WHAT ARE EXEMPT FUNDS?

LEGAL RESOURCES LIBRARY

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.

You may contact the Rural Law Center of New York, Inc. as follows:
BY MAIL: 22 U.S. Oval, Suite 101, Plattsburgh, New York 12903
PHONE: (518) 561-5460
FAX: (518) 561-5468
OR VISIT OUR WEBSITE: www.rurallawcenter.org

© Rural Law Center of New York, Inc.
WHAT ARE EXEMPT FUNDS?

If all of your income in your bank account is from sources that are exempt from collection 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, so that in the event that a creditor wins a lawsuit against you and attempts to restrain or “freeze” your 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 your account ONLY contains exempt money (defined below) that has been deposited into the account. If you deposit any money that is not exempt into the account, that 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:

- All principal and all but 10% of the payments from a private trust
- Social Security, SSD, or SSI
- Railroad Retirement benefits
- Black lung benefits
- Veterans Benefits
- Public Assistance
- Private and public Pensions
- Retirement Saving Accounts such as 403(b), Individual Retirement Accounts, and 401(k)
- Child Support
- Spousal Support
- Maintenance
- Unemployment Insurance
- Workers Compensation
- Other Government benefits
- 90% of wages or salary earned in the last 60 days
- Wages or salary less than $270.00 per week after taxes
- Twenty-five hundred dollars of any bank account containing statutorily exempt payments that were deposited electronically or by direct deposit within the last forty-five days, including, but not limited to, your social security, supplemental security income, veterans benefits, public assistance, workers’ compensation, unemployment insurance, public or private pensions, railroad retirement benefits, black lung benefits, or child support payments.

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 less than ten 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.