

They Can't Garnish Your Wages – Yet! Understanding Unsecured Debts & Bankruptcy

By Arizona Bankruptcy Lawyer John Skiba

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Many people I meet with for bankruptcy consultations are terrified that their wages are going to be garnished because they have missed a payment or two on their credit cards. First, it is important to understand that if you are behind a payment or two on your credit card your wages will not be garnished.

Credit card debts are unsecured – meaning that there is no property or collateral securing the loan. In comparison, a house loan or a car loan is a secured loan where the loan is secured by the house itself or the car. If you stop paying your house payment or your car payment the creditor/bank can come and repossess your car or foreclosure on your house.

No Garnishment Unless the Creditor Has a Judgment

However, with unsecured debts, if you don't miss a payment or complete stop paying what is owed, the creditor/bank can increase your interest rate, report you to the credit bureaus, and call you and be annoying. However, they cannot garnish your wages or your bank accounts *unless* they sue you in court and obtain a judgment against you.

Without a judgment, they cannot garnish your wages. In my experience, most credit card companies do not file a lawsuit until the card is very delinquent, usually 6 months to a year past due. That is not to say that the credit card company couldn't file a lawsuit as soon as you begin missing payments, but they resort to collection calls, demand letters, and other collection efforts first before hiring an attorney to sue you.

Bankruptcy Will Stop the Garnishment

If you have been sued by a credit card company or if the company has obtained a judgment against you, you are now at risk of having your wages or your bank accounts garnished. In Arizona a creditor can garnish up to 25% of each paycheck and can take all but \$150 of the money in your bank accounts.

The filing of a bankruptcy case will stop the garnishment of your pay as well as bank accounts. If you are at risk of having your wages garnished give me a call and we can discuss your options. I offer a free bankruptcy consultation where I explain the different chapters of bankruptcy, the options, and the benefits of filing.

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