



Neighborhood Economic Development Advocacy Project

73 Spring St., Suite 506, NY, NY 10012 / 212-680-5100 / www.nedap.org

CONSUMER LAW PROJECT 2007 REPORT

NEDAP's Consumer Law Project is the leading resource for low-income New Yorkers affected by the vast and growing problem of consumer finance abuse. The Law Project provides legal information and assistance to victims of predatory and discriminatory financial services practices. The Project operates a legal hotline and community clinic and engages in policy reform through impact litigation and coalition advocacy.

In 2007, the Law Project:

- Returned more than **1,700** calls to our hotline and assisted **1,005** low or moderate income New Yorkers;
- Represented **45** clients in state and federal court;
- Won a ground breaking federal lawsuit against a debt collection law firm and its debt buyer client;
- Collaborated with Manhattan Legal Services and Movement for Justice in El Barrio to bring an innovative lawsuit on behalf of a group of tenants in East Harlem who are fighting displacement and gentrification;
- Published an online self-help guide for consumers who are defending themselves against debt collection lawsuits, which receives more than **5,000** views each month;
- Helped draft a model bill to protect Social Security and other subsistence income in bank accounts from restraint and seizure by debt collectors. Legislation based on the model bill passed the New York State Assembly unanimously and was introduced in the Senate.

Top Issues Addressed by the Hotline and Clinic in 2007:

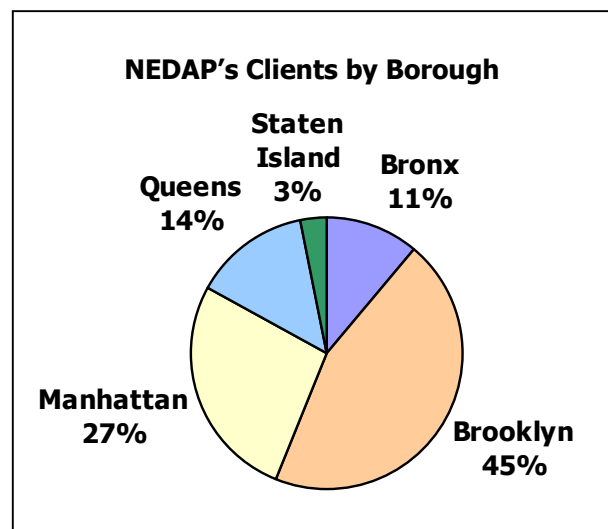
- 69% Debt Collection
 - 47% Frozen Bank Accounts and Wage Garnishments
 - 16% Debt Collection Lawsuits
 - 22% General Questions about Debt Collection
 - 7% Debt Collection Harassment
 - 2% Arbitration
- 7% Credit Reporting & Repair
- 5% Identity Theft/Credit Card Fraud

Client Demographics:

- 65% Women
- 62% have household incomes below \$10,000/year
- 35% Black
- 27% Immigrants
- 25% White
- 24% Hispanic
- 22% Seniors

Top Five Referral Sources to Hotline:

- Internet (e.g. NEDAP's website, LawHelp.org)
- Community organizations
- Legal Aid Society
- Legal Services of New York
- Friend or Family Member



NEDAP is a nonprofit resource center for community groups in New York City. Our mission is to promote community economic justice and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

For more information about NEDAP, visit our website, www.nedap.org

CASE STUDY

Cassandra S lives with her eleven year old daughter in public housing in New York City. Ms. S has a number of outstanding credit card debts that she has been unable to pay since she became permanently disabled about four years ago. Ms. S is currently homebound and in a wheelchair due to osteoarthritis and various other medical problems. Her only income is Supplemental Security Income (SSI). Her daughter is also disabled and receives SSI.

In 2006, Ms. S was sued by a debt buyer for an old credit card account. She was not served with a summons, and she did not know that she had been sued until her bank account containing her SSI benefits was frozen in September 2007. Ms. S immediately notified the plaintiff's attorney of her exempt SSI income, but the attorney refused to release the account. Ms. S was left helpless and had no access to her funds for more than one month. During this time she could not pay rent or utility bills, and the public housing authority sent her an eviction notice. In addition, her bank charged her a \$150 "legal processing" fee—20% of her monthly income—for freezing her account.

Finally, Ms. S found NEDAP's Financial Justice Hotline. NEDAP staff met with Ms. S in her home and filed court papers on her behalf. Within two weeks, the court vacated the judgment against Ms. S and ordered the debt buyer to release her bank account. The bank agreed to waive the fees, and Ms. S averted eviction and financial crisis.

Media Coverage:

This year the project received media coverage in:

- *Yahoo!Finance*, on the National Arbitration Forum
- *Yahoo!Finance*, on frozen bank accounts containing exempt income
- *New York Daily News*, on frozen bank accounts containing exempt income

Public Testimony:

Project staff attorney Claudia Wilner submitted public testimony to:

- Federal banking regulators, on the need to protect exempt federal benefits from restraint and seizure
- Federal Trade Commission, on the state of the debt collection industry and suggested changes to the Fair Debt Collection Practices Act

Capacity-Building Training:

Project staff attorney Claudia Wilner trained more than 100 attorneys on debt collection issues at:

- Legal Services for New York (February 2007)
- New York State Judicial Institute, Legal Update for Court Attorneys (March 2007)
- City Bar Justice Center, Elder Law Project (April 2007)
- Brooklyn Volunteer Lawyers Project (October 2007)
- National Consumer Law Center, Consumer Rights Litigation Conference (November 2007)

Project Staff:

Claudia Wilner, Staff Attorney

Thu Tuyen To, Paralegal

Maria Alvarez, Spanish-Language Interpreter (p/t)

2007 Volunteers & Interns:

Norman Alt

Andrea Donkor

Jennifer Bell

Alice Falkenstein

Daysun Chang

Mike Mastman

Fordham School of Law Consumer Law Clinic



[home](#) : [resources](#) : [for consumers](#) : [defending creditor lawsuits](#)

Frozen Bank Accounts

IMPORTANT NOTE: The information on this page applies to accounts that have been frozen because of private debts like credit cards, medical bills, and bank loans. If you have child support debt, or if you owe money to the government for taxes or a student loan, different rules apply.

What is a frozen bank account?

A frozen bank account is a bank account that you cannot access because a creditor has placed a restraint on it. When your bank account is frozen, you can put money into it, but you can't take money out.

Why is your bank account frozen?

A frozen bank account is a sure sign that a creditor or debt collector has obtained a court **judgment** against you (or your joint account holder, if you have a joint bank account). A creditor or debt collector cannot freeze your bank account unless it has a judgment. **Judgment creditors** freeze people's bank accounts as a way of pressuring people to make payments.

Why does your frozen bank account have a very large negative balance?

A judgment creditor typically puts a hold on your bank account for twice the amount of the judgment against you. This hold shows up on your bank account as a negative balance. You do not actually owe all of this money to the judgment creditor. Rather, the amount you owe is the amount of the judgment.