



## **Can a Credit Card Company Garnish Your Wages?**

By John Skiba, Esq.

[www.consumerwarrior.com](http://www.consumerwarrior.com)

[Wage garnishment](#). How it happens and what you can do to avoid it is one of the most common misunderstandings I run into when I meet with clients. I wrote about some of the myths surrounding garnishment in my e-book “Top Ten Myths about Consumer Debt” but thought I would hit on it in this article as well. Many people are under the impression that if they miss a payment to the credit card company that it will be able to immediately garnish their wages. This is simply not true. Understanding the garnishment process can not only help you avoid it but can be used as leverage when trying to settle your debts.

### **When Can the Credit Card Company Garnish My Wages?**

Garnishment is a pretty harsh penalty. Here in Arizona a creditor can garnish up to 25% of each paycheck and can take all but \$150 out of your bank account. If you are living paycheck to paycheck like most people a garnishment can be totally devastating. It is vital to understand that the credit card company cannot garnish you until they have a judgment against you.

So how do they get a judgment? Well, [they have to sue you](#). A process server will likely show up at your door one evening (or Sunday morning...they seem to love Sunday mornings) and drop off a complaint and summons. You will have an opportunity to respond to the lawsuit – you may even have a trial. And, after all that, if you lose and the credit card company obtains a judgment against you, then and only then can they garnish your bank accounts or your wages. But, there are a couple exceptions to this rule...

### **Credit Unions, Cross-Collateralization Agreements & the IRS**

If you bank at a credit union there are some additional rules you need to be aware of when it comes to garnishing your bank accounts. Most credit unions have cross-collateralization agreements with all their customers. These agreements say

that all of your accounts with them are connected. So if you have a checking account, a car loan, and a credit card with your credit union they are likely all connected. This means if you miss a car payment the credit union will be able to garnish your bank account to cover that payment.

Another big exception is the IRS. Basically all you really need to know is that the normal rules don't really apply to the IRS. If you don't pay your taxes they can garnish your bank account without any notice – although they typically give you plenty of notice in the mail before they ever do anything.

So, whether you get garnished or not depends not only on the type of debt you have but who you got your loan through.

Garnishments are scary because they take away your control. All the sudden the money you work for or the money you have saved up in your account is gone. You have lost control of your financial life-blood. The good thing is you don't need to worry if you miss a payment to the credit card company and you should have plenty notice before anything too devastating happens.

[photo](#) by: [matiasjajaja](#)