

WHAT IT MEANS TO BE COLLECTION PROOF

WHAT DOES IT MEAN TO BE COLLECTION PROOF?

Being collection proof means that a creditor has no legal way to collect a debt or judgment that you may owe. A creditor can still sue you and obtain a judgment against you, but it cannot take any of your income or assets if you are collection proof.

AM I COLLECTION PROOF?

You are collection proof if:

- Your income and assets are protected from collection;
- You earn less than \$362.50 per week;
- You do not own anything of great value that you wish to give to your heirs.

Remember, being collection proof is not necessarily permanent. You are collection proof as long as your financial condition stays the same or gets worse.


If your financial condition improves, creditors who have judgments against you may be able to collect money and/or assets from you in the future. Keep in mind that the judgment may have continued to accumulate interest during the time you were collection proof. Lastly, a creditor can renew the judgment every six years.

WHAT INCOME IS PROTECTED?

Creditors cannot take certain kinds of income. This income is called exempt income.

Examples of exempt income include:

- Supplemental Security Income or Social Security Disability
- Veterans Benefits
- Retirement Pensions
- Welfare Benefits
- Workers' Compensation
- Unemployment Benefits
- Vocational Rehabilitation Benefits
- Child Support
- Spousal Support



It is important to remember that you should not put this income in a bank account with money from other sources of income such as income from a spouse's earnings. If exempt income is commingled with non-exempt income, it may lose its exempt or protected status.

Some debts such as debts to the IRS, child support, federal student loans, and other debts owed to the federal government may be collected against most exempt income.

This is not a complete list of all sources of exempt income. You must consult with an attorney to determine if you receive any other sources of exempt income.

WHAT ASSETS ARE PROTECTED?

Creditors cannot take certain property related to basic needs. This property is called exempt property.

Examples of exempt property are:

- Seventy-five percent of your take-home pay or 50 times the minimum wage (\$362.50 per week), whichever is higher
- Personal property not to exceed \$10,000
- All money deposited with a landlord used to secure a rental or lease agreement
- A tax refund derived from the earned income tax credit
- Certain insurance proceeds
- Necessary household goods and yard equipment (maximum protection of \$12,000)
- Tools of your trade, profession or business (maximum protection \$10,000)
- A homesteaded house or mobile home, even if you do not own the land. This exemption protects up to \$605,000 of the home's value. It can protect up to 100 percent of the value if the judgment is for a medical bill. Note: This exemption does not apply if the judgment was for the mortgage or is a mechanic's lien on the property.
- One vehicle, if your equity (the market value of the car minus how much you owe) is less than \$15,000, unless the lawsuit you lost concerned the loan for the vehicle.

These exemptions will not keep creditors from recovering collateral on a loan, such as a car or house.

For example, the homestead and equity exemptions do not apply against the mortgage lender and will not prevent foreclosure by the lender.

These exemptions will not prevent an IRS lien. Consult an attorney regarding IRS debt.

The attempt to sell an asset may waive the exemption.

Just because you find your property listed as exempt, do not assume your property is safe. YOU must take action to prevent the exempt property or income from being seized. For more information on how to claim your exemption rights, see our Attachment and Garnishment brochure.

This is not a complete list of exemptions. You must consult with an attorney to determine if you qualify for any other exemptions.

WHAT CAN I LEAVE TO MY HEIRS?

Many of the exemptions listed in this brochure only protect assets during your lifetime. Your spouse may also enjoy protection of the assets for his or her lifetime. Most exemptions do not continue beyond death and the assets may be available for collection by your creditors after your death.

KEEP THE FOLLOWING IN MIND EVEN IF YOU ARE COLLECTION PROOF

You should homestead your house or mobile home. Call Legal Aid Center of Southern Nevada for more information.

If you have been sued, it is important to file a written answer within 20 days of the date on which you were served with summons and complaint (or appear in court at the specified time and place). If you do not answer, the creditor may still obtain a judgment against you. You should always answer and/or go to court to ensure the creditor does not add fees that you do not owe. Call Legal Aid Center of Southern Nevada for assistance with preparing your answer.

If a creditor has already obtained a judgment against you and garnishes or attaches exempt property, you must act quickly. Even though your income or property is exempt, creditors may still attempt to take it. You only have ten days from the date of the notice of attachment or execution to claim your property is exempt. Call Legal Aid Center of Southern Nevada for assistance with preparing your Affidavit of Exemption.

If you are being harassed by a creditor, you may consider sending a letter advising the creditor that you are collection proof and requesting not to be contacted. The following is a sample letter.

Sample Letter to Creditor

Your name and address

Date

Creditor's Name

Creditor's Address

Re: (account number)

Dear _____:

Please be advised that my only source of income is _____. Pursuant to Nevada and/or federal law, this income is exempt from attachment and garnishment. Please also be advised that my assets are exempt from collection pursuant to NRS 21.090. My financial situation is not expected to improve, but if my circumstances change in the future, I will notify you and begin to send in payment.

Additionally, please cease communication with me and any other third party regarding this account. This written request to cease communication is made pursuant to the Fair Debt Collection Practices Act 15 U.S.C. 1692.

Lastly, this communication is not meant in any way to be an acknowledgment that I owe this money.

Sincerely,

(Your name)



Providing civil legal advice and representation
to low-income Nevadans

725 E. Charleston Blvd.
Las Vegas, Nevada 89104
702-386-1070 • 800-522-1070
TDD 702-386-1059

www.lacsn.org

Hours: Monday - Friday
8:30 a.m. – 5:00 p.m.