A collection letter asks you to pay. A court summons tells you that a legal case has begun. Treating those two documents as the same thing can become an expensive mistake. A summons is an official notice that you are being sued and must respond according to the court's instructions. For an unpaid consumer debt, the case can eventually lead to wage garnishment—a legal process requiring an employer to withhold part of someone's earnings to pay a debt. The money leaves the paycheck before the worker receives it. Understanding how a collection demand can become a payroll deduction gives you opportunities to act before your income is reduced (Consumer Financial Protection Bureau; Investopedia Consumer Financial Protection Bureau).

For ordinary consumer debts, such as an unpaid credit card balance, a creditor generally must sue and obtain a judgment before garnishing wages. A creditor is the person or organization owed money. A judgment is the court's decision establishing a legal obligation, such as the amount someone must pay. Different procedures apply to certain obligations, including some government debts, so a separate lawsuit is not always required (Consumer Financial Protection Bureau; U.S. Department of Labor Consumer Financial Protection Bureau). For a typical debt lawsuit, however, the steps between the first demand and a garnishment are opportunities to examine the claim. The name on the account, the amount requested, previous payments, and the company's right to collect all need to be accurate. A familiar creditor's name does not establish that every dollar being claimed is correct.

One of the most consequential terms in this process is default judgment. This is a decision entered against someone who fails to respond or participate as required. A person may believe, "I cannot afford to pay, so there is no reason to answer." But responding to a lawsuit and paying the debt are separate actions. Responding does not mean admitting that the claim is correct. It allows you to raise disputes and requires the collector to establish its case. Ignoring properly served court papers can allow a judgment to be entered for the claimed debt, along with lawful interest and additional costs. The Consumer Financial Protection Bureau advises responding by the deadline stated in the court papers, personally or through a lawyer (Consumer Financial Protection Bureau Consumer Financial Protection Bureau).

The consequences have fallen unevenly across communities. In its 2020 examination of debt-collection litigation, The Pew Charitable Trusts, a nonprofit research organization, cited an analysis of judgments in St. Louis, Chicago, and Newark. Across the five-year period studied, predominantly Black neighborhoods had nearly twice the rate of default judgments as predominantly white neighborhoods, even after accounting for income. Pew also reported that, across studies of debt cases from 2010 through 2019, fewer than one in ten people being sued had a lawyer, while nearly all companies bringing the cases did. These are historical findings from particular studies, not a description of every court or every borrower. They show that the financial outcome can involve much more than the original bill: access to legal help and participation in the case can influence what happens afterward (The Pew Charitable Trusts The Pew Charitable Trusts).

If garnishment reaches payroll, the amount is not simply whatever the collector requests. Federal law limits ordinary wage garnishment using disposable earnings, a legal term for earnings remaining after deductions required by law, such as taxes. Here, “disposable” does not mean money left after rent, groceries, and transportation. It also may differ from the amount normally deposited into your bank account, because voluntary deductions generally do not reduce the earnings used in this calculation. For ordinary debts, the federal weekly ceiling is the smaller of two amounts: 25 percent of disposable earnings, or the amount exceeding 30 times the federal hourly minimum wage. Different pay periods require corresponding calculations. A more protective state law can reduce what may be taken. Child support, taxes, and certain other obligations have different rules, so the ordinary-debt limit should not be applied to every withholding order (U.S. Department of Labor U.S. Department of Labor).

That word “ceiling” is important: a maximum is not an automatic payment amount. State protections and the details of the case may leave more income protected. An exemption is a legal protection that keeps certain income or property from being taken. Depending on the protection and the procedure, you may need to submit a claim rather than expect it to happen automatically. The Consumer Financial Protection Bureau recommends seeking help from an attorney familiar with consumer debt to identify and claim applicable protections (Consumer Financial Protection Bureau Consumer Financial Protection Bureau). Gather the court notice, recent pay statements, the collection records, and proof of payments already made. Those documents help someone examine the actual calculation and obligation. A court self-help office or legal aid organization—a provider of free or reduced-cost legal assistance for eligible people—can help you find the appropriate process.

There is also a job protection many workers may not know exists. Federal law generally prohibits an employer from firing an employee because their earnings are garnished for any one debt. That particular federal protection does not extend in the same way to garnishments for multiple debts, although additional state protections may apply (U.S. Department of Labor U.S. Department of Labor). Payroll can explain what order it received and how it calculated the deduction, but challenging the underlying claim or requesting court relief involves the issuing court or agency. Knowing who controls which part of the process prevents wasted effort. An employer processing an order is not necessarily authorized to cancel it because an employee disputes the debt.

The strongest response begins with identifying the document in front of you. A collector’s notice may provide a period for disputing the debt; court papers carry their own response requirements. A written dispute sent to a collector is not a substitute for the response required in a lawsuit. Under federal debt-collection rules, a timely written dispute during the validation period generally requires a covered collector to pause collection of the disputed amount until it provides verification (Consumer Financial Protection Bureau Consumer Financial Protection Bureau). Keep copies, record deadlines, and get help promptly when court papers arrive. The financial skill here is recognizing when an unpaid account has become a legal proceeding—and using the

opportunity to correct errors, assert protections, or pursue a workable resolution before deductions begin.