



## Cushion for debtors

### Some protection for living expenses

December 2, 2008

A little-discussed law will soon be creating a lifeline for debtors in these difficult economic times. As of Jan. 1, it will protect the first \$2,500 in a consumer's bank account from being frozen by creditors if the consumer receives Social Security benefits or other government safety-net income. It also creates a \$1,716 cushion for debtors who don't receive government help.

Legal Aid offices have been swamped by people whose accounts were frozen to pay their debts. Often, banks didn't comply when individuals tried to enforce their right to a cushion for living expenses, which is protected by federal law. Not only did people lose access to money they needed for food, rent or medicine, they often wound up with hundreds of dollars in overdraft and other bank fees. The new law will ban such fees.

Two independent forces drove the need for this legislation: Creditors are becoming increasingly aggressive about suing to recover old debts, and the Social Security Administration, to save money, is encouraging direct deposits rather than paper checks. Seniors and the disabled became especially vulnerable to having their accounts improperly frozen.

A coalition called New Yorkers for Responsible Lending worked with the New York State Bankers Association on how to close this loophole in the law. Debtors will receive notice about their rights, and creditors can restrain funds only above the legal thresholds. But the process will work only if banks embrace their role as conduits of information.

People should pay their bills. But when they don't, leaving them destitute is not the solution.

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