

WHAT HAPPENS IF I GET A JUDGMENT?

When you are trying to decide whether you should settle your case or go to trial, you need to know what can happen to you if you lose your case and get a judgment against you.

The Main Things You Need to Know About Judgments

1. A judgment is valid for at least 10 years and possibly longer.
2. The judgment debt will continue to increase because of interest.
3. Judgments are very bad on your credit.
4. With a judgment, the creditor can “take your stuff” in order to get paid (see below).

Judgments Are Valid for 10 Years

A judgment is initially valid for 10 years. But the creditor can renew the judgment for another 10 years and then another 10 years after that and so on. If the creditor ever fails to renew the judgment before one of the ten-year period ends, then the judgment expires. (There is actually a lot more to it than that, but you get the idea.)

As long as the judgment is “active” (in other words, not expired), then the creditor can collect on it.

The Balance Continues to Increase

Interest continues to accrue even after the judgment. The creditor can continue to add legal fees and court costs as well. It is not unusual for a judgment to double in amount in less than 10 years.

A Judgment is Bad on Your Credit

A judgment is one of the worst things you can have on your credit report. In many ways, it is worse than a bankruptcy. For example, you cannot obtain (or refinance) a mortgage with an open judgment on your credit report.

The judgment can remain on your credit report as long as it is active. And settling the judgment does not get it removed from your credit report immediately. When you settle a judgment, your credit report should be updated to reflect that the judgment is “settled” instead of “open,” but the judgment can still remain on your credit report for up to 7 years after that.

Judgment Collections Can Be Harsh

When a creditor has a judgment against you, there are a lot of things the creditor can do to collect on the judgment. Listed below are just a few of the things. Ultimately, what the creditor can do to collect on the judgment depends on what assets you have.

- Bank Account Garnishment: The creditor can garnish your bank accounts, which means that they can freeze your accounts and take all the money that is in them. You do not get any kind of warning before this happens.
- They Can Cloud the Title to Your Home: The creditor can file an “abstract of judgment” (a special legal form detailing the judgment) in the real property records. The “abstract of judgment” creates a “cloud on the title” to your home. Basically, you are prohibited from selling or refinancing your home until you resolve the judgment. Or more precisely, if you sell or refinance your home, without resolving the judgment first, then the creditor is entitled to be paid in full from the loan proceeds. If there is not enough money to pay the creditor in full, then you may not be able to close on the sale or refinance.
- They Can Seize “Nonexempt” Assets: If you have any assets that are not legally protected (“exempt”), the creditor, through the county constable’s office, can simply show up and seize them and then sell them off.
- They can Subpoena You To Appear at a Deposition: At any time, they can subpoena you to appear at a deposition and to bring your financial records with you. If you don’t show up at the deposition, or if you don’t produce the financial records, you can be held in contempt of court.
- They Can Do Other Things Also: There are many other things they can do, depending on your circumstances. Exactly what they can do depends on what assets you have. If you have questions about your particular circumstances, get with your case manager.

This is just a brief primer on judgments and is designed to give you basic information about what you will be facing if you lose your case and get a judgment against you. If you have any questions about your particular situation, contact your case manager.