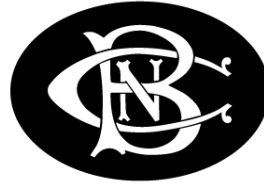


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Canandaigua
National
Bank & Trust

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August 9, 2024

Comment Intake – 2024 NPRM FCRA Medical Debt Information
c/o Legal Division Docket Manager
Consumer Financial Protection Bureau
1700 G Street NW
Washington DC 20552

Submitted electronically via the Federal eRulemaking Portal - <https://regulations.gov/>

RE: Docket ID CFPB-2024-0023
Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information
(Regulation V)

Dear Sir or Madam:

The Canandaigua National Bank and Trust Company (CNB) appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB) proposed rule amending Regulation V, concerning medical information.

The CFPB solicited comment on all aspects of the proposal as well as certain specific questions. While CNB appreciates the opportunity to comment, we disagree with the proposal as written.

Character and Capacity: The Five C's of Credit

In the lending industry, the five C's of credit—Character, Capacity, Capital, Collateral, and Conditions—are fundamental in assessing the creditworthiness of an individual or a business. Two of these, Character and Capacity, are particularly impacted by the inclusion or exclusion of medical debt on a credit report.

1. **Character:** Character reflects a borrower's reliability in repaying debts. Medical debt, like any other obligation, is an indicator of a consumer's commitment to fulfilling financial obligations. By removing medical debt from credit reports, we risk obscuring the full picture of a borrower's financial responsibility. This could lead to a misrepresentation of a consumer's character, potentially allowing individuals with significant unpaid obligations to appear more creditworthy than they truly are.
2. **Capacity:** Capacity is a measure of a borrower's ability to repay a loan based on their income and existing debts. Excluding medical debt from credit reports could distort the true debt-to-income (DTI) ratio for personal loans and misrepresent cash flow for small business loans. A borrower's capacity to take on new debt is directly influenced by their existing obligations, including medical debt. If this debt is not reported, lenders may overestimate a borrower's ability to manage additional financial commitments, leading to riskier lending decisions. This can have serious consequences for borrowers, who may be approved for loans they cannot realistically afford. Such scenarios increase the likelihood of financial hardship, higher default rates, and ultimately, long-term damage to the borrower's financial health.

Impact on Credit Scores and Propensity to Pay

Credit scores are essential in predicting a borrower's propensity to repay a loan. They are generated by algorithms that consider various types of debt, including medical debt. Removing medical debt from the equation could artificially inflate credit scores, making it more difficult for lenders to accurately assess the risk of lending to certain individuals. This could lead to higher default rates and increased financial instability, particularly for lenders who rely heavily on credit scores to make lending decisions.

Under the proposal, we question how lenders would be required to handle situations where excluded medical debt is inadvertently included on a credit report, due to the impact on the credit score. While lenders can ignore the debt as listed, the algorithm used by the Credit Bureaus is proprietary and we would be unable to accurately recalculate the credit score; instead relying on the credit score as presented. CNB urges the CFPB to consider a safe harbor for financial institutions in these scenarios, if the rule is finalized as proposed.

CNB understands the CFPB's concern about the potential impact of medical debt on consumers, however, we recommend that the CFPB consider a more nuanced approach. Specifically, medical debt should be categorized based on whether it is elective or non-elective. Elective medical procedures, which are typically planned and discretionary, should have a more significant impact on credit reporting, as they reflect a conscious financial decision by the consumer. In contrast, non-elective medical debt, which often arises from emergencies and unavoidable circumstances, could be given different consideration.

By categorizing medical debt in this way, the CFPB can achieve a balance between protecting consumers from the adverse effects of medical debt and ensuring that lenders have access to the information they need to make informed credit decisions.

While CNB appreciates the CFPB's efforts to protect consumers, it is crucial that any changes to credit reporting practices maintain the integrity of the credit evaluation process. Removing medical debt entirely from credit reports could have unintended consequences, not only for lenders but also for borrowers. Without a full understanding of their financial obligations, borrowers may be approved for loans they cannot afford, leading to additional financial distress and increased default rates.

CNB urges the CFPB to consider categorizing medical debt by type, rather than removing it altogether, to ensure that credit reports continue to reflect a comprehensive and accurate picture of a borrower's financial health. This would allow lenders to take into account all relevant financial obligations, ensuring that borrowers are not approved for loans that could lead to financial hardship.

If the proposal is finalized as written, CNB, at a minimum, strongly encourages the CFPB to include a safe harbor provision for lenders when a credit score is used that is calculated on excluded medical debt.

Sincerely,

Cori Ann S. Zinter

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