

## **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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