AFR Americans for Financial Reform

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CFPB's medical debt rule will help 15 million people with unjustly lowered credit scores, lessening medical debt's impacts and relieving pressure to pay wrongful bills

The Consumer Financial Protection Bureau's (CFPB) final rule to remove medical bills from most credit reports will prohibit credit reporting companies like Equifax, TransUnion, and Experian from sharing medical debt information with lenders as well as barring lenders from considering these medical debts in underwriting decisions.[1]

Medical debt is often involuntary and unpredictable - people do not plan to get sick or injured. Studies have shown it 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 CFPB found that people who had *all* their medical debts completely removed from their credit reports experienced an average credit score increase of 20 points — significant enough in some cases to elevate them into a higher credit score tier and qualify for more access to credit and more affordable loans.[2]

The rule improves access to affordable credit: Without the protections offered by today's rule, someone with an unexpected medical event can end up with a damaged credit score that prevents them from getting mainstream credit or forces them to pay much more for a loan. 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 would reduce the impact of the structural racism and other prejudices which exacerbates medical debt loads for historically overlooked communities: The medical debt rule will help lessen the negative credit impacts stemming from historic and ongoing racist and prejudicial policies and practices across housing, employment, education, and healthcare, which have left many communities with less income and wealth, higher uninsurance rates and less robust insurance for those with coverage, less access to affordable and quality health care, and higher levels of medical debt.[3] Black and Latine households are more likely to carry medical debt than white households.[4] Adults with a disability are more than twice as likely to report medical debt[5] and new mothers are more than twice as likely as young women who did not recently give birth to have medial debt.[6]

The rule would alleviate pressure to pay wrongful medical debts: Medical debt is one of the most disputed forms of debt,[7] and 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.

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[1] Consumer Financial Protection Bureau (CFPB). Final Rule. Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information (Regulation V). Docket No. CFPB-2024-0023. January 7, 2025.
[2] CFPB. [Report]. "Early impacts of removing low-balance medical collections." May 16, 2024.
[3] AFR Education Fund and Center for Responsible Lending. Comment on Prohibition on creditors and consumer reporting agencies concerning medical information (Regulation V). August 12, 2024.
[4] Rakshit, Shameek et al. KFF. "The burden of medical debt in the United States." February 12, 2024.
[5] Ibid.
[6] Cox, Cynthia and Gary Klaxton. KFF. "Medical debt among new mothers." May 9, 2024.
[7] CFPB. Advisory Opinion. Debt Collection Practices (Regulation F); Deceptive and Unfair Collection of Medical Debt Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information (Regulation V). 89 Fed. Reg. 193. October 4, 2024 at 80715.

Americans for Financial Reform is a nonpartisan, nonprofit coalition of over 200 community, consumer, civil rights, labor, and faith-based organizations working to lay the foundation for a strong, stable, and ethical financial system.