CFPB's Medical Debt Credit Reporting Rule Is a Lifeline to 15M People

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The rule will help people with unjustly lowered credit scores by lessening medical debt's impacts and relieving pressure to pay wrongful bills

The Consumer Financial Protection Bureau's (CFPB) final rule will remove medical bills from credit reports sent to lenders by companies like Equifax, TransUnion, and Experian. The rule also prohibits lenders from considering most medical debt in underwriting, helping 15 million people with their access to credit.

Medical debt is often involuntary and unpredictable. People do not plan to get sick or injured. Studies have shown medical debt is not an accurate predictor of whether someone will repay their loan payments and should not be considered in credit eligibility determinations. Even someone covered by health insurance can find themselves left with thousands of dollars' worth of medical bills that, if left unpaid, can lower their credit score and harm their ability to access credit.

The rule improves access to affordable credit. People who have their medical debts completely removed from their credit reports experienced an average credit score increase of 20 points, which can move them up to a higher credit score tier or make the difference between approval and rejection. Without the CFPB's rule, someone with an unexpected medical event can end up shut out from credit or forced to pay much more. Credit reports and scores determine an individual's access to affordably priced credit cards, mortgages, and small business loans; they are an integral gatekeeper to participation in the U.S. economy.

The rule will help communities impacted by medical debt, including individuals with disabilities, veterans, the South, and communities of color. The medical debt rule will help lessen the negative credit impacts stemming from dysfunctional healthcare practices that have left many communities with higher uninsurance rates, less robust coverage, less access to affordable and quality health care, and higher levels of medical debt. People with disabilities are twice as likely to have past due medical bills as others. As much as $6 billion in veteran and military medical debt burdens our bravest. Of the 100 counties with the highest share of medical debt, 92 are in the South, and the other eight are in neighboring Oklahoma and Missouri. New mothers are more than twice as likely as other young women to have medical debt. Black and Latino households are more likely to carry medical debt than white households.

The rule would alleviate pressure to pay wrongful medical debts. Medical debt is one of the most disputed forms of debt, disputed three times more frequently than credit card debt. People often receive collection notices for debts they did not owe and bills that should have been covered by insurance. Without this rule, consumers applying for a loan or mortgage may feel pressured into paying off disputed medical bills to minimize harm to their credit score.

But the rule is under threat. The medical debt rule has been challenged in court and faces the threat of congressional action to repeal it.

Support the medical debt rule to improve access to credit for 15 million people!

The nonprofit National Consumer Law Center ® (NCLC ®) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training.