Collect Your Debt

Having difficulty collecting a debt? There's a difference between owning a receivable and being a "judgment creditor."

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"**The check is in the mail.**" How many times have you heard these words from a customer who is not paying your company what it is owed? When you put additional pressure on the debtor, the company often finds another vendor willing to extend credit. If this happens, the likelihood of your collecting the aged receivable becomes even more difficult and unlikely.

There is a significant difference between a judgment creditor and simply owning an account receivable. While both are unsecured creditors, the judgment creditor has the ability, under the right circumstances, to become a secured creditor and has the ability to seize, take control, and liquidate the debtor's assets to satisfy its judgment under Texas law.

Once a judgment is obtained, the creditor can have an abstract of judgment prepared and recorded in counties where the defendant owns real property. A judgment lien is then created on all the defendant's real property in those counties. This means the judgment creditor becomes a secured creditor relative to the value or equity of the defendant's real property in the counties where the abstract of judgment is recorded.

After this occurs, the judgment creditor can have the sheriff conduct a foreclosure sale on the property. The foreclosure sale is a public auction where the property is sold to the highest bidder for cash with the net sales proceeds being paid to the judgment creditor to satisfy the judgment.

The judgment creditor has the right to bid at the auction and may use the amount of its judgment to "credit bid" at the foreclosure sale. If the judgment creditor is the highest bidder, the judgment creditor receives title to the property by a sheriff's deed.

Thirty days after the judgment is signed, the judgment creditor can have a writ of execution issued. This writ is "levied" by the sheriff who picks up the defendant's assets, which will then be sold at a sheriff's sale. If the defendant wants and needs these assets in order to conduct business, the defendant will normally do everything it can to settle the judgment with the judgment creditor so that the defendant's business will not be shut down.

If the judgment creditor knows where the defendant has a bank account, the judgment creditor can garnish the defendant's bank account. This means that the judgment creditor can take all of the money in the defendant's bank account to satisfy the judgment.

Texas law provides judgment creditors with significant tools that can be used to collect judgments on bad accounts. For those who know what tools are in the box and how to use them, a judgment creditor can force the defendant to pay the judgment or potentially force the defendant out of business. **FWinc**

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