



Testimony of Attorney Peter L. Hatem  
Pine Tree Legal Assistance, Inc.

In Favor of LD 558 “An Act to Strengthen Consumer Protections  
by Prohibiting the Report of Medical Debt on Consumer Reports”

Before the Committee on Health Coverage, Insurance and Financial Services  
Date of Public Hearing: March 25, 2025 at 1:00 PM

Senator Bailey, Representative Mathieson, and members of the Committee on Health Coverage, Insurance and Financial Services:

My name is Peter Hatem. I am a Staff Attorney at Pine Tree Legal Assistance (Pine Tree) in the Consumer and Foreclosure Prevention Unit. I am grateful for the opportunity to offer testimony regarding LD 558, having been asked by Senator Mike Tipping to share Pine Tree’s perspective on this bill, and I am speaking today on behalf of Pine Tree. My practice at Pine Tree specifically includes bankruptcy in addition to other general consumer financial issues, two areas of law I have practiced for over 35 years. I have also had the privilege of testifying on prior occasions in support of increased protections for Maine homeowners facing foreclosure.

Pine Tree is a statewide nonprofit organization that provides free legal services to low-income people throughout Maine. For many years, Pine Tree has assisted low-income people with consumer and financial issues. Pine Tree handles approximately 100 cases per year involving financial issues, in addition to foreclosure defense.

The enactment of LD 558 would prohibit the reporting of “...debt from medical expenses on a consumer’s consumer report.” It is a simple bill, designed to address a growing problem – **medical debt makes up the majority of all debt** in collections on consumer credit reports.

Data from well-known bankruptcy attorney’s professional organizations – the American Bankruptcy Institute (ABI) and the National Association of Consumer Bankruptcy Attorneys (NACBA) – confirm the general statistics. Medical debt drives about one-third of bankruptcies as a “primary reason” and another one-third as a “substantial contributing reason”. Anecdotally, in the almost five years I have been practicing bankruptcy law at Pine Tree, medical debt plays out, generally, in the same percentage as these national statistics.

Often, it is the fierce collection efforts of these debts that drive people to seek out bankruptcy as a viable alternative. I regularly have to tell clients to wait to file, until their medical treatments are resolved, and the majority of the uncovered bills arrive. As they recover, their ability to work their way through this debt is compromised by the fact that these debts appear on their credit reports.

Additionally, the involuntary nature of much of their medical treatments makes managing these debts difficult. The medical services that give rise to the debts are usually sudden, unexpected and unplanned. LD 558 would allow Maine consumers time to get back on their feet without the specter of credit issues to hold them back. Similarly, a shock medical bill serves as a poor indicator of a person's creditworthiness and shouldn't be used by credit reporting agencies to exacerbate a consumer's downward financial spiral. Moreover, some medical bills are erroneously rendered. It takes time to straighten out these incorrect invoices. Prohibiting them from "going to collection" reporting would assist Maine consumers in prompt resolution of these mistakes.

We all have watched the attack on consumer protection in Washington. The future of the federal Consumer Financial Protection Bureau (CFPB) is now in question. Members of Congress have proposed a resolution that would repeal the recent federal regulation prohibiting credit reporting of medical debts. That rule is now poised to be repealed, which will prohibit any such rule from ever being enacted federally. It therefore remains for the states, including Maine, to protect its citizens from harmful credit reporting practices, while giving Maine consumers breathing space to get back on their feet. This bill moves Maine toward that goal.

### **Conclusion**

Maine consumers deserve protection from financial-hobbling credit reporting. For these foregoing reasons, and those shared by other consumer advocates today, I ask you to report out LD 558 as "ought to pass."

Thank you for your consideration of my testimony, and I welcome any questions I can answer.

Peter L. Hatem,

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Pine Tree Legal Assistance