

Consumer Debt

Frequently Asked Questions

What is consumer debt?

Consumer debt is money borrowed from a lender for personal, family, or household use. It could come from credit card balances, medical bills, home mortgages, and/or auto loans. Consumer debt does not come from debts associated with a business.

What does default mean?

Default means you have not made payments on your debt. This can lead to your debt being turned over to a debt collector and ultimately result in you being sued to collect what you owe.

What do I do if I can't make a payment on my consumer debt?

If you can't make a payment on your consumer debt, the Federal Trade Commission—the government agency that protects consumers—recommends that you contact your creditors as soon as possible to see if you can work out a repayment plan.

If your consumer debt has already been turned over to a debt collector, the FTC recommends that you still contact them to get more information about the debt and to confirm the debt is really yours.

It is also possible that a company known as a debt-buyer could purchase your debt from your lender and attempt to collect it from you. Debt-buyers, like all debt collection agencies, must follow federal and state rules for debt collection practices.

Many of these rules deal with how and when debt collectors/debt-buyers can contact you and who they can disclose information about your debt to. They cannot threaten you verbally or physically, and if you have notified them that you have legal representation, they can only communicate with you through your lawyer.

For the entire list of rules that debt-collectors and debt-buyers must follow, consult The People's Law Library page on Debt Collectors and the Law [here](#).

I'm being sued for my consumer debt. What should I do?

Open all mail you receive from the court and make sure you show up to your scheduled court date.

You will receive in the mail a summons and a complaint.

- **The summons will tell you the date, time, and location of the trial**
- **The complaint will contain:**
 - a. **Who is suing you**
 - b. **Why they are suing you**
 - c. **How much they claim you owe**

Make sure that you read and fully understand the complaint.

- **Confirm they have the correct person and the correct amount you owe on your debt**

Follow all of the instructions in the complaint.

If you want to defend yourself in court, you must file a Notice of Intention to Defend, which you will find at the bottom of the summons.

- **In the Notice, you will explain why you are disputing the claim.**
- **You have 15 days from the date you receive the summons to file the notice and mail it to the court address at the top of the summons**

If you do not file the Notice of Intention to Defend within the 15 days, a judgment may be entered against you, which means you will have to pay the amount that you owe to your creditor.

It is important to remember that even after you have been sued, you can still try to settle your debt with your creditor or negotiate a payment plan that works for you.

You can also request mediation. Mediation means that a neutral third party will try to bring both sides to a fair arrangement. In District Court, mediation is free.

How can Shore Legal Access help if I'm being sued for the consumer debt that I owe?

With advance preparation from a legal professional, many people are often able to defend themselves in court without a lawyer.

Shore Legal Access will schedule a consultation for you with a lawyer to help prepare you for your trial. During the consultation, the lawyer will:

- **Review documents with you relevant to your case**
- **Develop ideas for how you can best represent yourself in court**
- **Advise you on how to work with debt collectors**



How can Shore Legal Access help if I'm being sued for the consumer debt that I owe? (continued)

In limited circumstances, Shore Legal Access may be able to provide you with representation in court through one of our volunteer attorneys.

If you are getting non-stop calls from debt collectors and you don't know what to do, or if you are being sued for your consumer debt, contact Shore Legal Access today at 410-690-8128 or visit shorelegal.org/get-help.

Debt

Make sure you keep receipts of any payments of your debt, documents related to your debt, and any evidence you tried to address your debt with your creditor.

These can be used as evidence at your trial.

What happens if the court rules against me?

If the court finds that you must pay the debt that you owe, your creditor has several ways to collect from you.

- **Collection Information:** your creditor can request details about your financial situation (employment, property, other debts, etc.), which you must share
 - If the judgment was for \$5000 or less, you do not have to provide this information
- **Property lien:** your creditor can seize your property and sell it if you can't pay your debt
- **Wage garnishment:** your creditor can arrange with your employer to have money taken out of your paycheck until you pay back your debt
 - Your creditor can't take more than 25% of your earnings per pay period
- **Bank garnishment:** your creditor can attempt to seize money from a bank account to pay for your debt

Certain income and property can be protected from creditors. These are called exemptions. There are many exemptions and some can be complicated. To see what exactly is exempted visit: [Judgments & Debt Collection | Maryland Courts \(state.md.us\)](https://www.mdcourts.gov/judgments-debt-collection), or talk to a legal professional.

Sources

[How To Get Out of Debt | Consumer Advice \(ftc.gov\)](https://www.ftc.gov/consumer/how-to-get-out-of-debt)

[What to Do if You Are Sued in District Court | Maryland Courts \(mdcourts.gov\)](https://www.mdcourts.gov/what-to-do-if-you-are-sued-in-district-court)

[Judgments & Debt Collection | Maryland Courts \(state.md.us\)](https://www.state.md.us/judgments-debt-collection)

[Debt Collectors and the Law | The Maryland People's Law Library \(peoples-law.org\)](https://www.peoples-law.org/debt-collectors-and-the-law)

[What laws limit what debt collectors can say or do? | Consumer Financial Protection Bureau \(consumerfinance.gov\)](https://www.consumerfinance.gov/what-laws-limit-what-debt-collectors-can-say-or-do/)

Bankruptcy

Frequently Asked Questions

I have debt that I cannot pay and collection agencies won't stop contacting me. What can I do?

If you have unmanageable debt, bankruptcy might be an option for you to get a fresh start.

What is bankruptcy?

Bankruptcy is a legal process that can erase your debt or make it more manageable. For individuals, this can be done either through what is known as liquidation (Chapter 7) or through an agreed upon repayment plan (Chapter 13). Both can have a significant impact on your life, your property, your finances, and your credit score.

Types of bankruptcy:

Chapter 7 (Liquidation)

- **In Chapter 7 bankruptcy, certain assets may be liquidated (i.e. sold) to pay your creditor**
 - **An attorney can help you understand what assets you can keep and what assets can be sold**
- **As soon as your bankruptcy petition is filed, your creditors will have to stop attempting to collect payment for your debt while the bankruptcy process plays out. This is called a “stay”**
- **Once your property is sold, your debt is considered discharged (even if the value of the property is less than your debt)**
 - **Discharged means that you are no longer responsible for your debt and that your creditors can no longer try to collect payment**
 - **Certain debts are not able to be discharged. These include:**
 - **Child support**
 - **Taxes**
 - **Student Loans**
 - **Debts resulting from a drunk driving conviction**
- **Chapter 7 bankruptcy is usually best for people who are unable to afford the minimum payments on their credit cards and don't have many assets**

Types of bankruptcy (continued):

Chapter 13 (Repayment)

- In Chapter 13 bankruptcy, you and your creditor agree on a repayment plan that allows you to catch up on your debt payments over three to five years without having to give up property like your house or your car
- It is also known as debt reorganization
- Debts are *not* stayed or discharged. You must continue to pay what you owe
- Chapter 13 bankruptcy is usually best for people with a regular income who can meet their immediate needs but can't pay down their debt

Shore Legal Access can only assist you with Chapter 7 bankruptcy.



I'm considering Chapter 7 bankruptcy. What should I do?

Contact Shore Legal Access to sign up for one of our Debtor Assistance Project clinics. You can call 410-690-8128 or visit shorelegal.org/get-help. Clinics are held twice a month—once in Easton, and once in Salisbury—and are by appointment only.

At the clinic, you will get a free 30-minute consultation with a bankruptcy lawyer who will talk with you about your financial situation and either recommend you for the Chapter 7 bankruptcy process or advise you on other options to address your debt.

Shore Legal Access has a very limited amount of grant funding to assist a small number of people with their Chapter 7 bankruptcy cases. If you are selected, Shore Legal Access will pair you with a lawyer who will represent you through the entire Chapter 7 bankruptcy process, from the filing of the petition to the discharge of your debts.

To begin the process, you must be prepared to pay the filing fee at your first meeting with your lawyer.

How does the Chapter 7 bankruptcy process work?

- Before you can file, you must receive credit counseling from a bankruptcy court approved credit counseling agency. The purpose of the counseling is to explore alternative options to bankruptcy, including a debt management plan. You can find a list of approved credit counseling agencies in Maryland [here](#)
- You or your attorney will file a petition to the bankruptcy court closest to where you live
 - Maryland has two bankruptcy courts: one in Baltimore and one in Greenbelt
- Along with the petition, you will have to pay your filing fee, and provide to the court information about your finances, your debts, the property you would like protected from liquidation, and a certificate that you completed the pre-filing credit counseling
- Once the petition has been filed and the filing fee paid, your creditors will be notified and can no longer contact you about your debt while the bankruptcy process plays out. This is called a “stay”
 - It is important that you accurately list all of your creditors so they can be notified of your bankruptcy filing

How does the Chapter 7 bankruptcy process work? (continued)

- **Within 21 to 40 days, you will be called to a meeting with your creditors and the trustee. You will have to bring any requested financial documents (including tax forms) and be prepared to answer questions under oath about your finances and property**
 - **“Under oath” means that you promise to tell the truth; you can face legal consequences if you are not honest**
- **Based on your answers at the creditors meeting, the trustee will determine if you meet the requirements for Chapter 7 bankruptcy.**
- **If you do, they will begin to sell your property to settle your debt with your creditors**
- **Before your debt is discharged, you must complete a debtor education course and obtain a certificate of completion. You can find an approved debtor education course provider in Maryland [here](#).**
- **Once your property has been sold and you have completed your debtor education course, your debt is considered discharged and the Chapter 7 bankruptcy process is over**

The Chapter 7 bankruptcy process happens relatively quickly—usually a few months after you file your petition. It is not likely during the process that you will have to interact with the bankruptcy judge or appear in court.

What happens after the bankruptcy process is over?

If your debt has been discharged through Chapter 7 bankruptcy, your creditors must stop trying to collect from you. If they do not stop, you can file a motion with the court to make them stop.

Federal law prohibits employers (both public and private) from discriminating against anyone who has declared bankruptcy. But you should know that bankruptcy filings are available to the public, including your current or future employer.

Chapter 7 bankruptcy will remain on your credit report for ten years, and in that time could affect your ability to get a loan or a mortgage. The best way to rebuild your credit score is to make on-time payments.

You will not be able to file for Chapter 7 bankruptcy again for eight years.

Sources

[Chapter 7: Liquidation | The Maryland People's Law Library \(peoples-law.org\)](https://www.peoples-law.org/learn/chapter-7-liquidation)

[Bankruptcy: Overview | The Maryland People's Law Library \(peoples-law.org\)](https://www.peoples-law.org/learn/bankruptcy-overview)

[Property You Can Keep After Declaring Bankruptcy | The Maryland People's Law Library \(peoples-law.org\)](https://www.peoples-law.org/learn/property-you-can-keep-after-declaring-bankruptcy)

[Process - Bankruptcy Basics | United States Courts \(uscourts.gov\)](https://www.uscourts.gov/learn/bankruptcy-process)

[Chapter 7 - Bankruptcy Basics | United States Courts \(uscourts.gov\)](https://www.uscourts.gov/learn/chapter-7-bankruptcy-basics)

[Bankruptcy: How It Works, Types and Consequences - Experian](https://www.experian.com/bankruptcy-how-it-works-types-and-consequences)

[Legal Overview | The United States Bankruptcy Court for the District of Maryland \(uscourts.gov\)](https://www.uscourts.gov/learn/legal-overview)

[What Happens When You File for Bankruptcy? \(debt.org\)](https://www.debt.org/learn/what-happens-when-you-file-for-bankruptcy)