

This material is provided to answer general questions about the law in New York State. The information and forms were created to assist readers with general issues and not specific situations, and, as such, does not replace the legal advice or representation of an attorney. Because of this and because of unanticipated changes in the law, the Rural Law Center of New York (RLC) makes no claim that this information will achieve the results you desire. Also, the RLC disclaims any responsibility for actions taken based on this material. If you are seeking advice about a specific legal issue, you should contact an attorney licensed to practice in New York State.

Rural Law Center of New York, Inc.

What About Exempt Funds?

If all of your income is from exempt sources and you are being harassed by creditors, you should write a letter (see sample letter on this site) to give your bank notification that all of the income in your account is exempt from collection, so that in the event that a creditor wins a lawsuit against you and attempts to restrain or “freeze” you bank account, the bank knows that it should not do so. It is a precautionary measure, and not always successful. You will greatly increase your chances of preventing a freeze if you only directly deposit exempt money (defined below) into the account – depositing any non-exempt money into the account could open the account to creditor freezes.

The following monies are exempt from collection—a creditor is not supposed to “freeze” your bank account if it contains only:

- a. Social Security, SSD, or SSI
- b. Veterans Benefits
- c. Public Assistance
- d. Pensions
- e. IRAs and other retirement accounts
- f. Child Support and Alimony
- g. Unemployment Insurance
- h. Workers Compensation
- i. Other Government benefits
- j. 90% of wages or salary earned in the last 60 days
- k. Wages or salary less than \$175.50 per week after taxes

Make sure to send the letter certified mail, return receipt requested. You will need to visit the post office to do so, and each certified letter will cost you a few dollars. Record the certified mail number on each letter.

When sending this letter, also notify the creditor that is suing you that you have only exempt income and that they should not attempt to freeze your bank account. (See sample of this letter on this site, also.)

Sending these letters will not stop a creditor from suing you or winning a money judgment against you, but it may help to minimize the risk of your bank account being frozen. You can send this letter at any time, but it is best to send it *before* you are sued.

If you are being sued, make sure that you call Social Security (or Veteran's Benefits, Public Assistance, etc.) and ask them to send your checks in paper form instead of having them directly deposited into your frozen account.

Lastly, make sure you keep copies of everything.