

RECEIVERSHIP PROCEEDINGS IN JUSTICE COURTS

An information packet to answer frequently asked questions about the process

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GENERAL INFORMATION

This information is provided for general informational purposes only and is not intended as legal advice. The law may change from time to time, and there may be times when the information on this page is not current.

Resources regarding receivership proceedings are available from the Texas Judiciary website at <https://www.txcourts.gov/>. Texas Civil Practice and Remedies Code § 31.002 specifically deals with receivership proceedings in the context of judgment collection.

In addition to § 31.002, you may also refer to Rules 500-507 of the Texas Rules of Civil Procedure for other rules relating to the Justice Court which can be found on the Tarrant County website at: https://www.tarrantcountytexas.gov/content/dam/main/justices-of-the-peace/Documents/New_Rules_with_Index_9-25-14.pdf.

None of the information provided here is a substitute for advice from an attorney. The Justice Court Clerks are not allowed to give any legal advice. You are urged to review the applicable laws and to consult an attorney of your choice for further information or answers to specific legal questions.

UNDERSTANDING RECEIVERSHIPS AND IMPORTANT NEXT STEPS

I received a Notice of Hearing to Appoint a Receiver. What does this mean and why did I receive it?

A receivership is a legal process that follows a court judgment. If you received a Notice of Hearing to Appoint a Receiver, it means that someone (a person or company) previously filed and won a lawsuit against you where that person or company accused you of owing an unpaid debt. The person or company who filed the lawsuit is called the "creditor" or "plaintiff." As the person who was sued, you were the "defendant." This frequently results from a debt claim case, but can also result from a small claims case, repair and remedy case, contract dispute, or any other type of civil lawsuit that resulted in a money judgment. If the lawsuit was about a debt, the creditor may have been the original company you had an account with, or it might have been a debt collection company that purchased your debt.

Note: Although Texas Civil Practice & Remedies Code § 31.002 does not require courts to notify defendants of an upcoming hearing to appoint a receiver, Tarrant County Justice Court 1 provides this notice as a courtesy in all cases. By sending you notice, the Court is

giving you the opportunity to speak with the creditor or their attorney, learn more about the receivership process, explain any financial hardship you are facing, and possibly work out a repayment plan before a receiver is formally appointed.

What happened with the debt claim lawsuit?

The court issued a judgment, which is a formal decision stating that you owe the creditor a specific amount of money. This may have happened in one of two ways:

1. You participated in the case, but the judge ruled in favor of the creditor, OR
2. You did not file an answer or appear in court, resulting in a "default judgment" against you.

What is a default judgment?

A default judgment occurs when you do not respond to a lawsuit by filing an answer with the court within the required timeframe (usually 14 days after being served). When this happens, the court can award the creditor what they asked for without hearing your side of the story. Many receiverships begin after a default judgment.

What happened after the judgment?

Once the creditor won the lawsuit and obtained a judgment against you, you became a "judgment debtor." The creditor, now called a "judgment creditor," has the legal right to collect the money you owe. If you have not paid the judgment amount, the judgment creditor can use various methods to collect, including asking the court to appoint a receiver.

Why is a receiver being appointed now?

The judgment creditor is taking this step because:

1. The judgment remains unpaid, either in full or part;
2. The judgment creditor believes you have non-exempt property or accounts that could be used to pay the judgment (non-exempt property refers to assets that are not protected by law from being taken to satisfy a debt—this document will explain exempt vs. non-exempt property in more detail later); and
3. The judgment creditor has decided that a receivership is the most effective way to collect what is owed.

WHAT IS A RECEIVERSHIP?

A receivership is a legal process that takes place after a court issues a judgment against someone who owes money. The court appoints a neutral third party, called a receiver, to find and take control of the debtor's non-protected (non-exempt) property. The receiver

then uses the money collected (or the proceeds from selling other types of property) to pay off the debt. While the receiver helps collect the debt, they work for the court—not the creditor—and must act fairly and impartially. This process is regulated by Texas law under Texas Civil Practice and Remedies Code § 31.002.

Why a Receiver is Appointed:

- To help the person who won a lawsuit (the “judgment creditor”) collect the debt owed by the defendant (“the judgment debtor”).
- To take control of the judgment debtor’s non-protected property (such as certain bank accounts, investment accounts, or other non-protected assets), sell it, and use the money to pay the outstanding debt.

Receiverships in justice courts are limited in scope and duration compared to receiverships in other courts. As of May 1, 2022, the Texas Supreme Court has mandated the use of a specific form for appointing receivers in justice courts, which limits the initial term of the receivership to 180 days.

What is a "turnover and receiver" order?

A turnover and receiver order is a court document that does two things: (1) it orders a judgment debtor to turn over non-exempt property to satisfy a judgment, and (2) it appoints a receiver with the authority to take possession of the judgment debtor's non-exempt property, sell it, and pay the proceeds to the judgment creditor.

Why did I receive notice of a receivership hearing?

You received this notice because a judgment creditor (someone who won a lawsuit against you) has asked the court to appoint a receiver to help collect on the judgment. The creditor believes you have property that could be used to pay the judgment.

Am I required to attend the receivership hearing?

YES. It is extremely important that you attend the hearing. If you do not appear, the court may issue orders without hearing your side. Your presence allows you to present information about your assets and which items may be exempt from collection.

What happens if I do not attend the receivership hearing?

If you fail to appear, the court will likely grant the creditor's request for a receiver without your input. This means a receiver may be appointed with the authority to locate and seize your non-exempt property without you having had the opportunity to explain your situation or claim exemptions.

Will I receive notice before my bank account is frozen or property is taken?

Typically, you will not receive advance notice that your bank account will be frozen. Once a receiver is appointed, they can act quickly to freeze accounts. However, the receiver must

provide you document called a Notice of Protected Property Rights that details what types of property are protected (exempt). If any of the frozen property is in fact exempt, you may have the right to get your protected money or property unfrozen and returned to you through a form called a Protected Property Claim Form, which is explained in more detail later in this document.

Can the judgment creditor just take my property directly?

No. The law requires that non-exempt property be turned over to a court-appointed receiver, sheriff, or constable rather than directly to the judgment creditor. This provides a layer of oversight to ensure the process follows the law.

AFTER A JUDGMENT HAS BEEN ENTERED

What happens after a judgment is entered against me?

Once a judgment has been entered, the judgment creditor may take steps to collect the debt. This may include requesting "post-judgment discovery" (a procedure where they ask you for information about your assets) or asking the court to appoint a receiver.

What is "post-judgment discovery"?

Post-judgment discovery is a process where the judgment creditor sends you written questions (called interrogatories), requests for specific documents (called requests for production), and statements for you to admit or deny (called requests for admissions). It is critical that you respond to these within 30 days. Many people end up having money taken from their accounts because they did not fill out and return post-judgment discovery informing creditors that some or all of their property is protected from collection.

How long does a judgment creditor have to collect the debt?

In Texas, judgments are generally valid for 10 years but can be renewed for additional 10-year periods. This means a creditor may attempt to collect the debt for many years.

UNDERSTANDING THE RECEIVERSHIP PROCESS

What can a receiver do?

A receiver appointed by the Justice Court is typically granted limited authority to:

- Obtain your credit information and credit reports
- Gather your financial information and records
- Negotiate payment agreements
- Take possession of non-exempt financial accounts

- Certify copies of the court's order
- Receive and apply funds to satisfy the judgment

What can't a receiver do?

Generally, Justice Courts in Tarrant County ***will not allow*** receivers to:

- Enter or lock you out of your home or business
- Open your mail
- Collect cash you have on hand
- Interrupt your utilities
- Direct law enforcement without specific court orders
- Take possession of exempt property

How long does a receivership last?

A. Initial Term

As mandated by the Texas Supreme Court from effective May 1, 2022, the initial term of a receivership in justice court is limited to 180 days after the date of the order unless extended for reasons explained below. This time limit helps ensure that the receivership process remains efficient and does not unduly burden the judgment debtor.

B. Extensions for Good Cause

If the receiver needs more time to complete their duties, they may request an extension of the receivership. The court may grant such an extension only if good cause is shown. "Good cause" generally means a substantial reason amounting to a legal excuse for needing additional time. For example, good cause might exist if the receiver has identified non-exempt property but needs more time to liquidate it, or if the judgment debtor and receiver have negotiated a payment plan that extends beyond the initial 180-day period. Without sufficient evidence showing essential necessity, orders will usually not extend beyond one year.

Note that this time period is different than the time the judgment creditor has to collect the debt. The receivership is a limited amount of time where a receiver is granted authority to assist in collecting the judgment, but the judgment creditor will still have the legal right to collect the debt (after the receivership ends) for up to ten years, unless renewed after that.

EXEMPT VS. NON-EXEMPT PROPERTY

What property is exempt from collection?

Texas law protects certain types of property from being taken to pay a judgment. These protected items are called "exempt property." Under Texas law, the following are exempt:

Income and Benefits:

- Current wages (paychecks cannot be garnished by most creditors while in your employer's possession)
- Social Security benefits (including retirement, SSI, and SSDI)
- Veterans Administration benefits
- Workers' compensation benefits
- Unemployment benefits
- Child support, alimony, and spousal support
- Railroad Retirement Board benefits
- Office of Personnel Management retirement benefits
- All pension and retirement benefits
- FEMA disaster benefits
- Temporary Assistance for Needy Families (TANF) funds
- Life insurance and annuity benefits
- Unpaid commissions for personal services (up to \$12,500 for a single person or \$25,000 for a family)

Accounts and Savings:

- Tax-deferred retirement accounts, like 401(k) and IRA accounts
- Education savings accounts
- Health savings accounts
- Proceeds from the sale of a homestead (for up to 6 months after the sale)

Real Estate:

- Your homestead (primary residence) including:
 - Up to 10 acres of urban property (single or family)
 - Up to 100 acres of rural property (single) or 200 acres (family)

Personal Property (with a combined value limit of \$50,000 for a single person or \$100,000 for a family):

- Home furnishings, including family heirlooms
- Food and similar items for consumption
- Farming or ranching vehicles and implements
- Tools and equipment used for a job
- Clothes
- Jewelry (up to \$12,500 for a single person or \$25,000 for a family)
- 2 firearms
- Athletic and sporting equipment
- One vehicle for each member of the family with a driver's license
- 2 horses, mules, or donkeys with food and riding equipment
- 12 head of cattle with food
- 60 head of other livestock with food
- 120 fowl with food

- Household pets

Other Items (exempt regardless of value):

- Professionally prescribed health aids
- Religious bible or other sacred religious book

What property can a receiver take?

A receiver can only take non-exempt property, which generally includes:

- Bank accounts containing non-exempt funds
- Investment accounts (outside of retirement accounts)
- Second homes or investment properties
- Luxury items beyond reasonable necessity
- Vehicles beyond one per licensed household member
- Business assets not used as tools of trade
- Stocks, bonds, and securities not in exempt accounts
- Rental income or other passive income
- Cash on hand (though this is typically limited in Tarrant County Justice Courts)
- Any other property that exceeds the exemption limits

Protecting exempt (protected) property

If your property is frozen or seized, the receiver must, by court order, send you a “Notice of Protected Property Rights” and a “Protected Property Claim Form” soon afterward. It is **very important** to read and follow any instructions in those documents as quickly as possible. There is a **14-day waiting period** (or 17 days if these documents were mailed) before the receiver can sell or transfer your property, so you have time to review your rights and potentially claim exemptions if applicable.

How will I receive these documents?

Under Texas Rules of Civil Procedure, a receiver can serve you these documents by personal delivery, courier-receipted delivery, or certified or registered mail to the party’s last known address, or any other method directed by the court. If you receive the documents in person, your 14-day timeline begins on the day they are handed to you. If they are served by courier-receipted, registered or certified mail, you generally have 17 days from the date of mailing (indicated on the postmark or return receipt). It is critical to watch for any certified or registered mail, read it promptly, and act before the 14- or 17-day deadline ends to protect your rights and claim any exemptions.

A full list and more information about these exemptions can be found at <https://texaslawhelp.org/article/what-property-can-be-protected-from-judgment-creditors>. You can also view Texas Property Code [Chapter 41](#) (homestead exemptions) and [Chapter 42](#) (other exempt property) for a complete list of exemptions under state law.

RESPONDING TO A NOTICES RELATED TO THE RECEIVERSHIP

What should I do if I receive notice of a receivership hearing?

1. **ATTEND THE HEARING.** This is the most important step.
2. Gather documentation about your assets (everything you own) and which ones may be exempt.
3. Consider consulting with an attorney before the hearing.
4. Be prepared to provide information about your financial situation and ability to pay.

Can I negotiate a payment plan to avoid a receivership?

Often, yes. Many creditors prefer a voluntary payment plan or another resolution rather than incurring extra costs. If you have received notice about a receivership hearing, you can contact the creditor (or their lawyer) before the hearing or at the receivership hearing to see if you can negotiate or mediate a payment arrangement. Get any agreement in writing and make sure it is filed with the court.

What happens if I believe I do not owe the debt or the amount is incorrect?

If you believe the judgment was entered incorrectly, you should consult with an attorney about your options. However, there is only a short window of time immediately after the court signs the final judgment to challenge it. After that, it becomes much more difficult to undo or change the judgment, so it is important to act quickly if you think the judgment is wrong.

RECEIVER FEES AND COSTS

Who pays the receiver's fees?

The judgment debtor (you) ultimately pays the receiver's fees, which are added to the judgment amount. Receivers are entitled to reasonable compensation for their services. The method of calculating the receiver's fees is typically set out in the order appointing the receiver. Often, this is a percentage of the funds recovered, but it may also be an hourly rate or a combination of both.

What other costs might be added to my judgment?

In addition to the original judgment amount and receiver's fees, you may also be responsible for:

- Court costs
- Post-judgment interest
- Attorney's fees
- The receiver's expenses

IMPORTANCE OF COMMUNICATION AND COMPLIANCE

Why is it important to respond to all court documents?

Responding to all court documents in a timely manner gives you the opportunity to participate in the legal process, protect your rights, and potentially negotiate more favorable terms. Ignoring court documents can result in serious consequences, including default judgments and the appointment of a receiver without your input.

What if I cannot afford to pay the judgment all at once?

If you cannot afford to pay the entire judgment at once, you should attend the hearing and be honest about your financial situation. Many creditors are willing to accept payment plans. The court or receiver may help facilitate a payment agreement that works for your circumstances.

POWERS AND DUTIES OF THE RECEIVER

A receiver appointed by a justice court has specific powers and duties, as well as important limitations on their authority. These are outlined in the court order appointing the receiver, which must use the form mandated by the Texas Supreme Court.

The receiver is typically granted the following powers:

- Obtain the judgment debtor's credit information and credit reports
- Obtain the judgment debtor's financial information and records from the judgment debtor or third parties
- Take possession of the judgment debtor's non-exempt property
- Sell non-exempt property and pay the proceeds to the judgment creditor

Along with these powers, the receiver has several important duties:

- Provide the judgment debtor with the Notice of Protected Property Rights approved by the Texas Supreme Court
- Keep accurate records of all actions taken, property seized, and funds received and disbursed
- Negotiate payment agreements with the judgment debtor if appropriate
- Certify copies of the court order as needed

A receiver's authority is not unlimited.

Key limitations include:

- The receiver cannot take possession of or sell exempt property
- The receiver cannot reduce the total balance owed under the judgment without the judgment creditor's authorization
- The receiver may only act within the scope of authority granted by the court order

RIGHTS AND RESPONSIBILITIES OF PARTIES INVOLVED

The receivership process involves three main parties: the judgment debtor, the judgment creditor, and the receiver. Each party has specific rights and responsibilities within this process.

Judgment Debtor's Rights:

The judgment debtor is the person against whom the judgment was entered. Even after a receiver is appointed, the judgment debtor retains important rights:

- Right to receive notice of protected property rights
- Right to claim exemptions for certain property
- Right to request a hearing to determine if seized property is exempt
- Right to negotiate payment agreements with the receiver

Note: The judgment debtor is responsible for cooperating with the receiver's lawful requests for information and not interfering with the receiver's authorized actions.

Judgment Creditor's Rights:

The judgment creditor is the party in whose favor the judgment was entered. Their rights include:

- Right to seek appointment of a receiver to aid in collecting the judgment
- Right to receive proceeds collected by the receiver
- Right to be informed of the receiver's actions and results

The judgment creditor must not interfere with the receiver's duties and must obtain court approval before instructing the receiver to take specific actions.

Receiver's Responsibilities:

The receiver, as an officer of the court, has both rights and significant responsibilities:

- Must act impartially and in good faith
- Must keep accurate records of all actions taken and funds handled
- Must provide required notices to the judgment debtor
- Must obtain court approval before receiving any fees
- Must file reports with the court as required

The receiver's authority is limited to what is granted in the court order. They cannot take possession of or sell exempt property, and they cannot reduce the total balance owed under the judgment without the judgment creditor's authorization.

If any party believes the receiver is exceeding their authority or not fulfilling their responsibilities, they should bring this to the attention of the court. The court maintains oversight of the receivership process and can modify the receiver's authority or remove the receiver if necessary.

It is crucial for all parties to understand their rights and responsibilities to ensure the receivership process functions as intended—as a fair and efficient means of enforcing judgments while protecting the rights of all involved.

Additional Resources

Texas Justice Court Training Center information for self-represented litigants – www.tjctc.org/SRL

Office of Court Administration Self-Represented Litigant Site - www.txcourts.gov/programs-services/self-help/self-represented-litigants/

State Bar of Texas Information, including Legal Information and Low or No-Cost Legal Assistance - www.texasbar.com, and then click on “For The Public.”

Forms and Information, including for other types of cases – www.texaslawhelp.org

State Bar of Texas Lawyer Referral Information Service - https://www.texasbar.com/AM/Template.cfm?Section=Lawyer_Referral_Service_LRIS
Phone: 1-800-252-9690

Disclaimer

This information guide is intended to provide general information about receiverships in Texas justice courts. It is not legal advice and does not create an attorney-client relationship. Laws can change, and individual cases can have unique factors. If you need specific advice about your situation, please consult with a licensed attorney.

Feedback and updates

Remember, while these resources can provide valuable information, they are not substitutes for legal advice tailored to your specific situation. If you have complex questions or concerns about a receivership, it is advisable to consult with a qualified attorney. If you cannot afford an attorney, you may be eligible for assistance from one of the following free or low-cost legal services:

Legal Aid - www.txcourts.gov/programs-services/legal-aid

Legal Aid of NorthWest Texas - <https://internet.lanwt.org> Phone: 1-888-529-5277

Lone Star Legal Aid - <https://www.lonestarlegal.org> Phone: 1-800-733-8394

Texas Rio Grande Legal Aid - <https://www.trla.org> Phone: 1-888-988-9996