

# Report: Will States Let Debt Collectors Push Families into Poverty as Pandemic Protections Expire?

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**Download the full report, state maps and state-specific information:**  
<https://nclc-old.ogosenet.net/issues/report-still-no-fresh-start.html>

BOSTON – With millions of families struggling to recover from the economic fallout of the COVID-19 pandemic, and state and federal payment forbearances, eviction bans and utility shut off moratoriums coming to an end, states maintain a vital role in protecting households from seizure of essential wages and property to pay old debts.

“In states with weak exemption laws, families struggling to get back on their feet after the COVID-19 pandemic will face seizure of wages, bank accounts and essential property due to a wave of debt collector lawsuits,” **said Carolyn Carter, associate director at the National Consumer Law Center.** “Weak protections for the income and assets that families need to survive will impede economic recovery and exacerbate the racial wealth gap.”

Every state has a set of debt collection exemption laws, intended to prevent creditors from pushing families into destitution and to preserve debtors’ ability to be productive members of society and achieve financial rehabilitation. But a new survey of the exemption laws of the 50 states, the District of Columbia (D.C.), Puerto Rico, and the Virgin Islands shows that ***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 and to weather income and expense shocks are not cleaned out; and
- Preventing seizure and sale of the debtor’s necessary household goods.

**Better states:** Massachusetts, which modernized its archaic exemption laws in 2010, and Nevada, which also recently improved its laws, come closest to meeting these five basic standards, each rating a high B grade. Solid B states include California, Connecticut, the District of Columbia, Maine, Puerto Rico, and Texas, while New York, Oklahoma, and South Carolina rate low B grades.

**Worst states:** At the opposite end of the scale are several states whose exemption laws reflect indifference to struggling debtors. These states allow creditors and debt buyers—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, Arkansas, Indiana, Pennsylvania, and Wyoming are nearly as bad, rating low D grades.

**States that made improvements since NCLC’s report in 2020:** During the past twelve months,

several states amended their laws to make improvements in these protections. Arizona, Connecticut, Maine, Montana, Virginia, and Washington made particularly significant improvements, and Georgia, Idaho, New York, Tennessee, and Utah also made positive changes. See ***Several States Made Progress*** for details.

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, and the effects of the COVID-19 pandemic strain families to the breaking point and will make them increasingly vulnerable to seizure of essential wages and property. Weak protections against judgments for the wrong amount or wrong person, or without due process, also make aggressive collections problematic.

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 workforce, 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. Supporting workers is especially critical at a time when some employers are struggling to find workers and workers may be risking their health going to work.

For more information on NCLC's body of work related to fair debt collection visit: [nclc-old.orgosense.net/issues/debt-collection.html](https://nclc-old.orgosense.net/issues/debt-collection.html).

### **Related NCLC materials**

- Wage Garnishment for Consumer Debts: Reforms Needed in the Current Covid Crisis and Beyond
- Coronavirus Emergency: Consumer Debt Collection Lawsuits - How States Can Help
- The Debt Machine: How the Collection Industry Hounds Consumers and Overwhelms the Courts
- Model Family Financial Protection Act (model state law)
- What States Can Do to Help Consumers: Debt Collection
- State Debt Collection Fact Sheets
- Fair Debt Collection and Collection Actions (legal treatises):
- *Surviving Debt* (consumer book) and Consumer Debt Advice (free articles)