



## YOUR DEBT COLLECTION RIGHTS

Federal and state laws protect you from abuse or harassment by debt collectors. A **person** or **collection agency** collecting a debt for a business must follow the law. If a lawyer regularly collects debts, they must also follow these laws.

For legal advice about your debts, call a lawyer or your legal aid office. For help with your budget or making a payment plan, call a non-profit debt counseling service, like Consumer Credit Counseling at 1(800) 388-2227. They will connect you with a local office. They charge a small fee.

**Watch Out** for companies that charge money to “repair” your credit. Many of these are rip-offs! Call the numbers above for good service. They can help you set up payment plans with your creditors and may get them to take lower payments as part of the plan.

### HOW DOES DEBT COLLECTION WORK?

- **Written Notice**

Within 5 days of its first call or letter to you, the debt collector must send you a written notice. The notice must state the amount of your debt, the name of the company that you owe, and that they assume you owe the debt unless you disagree (dispute) within 30 days.

- **Disputing A Debt**

If you disagree with their notice, send a letter to the debt collector within 30 days. Explain why you think the debt is wrong. Do they have the wrong person? Is the amount wrong? Give them enough information to investigate the dispute. Keep a copy of the letter. If you send this letter, the debt collector must stop trying to collect the debt until they send you **proof** that you owe the debt.



- **Payment Plans**

You may be able to set up a payment plan to pay off the debt. Many creditors will take a small payment, as long as it comes regularly. Some creditors will freeze or reduce the interest charges if you start making payments.

If you make any kind of deal, try to get it in writing. If they won't sign an agreement, write down in a letter the terms of the agreement and send it to the agency or creditor. Keep a copy.

**If you want a payment plan, you need to ask for it.** Creditors and debt collectors try to get payment in full. You have to speak up to get a plan. Get help from a good agency by calling the numbers listed above.

- **Paying On Multiple Debts**

Sometimes a debt collector is collecting on more than one debt that you owe. When you make a payment, you can choose which debt to pay it on. However, you cannot choose a debt you are disputing. On the check or money order, write which debt you are making a payment on. Keep a copy.

- **Post-Dated Checks**

Never give anyone a post-dated check. This is a check that you write on a certain day, but put a later date on it. A debt collector can ask for one, as long as they do not cash it before the due date. It is not a good idea to give them one. If they cash it before the due date, you may end up bouncing the check and paying more fees.

- **Stopping The Calls And Letters**

You can stop the debt collector from calling or writing you. Just send them a letter asking them to stop. Date your letter, sign it and keep a copy. After getting your letter, they can only call or write you to tell you what legal action they plan to take.

**Remember, this doesn't give you the right to ignore court papers.** For example, if you get an Order for Disclosure, telling you to state what money and assets you have, you must tell them or you will face fines or jail time for contempt of court. See MLSC fact sheet, [Can I Go to Jail if I Do Not Pay my Debts?](#)



- **Garnishment**

If you do not pay a bill, a creditor or debt collector can sue you in court and get a judgment. See our fact sheet [C-2 If You Are Sued](#).

Once they have a judgment, they can garnish (take money from) your wages or bank account or force the sale of your property. See our fact sheet [C-4 Garnishment and Your Rights](#).

The law does protect some of your money and property:

- They cannot take your Social Security, SSI, MFIP GA or other funds you get from a program based on need, even after you put it in the bank.
- If you work, they cannot take any of your pay if you get SSI, MFIP, GA, MA (Medical Assistance), Earned Income Tax Credit (EITC), or any other program based on need. And they cannot take any of your pay if you were on any of these programs in the last 6 months.
- If you work and haven't been on any of these programs, they cannot take more than 25% of your take-home pay.
- You can keep your home, a car worth up to \$4,200, and furniture and appliances worth up to \$9,450.

If all your money is protected, like if your only income is SSI, tell the creditor or debt collector and they may stop trying to collect.

## CAN MY HOUSE OR VEHICLES BE TAKEN TO PAY A DEBT?

### Houses

- Your house can be taken to pay your mortgage (foreclosure) but it is protected from most other debts. This is because your house has a Homestead Exemption. This means it is protected if it has less than \$300,000 in equity. Equity is the value of your house minus the mortgage you owe.
- The Homestead Exemption does not stop a foreclosure of liens that are put on your home (mortgages, tax liens, townhouse or condo association liens, mechanics liens.)
- If someone has a judgment against you, your house is safe while you live there. But the judgment will have to be paid when you sell your house.
- You can only claim a homestead exemption for the main house you live in– all other real estate is unprotected.



### Vehicles

- Your vehicle can be repossessed if you do not make payments on the car loan that you used to buy the vehicle. See our fact sheet [C-5 Your Rights in Repossession](#).
- If someone gets a judgment against you they can only take your car if it is worth a lot of money. You can keep one vehicle that is worth less than \$4200 in equity. Equity is the value of your car minus the amount you owe on the loan.
- If your vehicle is modified for your disability, then you can keep it if it worth less than \$42,000 in equity.

For more information on garnishment, see our fact sheet, [C-4 Your Rights in Garnishment](#).

## WHAT IS ABUSE AND HARASSMENT?

Debt collectors cannot contact other people to tell them about your debt, like your employer, co-workers, neighbors, relatives, or friends. They can call people to get your home or work address, or phone number, but they cannot say that you owe money. They cannot say that they are a debt collector unless they are asked. If you have a lawyer, they cannot contact you or **anyone** except your lawyer.

## IT IS ILLEGAL FOR DEBT COLLECTORS TO:

- Use obscene or abusive language
- Call before 8:00 a.m. or after 9:00 p.m.
- Call you at work if they know your employer doesn't allow personal or creditor calls
- Take cash without giving you a receipt
- Threaten you with arrest or criminal charges
- Contact you directly if they know you have an attorney
- Make a letter look like it's from the government, the court, or a lawyer
- Fail to give you the name of their agency
- Threaten to take any legal action that they do not really plan to take
- Give you legal advice, like: "You have no legal defense to this debt."

## ENFORCING YOUR RIGHTS

If a debt collector does any of these things, keep a careful record of it. When they call, write down the date and time, the name of the caller, and what was said. If you have questions, call your lawyer, legal aid office, or the Minnesota Department of Commerce at (651) 296-4026. If a debt collector has violated these rules, you can sue. You need to start the suit within 1 year.

### To make complaints about debt collectors, write to:

Minnesota Dept. of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, MN 55101-2198

**and** The Federal Trade Commission  
Bureau of Consumer Protection  
600 Pennsylvania Avenue, NW  
Washington, D.C. 20580

Give details about the things that you think violated your rights. Keep a copy of your letter.

You can also file complaints online. Go to [www.ftc.gov](http://www.ftc.gov) and search for Minnesota Department of Commerce. Print out a copy of the complaint to keep for yourself.



To find other Legal Aid Society materials, including any fact sheets mentioned in this document, go to [www.lawhelpmn.org/LASMfactsheets](http://www.lawhelpmn.org/LASMfactsheets).

---

**Minneapolis Legal Aid – CLE**  
MN Legal Services Coalition  
2324 University Avenue W. – Suite 101B  
St. Paul, MN 55114

**Do not use this fact sheet if it is more than 1 year old.**  
Write us for updates, a fact sheet list, or alternate formats.  
Fact Sheets aren't a complete answer to a legal problem.  
See a lawyer for advice.