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Policy analyst: Stephen Stetson
(334) 832-9060

A Fresh Start: Debtor Protections in Alabama

When people fall into debt, it shouldn't ruin their lives. Nearly every state endorses this simple idea by placing some limits on how much creditors can collect from people struggling to pay what they owe. But in Alabama, weak and outdated limits make it much harder for many debtors to rebuild their lives after a judgment.

Exemptions from debt collection fall into two basic categories: a homestead exemption and a personal property exemption. In many states, these exemptions are designed to help families save their home, their vehicle and basic resources with which they can make a fresh start. People who are in debt will have a hard time repaying what they owe if they are evicted from their home and if the vehicle they drive to work is repossessed.

Alabama's debtor protections are some of the nation's weakest, according to an October 2013 report by the National Consumer Law Center (NCLC). Alabama is one of four states that received an *F* in the study for its debt collection exemption laws. Under Alabama law, each person can shield just \$5,000 of a homestead's value from a debt collector (or \$10,000 total for a married couple). The vast majority of houses are worth much more. Alabama also allows a personal property exemption of only \$3,000, which applies to a family's vehicle, paycheck and most household goods. The state's exemptions were last updated more than 30 years ago, and some provisions regarding exemptions have not changed since they were written into the 1901 constitution.

Exemptions are much higher in many nearby states. Mississippi allows a homestead exemption of \$75,000 and personal property exemptions of \$30,000. Florida and Texas have no dollar cap on homesteads at all, allowing people to shelter the entire value of their homes from creditors.

What can be done? Arise has joined with a coalition of other groups to urge Alabama to modernize its debt collection exemptions for homesteads and personal property. Such reforms would bring Alabama's debtor protections more into line with those in neighboring states and help ensure that a judgment does not deprive people of the ability to continue meeting their family's basic needs.

BOTTOM LINE: Updating Alabama's exemptions from debt collection would give low-income families who are struggling with debt a better chance to keep working and make a fresh start in life.

For more information on Alabama's debt collection exemptions and how they compare to those in other states, see the NCLC report "No Fresh Start" at www.nclc.org/issues/no-fresh-start.html.