

COVID-19 has had a significant economic impact throughout Illinois, including widespread loss of income and wages, which pose new challenges to our client communities. For this reason, **LEGAL AID CHICAGO** has compiled this FAQ on consumer debt collection to assist clients who may be encountering new financial hardships.

- 1. WHAT SHOULD I DO IF I AM HAVING TROUBLE STAYING ON TOP OF MY BILLS BECAUSE OF THE COVID-19 CRISIS?** Your first step should be to contact your lender or servicer directly to let them know about your situation. The company may be able help you avoid falling behind by waiving certain fees or have assistance available in light of the COVID-19 crisis. The federal regulators that oversee banks, for example, have encouraged banks to work with their customers to help them meet their financial needs, including by waiving certain fees, increasing credit limits, and offering or modifying payment arrangements.
- 2. WHAT IF I HAVE ALREADY FALLEN BEHIND AND HAVE BEEN CONTACTED BY A DEBT COLLECTOR?** Consider contacting the debt collector directly to gather information about the debt. If you dispute that you owe it at all, if you think the amount is wrong, or if your income is not collectable, you can send the debt collector a letter explaining that. You can refer to the sample letters on the Consumer Financial Protection Bureau's website, here: <https://bit.ly/34VxBIM>.

If you do owe the debt, consider contacting the debt collector to propose affordable repayment terms or to ask them to delay collection. The agency that regulates private debt collectors in Illinois has instructed them to work with consumers to modify repayment terms or delay collection during the COVID-19 crisis. Additionally, the Governor has issued an Order preventing most wage garnishment during the COVID-19 crisis. See **FAQ 4**, below, for details.

Finally, keep in mind that federal law says that debt collectors are not allowed to use unfair practices, such as making misleading statements or threats. If you think your rights have been violated by a debt collector, keep detailed records about your communications with the debt collector, and contact Legal Aid Chicago to assess whether you might have a legal claim.

- 3. HOW DO I KNOW IF MY INCOME IS COLLECTABLE?** In Illinois, your income is protected—*meaning that it cannot be collected by a debt collector or creditor, even if that creditor files a lawsuit, goes to court, and gets a judgment against you*—if the following four criteria are met:
 - (1) **Your income is from a protected source** (which includes child support, social security, or public benefits) **or your weekly take-home pay is less than \$416.24 per week;**
 - (2) **If you own a home or any real estate, its equity is less than \$15,000;**
 - (3) **If you have a car, its value is less than \$2,400;** and
 - (4) **The value of your personal property is less than \$4000.**

If a debt collector threatens to or attempts to collect your protected income, including by freezing a bank account or garnishing your wages, contact Legal Aid Chicago right away.



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Monday to Friday
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4. IF MY INCOME IS COLLECTIBLE, CAN IT BE COLLECTED DURING THE COVID-19 CRISIS?

Maybe. There are two primary ways that creditors can collect judgments – through wage garnishment or freezing or seizing a bank account. In Illinois, the Governor recently issued an Order preventing debt collectors from doing either during the COVID-19 crisis unless one of the following is true:

- (1) a judge issued an order before April 14 allowing the wage garnishment or giving the creditor access to your bank account;
- (2) the debt being collected is a domestic support obligation, like child support; or
- (3) you voluntarily authorized the collection of the debt.

NOTE that the law authorizing the economic stimulus payments did not protect them from being collected by private debt collectors, so if you have voluntarily authorized the collection of a private debt, consider revoking that authorization to protect your stimulus check.

5. WHAT IF I OWE MONEY TO THE CITY OF CHICAGO?

The City of Chicago has announced several changes of policy to ease the burden on consumers who are struggling to keep up with their bills during the COVID-19 crisis. Through June 1, the City has suspended late fees and defaults on payment plans, including city tickets, utility bills, parking, and red-light citations, booting and other non-public safety-related violations. The City has also stated that it will not engage in debt collection efforts, and no new interest will accumulate on current compliance plans. This means that, while your debt to the City will not disappear as a result of the COVID-19 crisis, you can prioritize the expenses that are necessary for your health and safety during this time.



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6. **WHAT IF I HAVE FALLEN BEHIND ON MY CAR PAYMENTS?** Car lenders can typically repossess your vehicle soon after you fall behind on your car payments. For this reason, it is very important to stay current on your car payments to avoid the risk of losing your car. In Illinois, the Governor issued an order suspending repossessions during the COVID-19 crisis. This means that, during this time, you will no longer face the immediate risk of repossession if you fall behind on your car payments. It does not mean that your debt will disappear or be reduced, or that additional fees may not be assessed. Additionally, your car may still be repossessed when the order is lifted, unless you are current on your car payments at the time. For that reason, if you are able to keep your car payments current, you should plan to do so to avoid the future risk of repossession. You should also continue to prioritize your car payments over payments on any unsecured debts, like credit cards.
7. **WHAT IF I HAVE STUDENT LOAN DEBT, MEDICAL DEBT, UTILITY DEBT, OR DEBT TO MY MORTGAGE LENDER?**
Please refer to Legal Aid Chicago's other handouts addressing these issues.
8. **WHAT IF I AM NOT SURE ABOUT WHAT DEBTS I HAVE?** You can request a free credit report by visiting AnnualCreditReport.com. During the COVID-19 crisis, the three big credit reporting agencies – Equifax, Experian, and TransUnion – are providing free weekly credit reports to allow consumers to monitor their financial health during the COVID-10 crisis.
9. **HOW WILL MY CURRENT BANKRUPTCY CASE BE IMPACTED IF I AM FACING A NEW FINANCIAL HARDSHIP?** There are new laws providing assistance for debts with court-approved Chapter 13 bankruptcy plans. If you are facing a financial hardship as a result of the COVID-19 crisis, you can ask the court to adjust your monthly payments. Instead of 5 years, you can now have up to 7 years to repay your debt. If you have a bankruptcy attorney, you should contact your attorney about any financial hardship that you experience during this time. If you do not have an attorney, you may be able to obtain assistance from Legal Aid Chicago's bankruptcy help desk by calling 312-229-6344 and leaving a message.

If you have individual legal questions or are seeking representation in a debt collection matter, please consult with an attorney or contact LEGAL AID CHICAGO at (312) 341-1070.



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