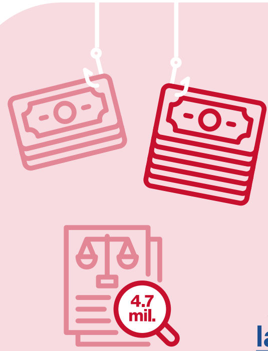
NCLC National Consumer Law Center
Fighting Together for Economic Justice

WHAT STATES CAN DO TO

Protect Families' Income and Property From Seizure by Debt Collectors

State exemption laws protect income and property from seizure by debt collectors. These laws apply after a creditor sues someone and gets a ruling that the person owes the creditor money. Without exemption laws, creditors would be able to collect that amount by selling the person's home or seizing their entire paycheck, bank account, car, or household goods. Exemption laws place limits on these seizures.



The wage seizure rate is more than **twice as high** in zip codes where more than 75% of the population is Black.

In 2022, there were **up to 4.7 million debt collection lawsuits** filed in state courts.

Protecting a family's essential income and property is not a partisan issue. There are both red states and blue states with high ratings on NCLC's **No Fresh Start** scorecard, and both with low ratings–and every state needs improvement.

Exemption laws are critically important today, as families face layoffs, **soaring numbers** of debt collection suits, and historic levels of **household debt**. The recommendations below outline how states can strengthen these protections and prevent debt collectors from pushing families into destitution.

Protect a Family's Basic Income and Necessary Property

CONSUMER PROBLEMS	STATE SOLUTIONS
Debt collectors can seize such a large percentage of workers' wages that they drive families into poverty.	**Protect a living wage—at least $1,000 per week—from garnishment so that families can meet basic needs.**
Debt collectors can seize all of the money in a family's bank account, leaving families unable to pay for essentials.	**Automatically protect at least $3,000 in a bank account. Instruct banks not to allow debt collectors to seize or freeze amounts below $3,000.**
Debt collectors can force the sale of the family home to pay old debts.	**Increase the state's homestead exemption so that it protects a home of at least median value.**
Debt collectors can seize the family car and have it sold to pay old debts, leaving families without transportation.	**Protect a car of at least $20,000 in value.**

CONSUMER PROBLEMS	STATE SOLUTIONS
Debt collectors seize or threaten to seize and sell household goods and personal property.	Protect all household goods, with a limited exception for high value items.
Debt collectors can seize and sell a person's work tools and equipment, leaving them unable to earn a living.	Exempt $75,000 in farm tools, equipment, crops, and animals or $40,000 in other tools of the trade.
Retirees are vulnerable to destitution because debt collectors can seize some types of retirement savings.	Make sure that all forms of retirement funds and savings are fully protected from seizure, up to at least $2 million.
Protected amounts become out of date due to inflation.	Require a state agency to adjust exemption amounts for inflation at least once every three years.

Forbid Imprisonment for Debt and Abusive Employment Practices

CONSUMER PROBLEMS	STATE SOLUTIONS
After obtaining a judgment, debt collectors coerce payments by summoning people for in-person questioning and having them arrested for failing to appear.	Prohibit abuse of debtor's examinations and ban them altogether unless the debt exceeds $2,000.
Courts order people to make payments on a debt, and have them arrested for failing to pay.	Prohibit imprisonment of anyone for failure to pay an ordinary civil debt.
Employers fire or demote workers because their wages have been garnished.	Prohibit employers from firing, suspending, demoting, or disciplining any employee due to wage garnishment.

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The nonprofit National Consumer Law Center® (NCLC®) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training.