

## **I Can't Afford to Pay My Debts. What Should I Do and What Is Going to Happen to Me?**

### **I WAS MAKING PAYMENTS ON MY CREDIT CARD(S) REGULARLY, BUT I CAN'T AFFORD TO MAKE PAYMENTS ANYMORE. WHAT SHOULD I DO?**

- Stop using the credit cards.
- Figure out whether you can afford to make lower payments. Make a budget and be honest to yourself about how much you can afford to pay.
- If you now only receive government benefits or some other type of unearned compensation, your income is likely exempt from collection. See the list below to figure out if your income is exempt or seek assistance from an attorney or social worker.
- Call each of the credit card companies and
  - Tell them you cannot afford to make payments or that you need to make lower payments because of your financial situation.
  - Ask them to lower or freeze the interest.
- Keep notes of the conversation including the date and the name of the person you spoke to.
- If you come to any agreement with the credit card company, ask them to send you a written copy of the agreement and what you need to do to.
- If they refuse to do so, write a letter to the company with the date and time of the conversation and an outline of the terms of the agreement.

### **CAN I GO TO JAIL FOR NOT PAYING MY CREDIT CARD COMPANY OR OTHER CREDITORS?**

No. Unpaid debts are a civil, not criminal matter. Therefore, you cannot be sent to jail for failing to pay debts. The credit card company can, however, sue you to get payment.

### **I OWE MONEY TO CREDITORS, BUT THEY HAVEN'T SUED ME IN COURT. IF I STOP PAYING, CAN THEY TAKE MONEY FROM MY BANK ACCOUNT?**

No. Creditors must first sue you in court and obtain a judgment against you, *i.e.* win, before they can forcibly collect from you by freezing your bank account and taking your money.

### **WILL I BE SUED IF I STOP MAKING PAYMENTS ON MY CREDIT CARD?**

Probably. Sometimes it depends on the amount of the debt. However, credit card companies often sell even small debts to companies that will then try to collect on or sue you for the debt.

### **HOW WILL I KNOW IF I AM BEING SUED?**

If you are being sued, you will receive a summons and complaint. These papers should be either delivered to you in person at your residence or mailed to you and posted on your door. **DO NOT IGNORE THEM.** Go to court as soon as possible and file an Answer as directed in the papers.

### **I SEE ADS FOR COMPANIES THAT OFFER TO CONSOLIDATE MY DEBTS AND LET ME MAKE A SINGLE LOWER PAYMENT. SHOULD I USE ONE OF THESE?**

Probably not. No company can make your debt go away. Most companies offering these services charge extremely high fees. For example, they may take 1/3 of what you pay them each month for their services. Some of them are fraudulent and do not actually provide the services they promise. The money you pay to them could be lowering your debt instead. If you do choose to use such a service, read everything very carefully and ask detailed questions about how much of your money will be used to pay your debts and how much of it will be taken in fees. Get all promises in writing.

## WHAT MONEY IS EXEMPT FROM COLLECTION?

Below is a partial list of monies that generally are exempt from collection or garnishment:

- Veterans Benefits (including Survivor's Benefits)
- Wages of SSI and public assistance recipients
- Public or Private Pensions
- Social Security Disability Benefits (SSD)
- Unemployment Benefits
- Supplemental Security Income (SSI)
- Public School Teacher Benefits
- 90% of your wages
- Public Assistance
- Workers Compensation Benefits
- Social Security Benefits
- Child Support
- Maintenance (Alimony)
- Railroad Retirement benefits
- Some Insurance Benefits
- Life Insurance Policy

**Note:** There are exceptions to the general rule that the above benefits are exempt from garnishment: some exempt funds may be garnished for purposes of paying child support or federal debts, including student loans. If you owe these kinds of debts, you should contact an attorney to find out how these debts may affect your benefits.