



A Division of the New York Legal Assistance Group

**LegalHealth**  
Professional Partnership to Promote Well Being<sup>®</sup>

*This is general information, not legal advice. Patients should consult an attorney for specific guidance.*

## Debt and Protected Income

**If your low income or disabled patient complains of the stress of credit card or other private debt, s/he may benefit from a review of the following information.**

**Fixed income is often exempt or protected from most debt collection efforts under NY State and federal law.**

**Exempt or protected income may include:**

- Supplemental Security Income (SSI)
- Social Security Disability Income (SSD)
- Social Security Retirement
- Public Assistance
- Veterans Benefits
- Child Support
- Workers Compensation
- Certain retirement accounts and pensions
- Unemployment Insurance

**Steps a patient can take to stop collection efforts:**

- If a patient's income consists *solely* of protected income, and s/he has no other resources such as a savings account, s/he is considered "judgment proof." A financial counselor, advisor or attorney can send a judgment proof letter to creditors along with proof of the source of income to put the creditor on notice to cease collection efforts.
- If a patient's bank account is frozen by a creditor, s/he should notify the bank that the account contains exempt funds and should not be restrained.

**The effect of a judgment proof letter:**

- Creditor must cease all collection efforts, including phone calls and collection letters. However, the debt is *not* discharged and interest on the debt *will* still accrue.
- A creditor may still take a judgment proof individual to court, but so long as the debtor's income and property is exempt it cannot be used to pay a debt even with a court judgment.

**If a patient receives a summons to appear in court for a debt:**

- S/he should not ignore it, but rather seek assistance from the Civil Legal Advice and Resource Office in the court house, [www.claronyc.org](http://www.claronyc.org), or be referred to a LegalHealth clinic.

**When to consider bankruptcy protection:**

- A patient with particularly large debts who anticipates his/her financial position may change in the future may wish to consider bankruptcy to protect future assets. If the patient believes their judgment proof status may change in the future they should contact an attorney prior to initiating a bankruptcy filing.

More questions? Refer patients for an appointment with a LegalHealth attorney

[www.legalhealth.org](http://www.legalhealth.org)

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