply all or most of it first to protect a car up to $15,000 in value, second to protect up to $3,000 in a bank account, and third to protect household goods if the state does not provide an earmarked exemption for them. See our Rating Criteria for details and our State Summaries for state-by-state information.*

Some states allow a married couple to preserve jointly owned personal property, such as household goods or a car, from creditors if only one of the two spouses owes the debt. This rule, called "tenancy by the entireties," ameliorates the harshness of low household good exemptions in some states, but only when just one of two spouses owes the debt. It provides no help to widows, widowers, divorced parents, or single individuals who incur debts.

NCLC's *Model Family Financial Protection Act* protects all the debtor's household goods but allows the creditor to ask a court to allow sale of any item worth more than $3,000. This approach ensures that a family will not be stripped of essential items needed for daily life, yet at the same time does not protect high-cost luxury items.

Several States Made Progress Since 2022, But Much Remains To Be Done

Not one state rates an A grade in each of the five areas of protection: wages, bank account, family home, family vehicle, and household goods. This means that there is no state where a person struggling to make ends meet can be sure that one day a wage seizure won't drop their check below what they need to cover rent and food, or that the car they need to make it to work and keep their job won't be seized, or that the home they have sacrificed to buy won't be sold out from under them. However, several states made significant progress in 2023.

The amount of **California**'s protection of the family bank account is tied to an annually adjusted amount set by the state Department of Social Services for use in determining eligibility for public benefits. It increased from $1,826 in 2020 to $1,947 in 2022 to $2,080 in 2023. These small but steady changes have raised California's bank protection grade from a C to a B, illustrating the power of future-proofing exemption statutes. California also significantly increased its projection of the family car by amending its exemptions laws to protect $7,500 rather than just $3,625 in value, raising its vehicle grade from a D to a C. In addition, California passed S.B. 1099, effective January 1, 2023, which improves the exemptions available to a debtor who files bankruptcy.

Maryland enacted an earmarked $500 self-executing bank account protection. Formerly the only way a debtor could protect any amount in a bank account was to use part of a $6,000 wildcard that was also the only way to protect a car. While $500 is not enough to raise Maryland's bank account grade, the fact that it is self-executing makes it a very valuable protection for low-income families. In fact, Maryland advocates estimated that the change in law "will help protect approximately 50% of Maryland residents in collection from having their bank account zeroed out."[38]

New Mexico made a significant overhaul of its exemption statute. It increased the protection for a family car (going from a C to an A) and home (going from a D to a C), allowed the use of the higher local minimum wage (rather than the stagnant federal wage) in wage protection calculations (so protecting $480 per week instead of $290), and explicitly set aside a portion of its wildcard exemption for bank account protection (going from a C to a B). New Mexico's overall grade went from a C to a B.

North Dakota increased its homestead exemption from $100,000 to $150,000. It also increased an earmarked exemption for the debtor's car from $2,950 to $10,000, one of the state's two wildcard exemptions from $10,000 to $25,000, and the exemptions for life insurance policies, retirement funds, and tools of the trade. As a result of these amendments, the state's overall grade, formerly a C, rose to a B.

Washington increased its exemption for a car from $3,250 to $25,000. It also increased its exemption for tools of the trade from $10,000 to $15,000.

Wyoming increased its homestead exemption from $20,000 to $100,000, moving its grade from an F to a D.

Colorado, **Connecticut**, **the District of Columbia**, **Illinois**, **Maine**, **Maryland**, **Massachusetts**, **Minnesota**, **South Dakota**, **Virginia**, and **Washington** all improved their protection of debtors' wages simply because the amount protected is tied to the higher of the state or federal minimum wage, and the state minimum wage increased. While some of these increases were small (for example, just $10.33 a week in **Minnesota**), the increase in **South Dakota** was $34.00 a week, enough for a budget-conscious family to pay their electric bill plus reduced-price school lunches for two children every week.[39]

Alabama, **California**, and **Utah** all adjusted one or more exemptions upward to account for inflation, as required by statutes in those states.

These changes are detailed in the State Summaries, and an appendix to NCLC's *Collection Actions* summarizes state exemption laws in more detail.[40] All of these changes have been included in our ratings, even if the changes have not yet taken effect.

RECOMMENDATIONS

What States Can Do to Protect Family Finances

States have good reason to be concerned about protecting their residents from over-aggressive collection of judgments for consumer debts. The growing wealth gap, the high volume of collection lawsuits filed around the country,[41] and the soaring costs of necessities are all straining families to the breaking point and will make them increasingly vulnerable to seizure of essential wages and property.

State exemption laws should:

- **[Protect a living wage—at least $1,000 per week](), but more in high-cost states—for working debtors**, including those paid as independent contractors, so that families can meet basic needs and maintain a safe, decent standard of living within the community.
- **Automatically protect a reasonable amount of money on deposit** so that debtors have a cushion to cover several months of basic needs such as rent, daycare, utility bills, and commuting expenses.
- **Preserve the debtor's ability to work**, by protecting a working car, work tools, and work equipment.
- **Protect the family's housing and necessary household goods**.
- **Protect retirees from destitution** by restricting creditors' ability to seize retirement funds.
- **Automatically update for inflation**.
- **Close loopholes that enable some lenders to evade exemption laws**. For example, states that allow lenders to take household goods as collateral enable these lenders to avoid state protections of household goods.
- **Be self-enforcing to the extent possible**, so that the debtor does not have to file complicated papers or attend court hearings.

Model language for states to achieve these goals is provided in the National Consumer Law Center's *Model Family Financial Protection Act*.

By updating their exemption laws, states can prevent creditors and debt buyers from reducing families to poverty. These protections also benefit society at large, by helping families regain their financial footing and contribute to the economy, keeping workers in the work force, helping families stay together, reducing the demand on funds for unemployment compensation and social services, and keeping money in local communities where it will aid economic recovery.

What Congress Can Do

This report has focused on state laws, because states are the primary source of protections for debtors. But the federal government has an important role, too.

Since 1968, when the Consumer Credit Protection Act was passed, a federal law has placed a limit on how much a debt collector can take from a worker's wages.[42] This limit is shockingly low –a full-time worker earning the federal minimum wage can be left with just $217.50 a week, not even half the poverty level for a family of four and nowhere close to protecting a living wage. (Fortunately, the federal law allows states to protect more of a worker's wages, and, as detailed earlier in this report, more than two-thirds of the states have done so). Another significant flaw in the federal law is that it provides no protection for wages after they are deposited in the worker's bank account, even if they are direct-deposited. Thus, even that $217.50 could be seized from a bank account.

It is time for Congress to improve this basic protection. **Congress should:**

- **Increase the federal protection against wage seizure to $1,000** in order to protect a living wage.
- **Enact a self-executing protection of $12,000 in a bank account from seizure**, so that families can cover several months of expenses in order to address income or expense shocks or preserve some funds for retirement.

Congress also writes the nation's bankruptcy laws and controls how the government collects its own debts. **Congress should also:**

- **Restore the viability of bankruptcy as a fresh start** by simplifying the bankruptcy process, increasing asset and homestead protections, and giving student loan borrowers and those struggling with unaffordable criminal justice fines and fees the same fresh start opportunity as others.
- Instruct the federal government to **stop seizing federal safety net payments**, including the Earned Income Tax Credit, the Child Tax Credit, veterans' benefits, and Social Security benefits to repay government debts or old child support payments owed to state governments.

APPENDIX A

Rating Criteria

FAMILY OF FOUR. For purposes of this report, we assume that the debtor is the head of a family of four. Thus, if a state provides a higher exemption amount for a person who is the head of a family, we have used that amount in our ratings. A few states also provide small increases in their protection of wages or property when the debtor has dependent children. In those states, we have assumed that the debtor has two children.

Several jurisdictions provide an exemption for a car only if the debtor uses it to get to work. Since this exemption would be available for the typical working family, we have included those exemptions in this report. In some other states, an exemption for "tools of the trade" may apply to a car, but often the courts require the car to be used for more work-related functions than just getting to and from work. In this report we have assumed that any exemption for tools of the trade is not interpreted to be flexible enough to exempt a car that is used for commuting.

STRUCTURE OF STATE EXEMPTION LAWS AND USE OF WILDCARDS. Some state exemption laws provide a list of property that debtors can preserve from their creditors, with a dollar cap for each category. Others provide a wildcard exemption of a certain dollar amount. Then the debtor chooses what specific items to protect. Some wildcards are limited to certain kinds of property, and some are available only if the debtor does not take advantage of some other exemption, usually the homestead exemption. Many states' exemption schemes combine both a list of earmarked exemptions and a wildcard.

In order to treat these states uniformly, so that their results for debtors can be compared on a state-by-state basis, this report has employed certain assumptions. We assume that, if a wildcard is available, the debtor will apply it first to preserve a car worth up to $15,000, because for so many debtors a working car is necessary to keep a job, buy groceries, and get health care. However, if the wildcard exemption is at least $3,000 and the state does not offer an earmarked exemption for a bank account or household goods, we reserve $1,000 of the wildcard for those purposes. If any amount of a wildcard remains after applying it to preserve a car worth up to $15,000, we apply it next to a bank account, if the state allows it to be used for this purpose and if the state did not provide an earmarked exemption for a bank account. If any amount remains after preserving up to $3,000 in a bank account, we apply the remainder to the debtor's household goods. The reason for applying it last to household goods despite their importance for the debtor's daily life is that they often have so little resale value that the creditor will only threaten to seize them, so a debtor who has no other options may decide to run that risk.

In some states, a wildcard is available only if the debtor does not claim some other exemption, typically a homestead exemption. For purposes of our ratings of the state's protection of a car, a bank account, and household goods, we have assumed that the debtor has not claimed a homestead exemption. A few states offer a wildcard in the amount of any unused portion of certain earmarked exemptions for types of personal property. In these states, we have assumed that the debtor has not used an exemption for tools of the trade or crops, but has used the full exemption for a car, a bank account, and household goods.

WAGE SEIZURE CALCULATIONS. In calculating the amount of wages protected from seizure, we have assumed that the debtor is working full-time at minimum wage and is the head of a four-person household that includes two dependent children. If the state law explicitly requires the state minimum wage rather than the federal minimum wage to be used in a particular calculation, we have done so. In the few states that provide that a calculation is to be based on the larger of the state or local minimum wage, we have used the state minimum. In New York, the state minimum wage varies based on the size and location of the employer, and in California it varies based on the size of the employer. In both cases we have used the highest minimum wage. For simplicity, our wage seizure calculations do not distinguish between gross and net wages. In drafting a wage seizure limit, these distinctions are important, because the exact calculations can make a significant difference.

Many wage seizure laws protect the higher of two calculations—one based on a flat amount, such as $750 or 30 times the federal or state minimum wage, and the other based on a percentage of the worker's weekly earnings. Up until now, for the percentage-based calculations, we have assumed that our sample worker is working full-time at the federal minimum wage.

However, as the federal minimum wage continues to stagnate, more states have increased their own minimum wages. As a result, the gap between the state and federal minimum wage has increased and will make more of a difference in the percentage calculation. Although not all workers are covered by state minimum wage laws, we have decided that, in a state with a higher minimum wage than the federal minimum, we should assume that a full-time worker is earning 40 times the state minimum wage, and the percentage of earnings should be based on that figure. This results in protecting a greater amount of wages in a number of states, and raises several states' grades. However, this is not because of an improvement in state wage seizure laws, but just because of our revision of our calculation method.

We have also, for this report, changed our criteria for rating states' wage seizure laws. We initially set the criterion for a C grade at $350—if a state protected $350 or more per week, it would earn a C grade. We chose $350 as the criterion because it was halfway between the amount protected by federal law ($217.50) and the federal poverty level. But the federal poverty level has increased with inflation, so the halfway point is now $400. We have therefore replaced $350 with $400 as the criterion for a C grade.

MEDIAN HOME VALUES. Our rating of the state's protection of the debtor's home is based on the extent to which the state's homestead exemption protects a median-priced home in the state. We base median home values on the U.S. Census Bureau's most recent American Community Survey. This report is usually released in the fall and reflects the previous year's median prices, broken down by state.[43] For this report we used the most recent values available when researching this report, i.e. 1-year estimates for 2022.

In New York, where the exempt amount ranges from $89,975 to $179,975 depending on the county, we have chosen the exemption amount ($179,975) that applies to the 10 most populous counties. The average of those 10 counties' median home values was $648,640 in 2022.[44]

For the Virgin Islands, a 2020 figure[45] is the latest available. To estimate the 2022 median, we determined the average increase in median values across the United States between 2020 and 2022. (For 2022, we used the 2022:ACS 1-Year Estimates (B25077). For 2020, ACS did not release a one-year estimate, because its 2020 results were not statistically significant enough to release a report for that year, so we used the 2020 ACS 5-Year Estimates (B25077).) We then calculated the average increase for each state by dividing the 2022 estimates by the 2020 estimates and took the average of all the state increases. Our final step was to apply this average increase to the 2020 Virgin Islands median value. The result was a median home value of $399,283.

OTHER RULES. Some states provide higher exemption amounts for debtors who are elderly or disabled. In this report we have not used these higher amounts.

Some states allow married debtors to "stack" their exemptions. For example, if a state allowed a $2,000 exemption for a car, each spouse might be able to exempt that amount and save a car worth $4,000. The figures in this report are based on the individual exemption amounts unless otherwise stated.

Some states make a homestead exemption dependent in whole or in part on filing of a document declaring that the home is the consumer's homestead. In those states, we have assumed that the debtor has filed the required declaration.

HOW WE DEAL WITH AMBIGUITIES IN EXEMPTION LAWS. When there are ambiguities in state exemption laws, we have generally interpreted them in favor of a broader rather than a narrower exemption. For example, some state laws are not very clear about whether the state's protection of the debtor's wages continues after the wages have been paid and deposited in the debtor's bank account. If the statute is worded in a way that suggests that the protection might apply to deposited wages, for example by applying the exemption to wages that are "paid" as well as "payable," we looked for court decisions addressing this question. If we found cases that provided any indication that the protection could be used to protect deposited wages, we rated the state as allowing this. Similarly, some states' exemption laws are not clear about whether a wildcard exemption can be used to protect a bank account. For example, the statute may provide that the wildcard exemption applies to "any real or personal property." If we could find any cases that treated such a wildcard as available to protect a bank account, we treated it as available. If we have overlooked any decisions or statutes that address these or other questions, please bring them to our attention.

Interpreting ambiguous exemption laws broadly is in line with the general principle that state exemption laws are to be interpreted liberally in favor of the debtor. But it also means that, even in states that we rate highly, the exemption law may need improvements to make it clear that the broader reading is correct.

FUTURE CHANGES TO RATING CRITERIA. As noted earlier, this year we increased the threshold to $400 for a "C" grade on protection of wages, to account for inflation. Three other rating criteria—those for the family car, a bank account, and household goods—are also being eroded by inflation. In 2024, we plan to increase these criteria to take inflation into account. (Our rating criterion for protection of the family home is based on the median home price in the state, so already has a built-in inflation adjustment.)

ENDNOTES

1. Greg Iacurci, Cooling job market no reason for panic yet, economists say: 'It's a slowdown, not a collapse', CNBC, Nov. 3 2023.

2. Of the 227 million American adults who have credit reports (89% of all American adults), about 68 million had debt in collections as of 2019. Andrew Warren, Signe-Mary McKernan, and Breno Blaga, Urban Wire: Income and Wealth, https://www.urban.org/urban-wire/covid-19-68-million-us-adults-had-debt-collections-what-policies-could-help. Data obtained in 2020 shows approximately the same number. Breno Braga, Alexander Carther, Kassandra Martinchek, Signe-Mary McKernan and Caleb Quakenbush, Urban Institute, "Debt in America: An Interactive Map" (Mar. 31, 2021) available at, https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=pct_debt_collections (showing a slightly lower percentage, 29%, of what is probably a slightly higher number of American adults with credit reports, given the overall increase in the U.S. population from 2019 to 2020). Yet in the 12 month period that ended on March 31, 2021, there were just 453,438 non-business bankruptcy filings – only 0.67% of the 68 million debtors. U.S. Courts, "New Bankruptcy Filing Plummet 38.1 Percent" (May 3, 2021), available at, https://www.uscourts.gov/news/2021/05/03/new-bankruptcy-filings-plummet-381-percent. Even in 2010, in the midst of the Great Recession, less than 1.4 percent of the 116.7 million American households filed bankruptcy even though 39% of households experienced financial distress. Michael Hurd and Susann Rohwedder, RAND Corp., *Effects of the Financial Crisis and Great Recession on American Households* (Nov. 2010), available at https://www.rand.org/pubs/working_papers/WR810.html.

3. Alexander Carther, et al, Debt in America: An Interactive Map (Urban Institute, last updated June 23, 2022), https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=totcoll (reporting that in February 2022, 35% of individuals with a credit report living in predominantly non-white areas had one or more debts in collection on their credit report, compared to 22% of individuals living in predominantly white areas); Consumer Fin. Protection Bur., Consumer Experiences with Debt Collection: Findings from the CFPB's *Survey of Consumer Views on Debt*, 17 n.17, 18 (Jan. 2017), https://www.consumerfinance.gov/data-research/research-reports/consumer-experiences-debt-collection-findings-cfpbs-survey-consumer-views-debt/ (44% of non-white respondents were contacted about a debt in collection, compared to 29% of white respondents). *See also* FINRA Investor Education Foundation, Financial Capability in the United States 2016, p. 27 (July 2016), https://www.usfinancialcapability.org/downloads/NFCS_2015_Report_Natl_Findings.pdf (31% of African American respondents to the 2015 National Financial Capability Study reported being contacted by a debt collection agency in the past year, compared to 18% of all survey respondents).

4. Jessica LaVoice and Domonkos F Vamossy, Social Science Research Network, "Racial Disparities in Debt Collection" (October 2019, last updated June 2023), https://arxiv.org/pdf/1910.02570.pdf (noting that the "paper contributes to an extensive literature that documents the role that race plays in the legal, financial, and criminal justice system"; finding that borrowers who are Black or Hispanic are 39% more likely to have a debt collection judgment added to their credit report than white borrowers).

5. Annie Waldman & Paul Kiel, *ProPublica, Racial Disparity in Debt Collection Lawsuits: A Study of Three Metro Areas* (Oct. 8, 2015) (holding income constant, defendants living in majority black census tracts in St. Louis were 20% more likely to be subject to garnishment proceedings after obtaining a judgment).

6. 2022: ACS 1-Year Estimates Subject Tables, U.S. Census Bureau, MEDIAN INCOME IN THE PAST 12 MONTHS (IN 2022 INFLATION-ADJUSTED DOLLARS) https://data.census.gov/table?q=median+income&tid=ACSST1Y2022.S1903.

7. Aditya Aladangady, Andrew C. Chang, and Jacob Krimmel with assistance from Eva Ma, FEDS Notes, “Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances” (October 18, 2023), https://www.federalreserve.gov/econres/notes/feds-notes/greater-wealth-greater-uncertainty-changes-in-racial-inequality-in-the-survey-of-consumer-finances-20231018.html; Moritz Kuhn, Moritz Schularick, and Ulrike I. Steins, Federal Reserve Bank of Minneapolis, "Income and Wealth Inequality in America, 1949-2016" (June 2018), https://www.minneapolisfed.org/research/institute-working-papers/income-and-wealth-inequality-in-america-1949-2016 (finding that from 1949 to 2016, "no progress has been made in reducing income and wealth inequalities between black and white households”).

8. Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, FEDS Notes, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances" (September 28, 2020), https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html.

9. U.S. Bureau of Labor Statistics, “Civilian unemployment rate” https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm.

10. John Creamer, Emily A. Shrider, United States Census Bureau, “Poverty in the United States: 2022” (September 12, 2023) (the ratio of poverty population to total population for white, not hipsanic was 0.8 compared to 1.5 for Black and Hispanic (any race), https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-280.pdf.

11. Daniel Aaronson, Daniel Hartley, and Bhashkar Mazumder, Federal Reserve Bank of Chicago, “The Effects of the 1930s HOLC “Redlining” Maps” (August 2020), https://www.chicagofed.org/publications/working-papers/2017/wp2017-12; Jane Kim, Boston University Public Interest Law Journal, *Black Reparations for Twentieth Century Federal Housing Discrimination: The Construction of White Wealth and the Effects of Denied Black Homeownership*, 29 B.U. Pub. Int. L.J. 135 (2019) (estimating that, when adjusted for inflation, $120 billion invested in white wealth in 1950 dollars is equivalent to $1,239 *quintillion* in 2019 dollars).

12. U.S. Department of Treasury, "Racial Differences in Economic Security: Housing," (November 4, 2022), https://home.treasury.gov/news/featured-stories/racial-differences-in-economic-security-housing.

13. Robert Bartlett, Adair Morse, Richard Stanton, and Nancy Wallace, Consumer-Lending Discrimination in the Fin Tech Era (2019), http://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf?_ga=2.169425830.601656135.1634605112-888931241.1634605112.

14. Auffhammer, Maximilian, Energy Institute Blog, UC Berkeley Energy Institute at Haas,“Consuming Energy While Black” (June 22, 2020), https://energyathaas.wordpress.com/2020/06/22/consuming-energy-while-black/.

15. Nathaniel Meyersohn, CNN Business, “How the rise of supermarkets left out black America” (June 16, 2020). https://www.cnn.com/2020/06/16/business/grocery-stores-access-race-inequality/index.html

16. Melanie Hanson, Educationdata.org, “Student Loan Debt by Race” (last updated Sept. 3, 2023), https://educationdata.org/student-loan-debt-by-race.

17. John W. Van Alst, National Consumer Law Center, "Time to Stop Racing Cars: The Role of Race and Ethnicity in Buying and Using a Car" (April 2019). https://www.nclc.org/images/pdf/car_sales/report-time-to-stop-racing-cars-april2019.pdf.

18. Susan K. Urahn et. al., Pew, "Who Borrows, Where They Borrow, and Why" (July 2012), https://www.pewtrusts.org/-/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf (finding that Black households are more likely to have taken out a high-interest payday loan); Jeremiah Battle, Jr., Sarah Mancini, Margot Saunders, and Odette Williamson, National Consumer Law Center, "How Land Installment Contracts Once Again Threaten Communities of Color" (July 2016), https://www.nclc.org/images/pdf/pr-reports/report-land-contracts.pdf (documenting how lenders offering predatory land installment contracts for homeownership target neighborhoods of color).

19. Casey Chiappetta, Debt Collection Cases Continued to Dominate Civil Dockets During Pandemic, Pew, Sept. 18, 2023.

20. Ala. Code § 6-10-12; Alaska Stat. § 09.38.115; Ariz. Rev. Stat. Ann. § 33-1101; Cal. Civ. Proc. Code § 703.150; Ind. Code § 34-55-10-2.5; Me. Rev. Stat. Ann. tit. 14, § 4422; Minn. Stat. § 550.37(4a); Neb. Rev. Stat. § 25-1556; N.Y. C.P.L.R. § 5253; Ohio Rev. Code Ann. § 2329.66(B); S.C. Code Ann. § 15-41-30(B); Utah Code Ann. § 78B-5-503.

21. Paul Kiel and Keith Ernsthausen, *ProPublica*, Capital One and Other Debt Collectors are Still Coming for Millions of Americans (June 8, 2020), https://www.propublica.org/article/capital-one-and-other-debt-collectors-are-still-coming-for-millions-of-americans. *See also* Julia Barnard, Kiran Sidhu, Peter Smith, & Lisa Stifler, Center for Responsible Lending, Court System Overload: The State of Debt Collection in California after the Fair Debt Buyer Protection Act at 2, 28-29 (Oct. 2020), *available at* https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-california-debt-oct2020.pdf (California study; finding that 27% of all collection actions end in wage garnishment).

22. *See* 15 U.S.C. § 1674(a) (prohibiting an employer from discharging an employee by reason of the fact that "his earnings have been subjected to garnishment for any one indebtedness," but placing no restriction on discharge by reason of garnishment for more than one indebtedness).

23. The 2023 federal poverty level for a one-person household is $14,580 a year or $280.38 per week. See https://aspe.hhs.gov/poverty-guidelines.

24. The 2023 federal poverty level for a four-person household is $30,000 per year or $576.92 per week. See https://aspe.hhs.gov/poverty-guidelines.

25. *See* Living Wage calculator, https://livingwage.mit.edu/.

26. 42 Pa. Cons. Stat. § 8127 (allowing seizure of up to 10% of a worker's net wages for a debt arising out of a residential lease, but with the limitation that the seizure cannot reduce the debtor's net income below the poverty line).

27. *See* Robert J. Hobbs, April Kuehnhoff, and Chi Chi Wu, National Consumer Law Center, Model Family Financial Protection Act, Appx. A (June 2012, rev. Oct. 2021).

28. *See, e.g.*, Jay Hancock, *Kaiser Health News*, UVA Health System uses thousands of property liens to get money from patients (Oct. 16, 2020) (documenting how lien placed on deceased woman's home for her now-deceased son's medical treatment prevented her daughter from selling the home to pay for her children's education), *available at* https://richmond.com/news/state-and-regional/uva-health-system-uses-thousands-of-property-liens-to-get-money-from-patients/article_f7221af4-8137-5cb6-8d7f-ee2280a69350.html.

29. Rhode Island falls in this category solely because of the dollar amount its statute protects. The statute has an enormous gap in that it does not apply at all when the debt is owed to a bank, another federally-insured deposit-taking institution, or a variety of financial services providers licensed in the state. R.I. Gen. Laws § 9-26-4.1.

30. Edmunds, Surging Demand in Used Car Market Unfazed by Rough Conditions, Fewer Gently Used Vehicles Available (Aug. 28, 2023), # https://www.edmunds.com/car-news/surging-demand-in-q2-2023-used-car-market-unfazed-by-rough-conditions.html.

31. La. Rev. Stat. Ann. § 13:3881(A)(8); Mass. Gen. Laws Ch. 235, § 34(16); Minn. Stat. § 550.37(12a); N.D. Cent. Code § 28.22.03.1(2).

32. 31 C.F.R. Part 212.

33. Statista, Average monthly apartment rent in the United States from January 2017 to February 2023, by apartment size (Mar. 24, 2023), https://www.statista.com/statistics/1063502/average-monthly-apartment-rent-usa/.

34. Bur. of Labor Statistics, Table 3444, Consumer units of four people by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Surveys, 2020-2021, available at https://www.bls.gov/cex/tables/cross-tab/mean/cu-size-by-income-4-persons-2021.pdf (showing that the average annual expenditures for a household of four come to $88,583 per year, which is $7,382 per month).

35. 24 C.F.R. § 5.603 defines "low income family" as one whose income is no more than 80% of the median income in the area, and a "very low income family" as one whose income is no more than 50% of the median. The median income in the United States in 2023 is $96,200 per year, or approximately $8,017 per month. Department of Housing and Urban Development, FY 2023 Median Family Income for States, Metropolitan and Nonmetropolitan Portions of States. https://www.huduser.gov/portal/datasets/il/il23/FY23-Median-Attachment-State-Medians.pdf. 80% of that figure is $6,413, and 50% of it is $4,008.

36. Scott B. Van Voorhis, "How much should you have in savings at each age?," *Bankrate.com* (July 31, 2019), https://www.bankrate.com/banking/savings/how-much-do-you-need-in-savings-retirement-emergency-fund/.

37. New York protects 240 times the state minimum wage, which varies depending on the size of the employer and the location within the state, with the result that the amount protected is $3,168 to $3,600. *See* State Summaries for details.

38. Protecting Families During Economic Downturns-$500 Automatic Bank Account Exemption Vote Yes on HB 322. https://mgaleg.maryland.gov/cmte_testimony/2022/jud/1VuSwX5o265JwZirQsgM8cjHVACCgcBmB.pdf.

39. The U.S. Energy Information Administration's 2020 Residential Electricity Consumption Survey, the most recent report that includes consumption and expenditure data, https://www.eia.gov/consumption/residential/data/2020/c&e/pdf/ce2.6.pdf, shows that the average electricity expenditure for a 4-person household is $1,380 per year or $26.53 per week. Reduced-price lunches are 40 cents per lunch: https://schoolnutrition.org/aboutschoolmeals/schoolmealtrendsstats/.

40. The appendix is available at https://library.nclc.org/nclc/link/ca.ag.01.

41. National Consumer Law Center, *Fair Debt Collection* § 1.4.9.1 (10th ed. 2022), updated at www.nclc.org/library.

42. 15 U.S.C. §§ 1673.

43. *See* 2022 median home value estimates for each state; https://data.census.gov/table?q=b25077&g=010XX00US$0400000

44. *See* 2021 median home value estimates for New York counties; https://data.census.gov/table/ACSDT1Y2022.B25077?t=Housing Value and Purchase Price&g=050XX00US36103,36059,36005,36061,36119,36087,36085,36079,36047

45. William Chapin, New 2020 Island Areas Censuses Data Show Homeownership and Median Home Values in the Four Island Areas, July 20, 2023; https://data.census.gov/table/ACSDT5Y2020.B25077?t=Housing+Value+and+Purchase+Price&g=010XX00US$0400000. *See also* 2021 median home value estimates for each state; https://data.census.gov/table?q=b25077&g=010XX00US$0400000

National Consumer Law Center

NATIONAL HEADQUARTERS

7 Winthrop Square, Boston, MA 02110
(617) 542-8010

NCLC.ORG

WASHINGTON OFFICE

Spanogle Institute for Consumer Advocacy
1001 Connecticut Ave, NW, Suite 510
Washington, DC 20036
(202) 452-6252