



Bankruptcy, Consumer Debt & Taxes

Are you a low-income New Yorker with consumer debt? Are you struggling to make payments on your student loans? Has your bank account been frozen or your wages been garnished because of a judgment in a court case you never knew about? Are you the victim of identity theft and your credit card company or bank is refusing to credit back charges or withdrawals you never made on your account? Have you been sued on a debt you do not owe?

Legal Services NYC provides FREE legal help to people who are the victims of identity theft and abusive debt collection practices; have been sued in consumer debt collection lawsuits; or who need help resolving student loan debt.

For free legal help, call Legal Services NYC at 917-661-4500 Monday through Friday from 9:30 a.m. to 4 p.m. Learn more about our intake process [here](#).

** The information does not constitute legal advice. You should always consult an attorney regarding your matter. Legal help subject to capacity and location.*

What can bankruptcy do for me?

Bankruptcy is a legal process that may help a person who cannot pay their bills get a fresh financial start. The right to file for bankruptcy is provided by federal law, and all bankruptcy cases are handled in federal bankruptcy court. Filing bankruptcy immediately stops all of your creditors from seeking to collect debts from you, at least until your debts are sorted out according to the law. Bankruptcy may make it possible for you to:

- Wipe out most or all of your debts. We say that a debt has been “discharged,” if the bankruptcy was able to get rid of it. This can give you a fresh financial start.
- Stop foreclosure on your home and give you a chance to catch up on missed payments.
- Prevent repo of a car or other property.
- Stop wage garnishments, debt collection calls, and other creditor actions to collect a debt.
- Restore or prevent termination of utility service.
- Defend you against creditors who are trying to collect money you don't owe.

Learn more [here](#).

Can I consolidate my student loans to avoid income garnishment?

It depends. If a wage garnishment has already begun on a defaulted federal student loan, you have to do something called “rehabilitation” to bring your loans out of default and stop the garnishment. That takes nine months of “reasonable and affordable” payments before the garnishment stops. That means you lose your wages and make payments simultaneously to the collector. To rehabilitate your loans, call (888) 826-3127.

But if your wages have not yet been garnished, you generally can consolidate your loans on-line for free without making any up-front payments. You can learn how to do this at <https://studentaid.gov/manage-loans/consolidation>. Note, you can also consolidate if your Social Security or Tax Refund were garnished (called Offset). That feels like a garnishment but is not a legal bar to consolidation, unlike a wage garnishment. Consolidation is always quicker than rehabilitation and generally will be the best way for you to bring your loans current, get an affordable payment, and avoid collections.

If your wages are being garnished for a private student loan (which means you were sued in state court and lost), you definitely need legal help since solutions are much more limited.

I am the victim of identity theft, what can I do?

Have you received bank account or credit card statements that show charges or withdrawals that you did not make and the bank or credit card company has told you they won't remove the fraudulent charges? Or have you been sued on a debt you do not recognize and don't know what to do? Consumer protection laws give consumers the right to file a complaint that they are the victim of identity theft with the Federal Trade Commission and to dispute fraudulent charges and withdrawals made by the identity thief using your accounts with your bank or credit card company. Check out <https://www.identitytheft.gov/> for more info.

If your credit card company or bank refuses to take fraudulent charges made by an identity thief off your account, you may have a right to sue them under the Fair Credit Billing Act or the Electronic Fund Transfer Act. You also have the right to request one free copy of your credit report each year from each of the three major consumer reporting companies by visiting AnnualCreditReport.com. Getting copies of your credit report can help you identify errors and potential identity theft.

Learn more [here](#).

I am the victim of debt collection harassment, what can I do?

Has a creditor continued to contact you about a debt or sued you on a debt after you told them it was not owed? Consumer protection laws give you the right to dispute the debt and ask a creditor for documents to show why they think you owe the debt (known as verification of the debt), and require creditors to stop collecting on the debt and reporting it on your credit report until they do so. Read this [sample dispute letter](#). If the creditor is violating consumer protection laws, you may have a right to sue them.

I am being sued for a consumer debt.

If a creditor sues you for a debt, you have the right to bring up the defenses you have to explain why you do not owe the debt or why the creditor should not win the case. In a court case, you tell the court your defenses in a document called an Answer. To file an answer, you will need to go to the court that you are being sued in. For an explanation of common defenses to a debt collection case, go to the court's website:

<https://www.nycourts.gov/CourtHelp/MoneyProblems/defenses.shtml>

My bank account has been frozen or my wages are being garnished.

New York State Law protects some types of income from debt collection, including Social Security benefits (SSI, SSD, and Social Security retirement), public assistance, Veterans benefits, unemployment insurance, workers compensation, pensions, retirement funds, child support, spousal maintenance, foster care payments, and take home pay of \$480* per week or less after taxes (not including voluntary deductions).

New York State Law also protects up to \$3840 (as of 4/29/2024) in bank accounts that do not contain any government benefits and up to \$3000* in accounts that contain government benefits (even if your account also contains income from other sources, such as earned income).

*See current amounts [here](#).

If your bank account has been frozen or your wages are being garnished, this usually means that there is a judgment against you. To unfreeze your bank account or to stop a wage garnishment, you may need to go to court to ask for the judgment against you to be vacated (canceled).

I need help with a tax issue, can you help?

LSNYC's Low-Income Taxpayer Clinics provides free legal services for taxpayers with federal and New York State income tax controversies. We provide legal advice, assistance or referrals in areas such as

- Audits and Examinations
- Earned Income Tax Credit Appeals
- Liens and Levies
- Employee/Independent Contractor Disputes
- Injured Spouse Claims
- Innocent Spouse Relief Requests
- Identity Theft
- US Tax Court & Federal District Court proceedings

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