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Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Submitted via email: CFPB_consumerreporting_rulemaking@cfpb.gov

Re: Proposals to strengthen protections for consumers with medical debt

The Colorado Center on Law and Policy (CCLP) applauds the efforts of the Consumer Financial Protection Bureau (CFPB) to use its rulemaking authority to protect consumers with medical debt from unfair financial practices.

CCLP strongly supports the CFPB's proposals to: "(1) revise Regulation V § 1022.30(d), to modify the exemption such that creditors are prohibited from obtaining or using medical debt collection information to make determinations about consumers' credit eligibility (or continued credit eligibility) and (2) prohibit consumer reporting agencies from including medical debt collection tradelines on consumer reports furnished to creditors for purposes of making credit eligibility determinations."[1]

Thank you for the opportunity to submit feedback on these proposals.

I. Background

CCLP is a nonprofit, nonpartisan advocacy organization dedicated to the fight against poverty in Colorado. Credit reporting of medical debt is a priority issue for CCLP because the practice exacerbates inequities and creates barriers to economic stability for consumers and their families.

Earlier this year, CCLP joined policymakers, community members, and 30 organizational partners in championing House Bill 23-1126, a bill to prohibit consumer reporting agencies from including medical debt information on consumer reports in Colorado. The bill was signed into law on June 5, 2023, and took effect on August 7, 2023. The legislation makes Colorado the first — and, at the time of this writing, the only — state in the country to enact such protections.

[1] Consumer Financial Protection Bureau. (2023). *Small Business Advisory Review Panel for Consumer Reporting Rulemaking: Outline of Proposals and Alternatives Under Consideration, September 15, 2023,* p. 18.

II. The need to enact medical debt credit reporting protections

Medical debt is a crisis in Colorado. One in 8 Coloradans has medical debt in collections — over 700,000 people statewide.[2] The CFPB estimates that Coloradans collectively carry over $1.3 billion in medical debt.[3]

Furthermore, the burden of medical debt is not carried evenly. Due to systemic inequities, 1 in 5 people in communities of color in Colorado has medical debt in collections (19.7%) — nearly twice the rate of medical debt in majority-white communities (10.2%).[4] Lower-income people, people with disabilities, people with poor health, people in rural areas, uninsured people, women, and young people are also disproportionately burdened, through no fault of their own.[5]

Credit reporting of medical debt perpetuates harm against consumers with medical debt and exacerbates existing social and economic inequities. Further, research has indicated that medical collections information is a relatively poor predictor of creditworthiness.[6]

Equifax, Experian, and TransUnion recently made voluntary changes to cease reporting medical debts under one year old, paid medical debts, and unpaid medical debts less than $500. These changes are a step in the right direction, but they do not go far enough. Analysis by the CFPB found that approximately half of consumers with medical debt would continue to have medical debt reported after the voluntary changes took effect, and that consumers who were low-income and consumers of color were less likely to experience relief than higher-income consumers and white consumers.[7]

House Bill 23-1126 was a response to these challenges. Coloradans who had been personally impacted by credit reporting of medical debt advocated in support of the legislation. Three of their stories are recounted below. Consumers' names are omitted, per CFPB guidance.

> *At age 23, [a Colorado consumer] underwent life-saving heart surgery that left her with $200,000 in medical bills. At the time, she was married to an abusive partner and wanted a divorce, but because her medical debt had destroyed her credit score, [the consumer] could not get housing, a car, or a credit card without her husband. As a result, [the consumer] was forced to stay in an abusive relationship for 20 years. Medical debt even made it difficult for [the consumer] to get a job and get back on her feet. [The consumer] studied and got her license to be an insurance provider, but ultimately, she could not get the job that she had trained for because prospective employers checked her credit report as part of the hiring process. "That job could have been an opportunity to gain financial freedom, but I wasn't given that chance," [the consumer] reported.*

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[2] Urban Institute. (2022). *Credit Harm During the Pandemic*; Colorado State Demography Office. (2023.)
[3] Consumer Financial Protection Bureau. (2022). *Medical Debt Burden in the United States.*
[4] Urban Institute. (2022). *Credit Harm During the Pandemic.*
[5] Peterson-KFF Health System Tracker. (2022). *The burden of medical debt in the United States;* Consumer Financial Protection Bureau. (2014). *Medical Debt Burden in the United States.*
[6] Consumer Financial Protection Bureau. (2023). *Consumer credit reports: A study of medical and non-medical collections.*
[7] Consumer Financial Protection Bureau. (2022). "Paid and Low-Balance Medical Collections on Consumer Credit Reports."

When [a Colorado consumer] was 19, he suffered cardiac arrest due to a genetic mutation. Even though he had health insurance, after his hospitalization and heart surgery, he was left with a $50,000 bill he could not pay. His medical debt ruined his credit, leaving him unable to get an apartment, a car, or a credit card. "It felt like, at 19 years old, my life was over," [the consumer] reported. "How could something I had no control over effectively ruin my financial future before it had even started?"

[A Colorado consumer] incurred medical debt when she was fresh out of high school and uninsured. Later, she got health insurance through her employer, but her deductible was $7,000, so she was still sometimes left with bills she could not pay in full. As a result of her medical debt, "I have essentially been barred from access to any credit whatsoever," she explained. "Because of my medical debt, I am unable to purchase a vehicle in my name. Before I was married, I always needed a cosigner to rent an apartment. Now I'm married, but my husband and I still don't qualify for a home loan, causing us and our 3-year-old daughter housing instability. And I can't even get approved for a credit card to help alleviate the cost of paying upfront for much needed, expensive dental work, leaving me with no option but to have my teeth pulled because that is all I can afford... I used to be angry and frustrated with the situation, but now, honestly it just makes me sad. Medical debt has completely controlled just about every aspect of my life and prevented me from living a life that I deserve to have."

These Coloradans' experiences are consistent with the CFPB's own findings on the negative impact of medical debt on consumers' financial health, physical health, and mental health.[8] Their stories also illustrate the harm to which consumers are subjected in the absence of comprehensive medical debt credit reporting protections. Notably, the voluntary changes made by Equifax, Experian, and TransUnion were not enough to provide meaningful relief to these Coloradans.

III. The impact of medical debt credit reporting protections

As the only state in the country to have enacted a prohibition on medical debt credit reporting to date, Colorado is a unique case study of the impact of this type of policy.

The legislation in Colorado is relatively new — House Bill 23-1126 took effect on August 7, 2023 — but CCLP has already begun to receive feedback from Colorado consumers who have felt positive impacts of the protections firsthand. A selection of the feedback CCLP has received is included below:[9]

"I had surgery years ago, and I couldn't afford my medical bills. I took out my first-ever credit card and maxed it out to pay for my surgery. What couldn't fit on my card went to collections. This has had a devastating impact on my credit score and has made purchasing a car and other things very difficult. However, since the bill went into effect, my credit score went up 30 points, and my credit is in the 'good' category for the first

[8] Consumer Financial Protection Bureau. (2022). *Medical Debt Burden in the United States.*

[9] Some quotes have been edited for clarity.

time in my life. I can now refinance my car to lower my interest rates, which will save me thousands of dollars."

"I've stayed in a roommate situation with my current roommate for many years, since I worry about my ability to be approved [for housing] with all the medical debt on my credit report. Since this law has come into effect, I have been able to get the peace of mind of knowing that my credit score will not be impacted by my medical debt, and I can finally start exploring other housing options and not fear immediate rejection because my score was so impacted by medical debt. It has given me a great sense of peace to know that my living situation can't be dictated by my unavoidable medical debt."

"Prior to the law going into effect, medical debt kept my credit score very low, and I could not receive certain types of loans or services. I owe about $2,000 in medical debt, which may not be a lot, but it definitely kept me from getting a good enough credit score to buy a forever home. This change in law has been a tremendous help! Since [the law] has changed, I'm currently applying for a home loan. I'm 54 years old, and I'm glad to say I can look forward to my future of a home and not worry about where I will live as I age in Colorado."

Under House Bill 23-1126, Coloradans with medical debt are experiencing lower interest rates, improved access to credit, improved access to stable housing options, and reduced stress associated with medical debt and credit harm. The law also reduces barriers to employment, affordable insurance, and basic utilities, and it gives Coloradans a fairer chance at getting back on their feet after a major medical event.

These are protections that all people in the United States should be afforded, not only residents of select states. CCLP urges the CFPB to use its authority to establish these protections nationwide.

Thank you for your consideration and your leadership on this important issue.

Sincerely,

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Colorado Center on Law and Policy