

Written Statement of Chi Chi Wu,
National Consumer Law Center
Before the Health Coverage, Insurance and Financial Services Committee
of the Maine Legislature
in support of LD 558 “An Act to Strengthen Consumer Protections by Prohibiting the
Report of Medical Debt on Consumer Reports
March 25, 2025

The National Consumer Law Center¹ (NCLC) thanks you for holding this hearing on LD 558, which would prohibit the reporting of medical debt information by consumer reporting agencies (CRAs).

Medical debt information in consumer reports (also known as credit reports) from the nationwide CRAs (*i.e.*, Equifax, Experian and TransUnion) wreaks havoc in the financial lives of millions of Americans, including those in Maine. Using data from the Urban Institute, we estimate that 74,000 Mainers have medical debt on their credit reports,² totaling around \$233 million.³

Medical bills for life-saving or medically necessary care are often unexpected, and the expenses alone can throw a family into a financial crisis. This is particularly true in rural Maine where residents face challenges related to access to healthcare that oftentimes leads to significant medical debt. This crisis is compounded when families cannot pay for these surprise expenses and the debt is reported to the nationwide CRAs. The blemishes on a credit report (which employers and landlords as well as creditors may see) and the resulting lower credit scores can

¹ The National Consumer Law Center (NCLC) is a nonprofit organization specializing in consumer issues on behalf of low-income people. We work with thousands of legal services, government and private attorneys, as well as community groups and organizations, from all states who represent low-income and elderly individuals on consumer issues. As a result of our daily contact with these advocates, we have seen many examples of the damage wrought by inaccurate credit reporting from every part of the nation. It is from this vantage point – many years of observing the problems created by incorrect credit reporting in our communities – that we supply these comments. Fair Credit Reporting (10th ed. 2022) is one of the twenty-one practice treatises that NCLC publishes and annually supplements. This testimony was written by Chi Chi Wu, NCLC Senior Attorney lead author of that treatise, and Andrea Bopp Stark, NCLC Senior Attorney and resident of Saco, Maine.

² About 6.4% of credit reports from Maine had a medical debt on them in 2023. Urban Institute, The Changing Medical Debt Landscape in the United States, July 10, 2024, <https://apps.urban.org/features/medical-debt-over-time/?r0=23#chart-area>. According to Census, there are 1.4 million Maine residents, 82.2% of whom are adults. U.S. Census Bureau, QuickFacts: Maine, <https://www.census.gov/quickfacts/fact/table/ME/PST045224>, visited March 21, 2025 (population estimates July 1, 2024).

³ The average medical debt on credit reports is \$3,148.70. CFPB, Recent Changes in Medical Collections on Consumer Credit Records, Mar. 2024, at 9, https://files.consumerfinance.gov/f/documents/cfpb_recent-changes-medical-collections-on-consumer-credit-reports_2024-03.pdf.

compromise a family's long-term financial stability by making access to mainstream credit, housing, and even employment more difficult.

Medical debts often become past due and are reported to credit bureaus because of payment delays due to billing or insurance disputes, consumer confusion, and the generally dysfunctional nature of healthcare financing in the United States.⁴ Medical debts are almost always reported as debt collection items. They end up hurting consumers' credit scores even though they have limited value for credit underwriting.⁵ Credit scoring modeler VantageScore no longer considers medical debts in its latest scoring models,⁶ which indicates that these debts are simply not necessary for credit scores to be predictive. However, FICO scoring models (the most commonly used scoring model) continue to consider unpaid medical debt.

While voluntary changes by the nationwide CRAs reduced the amount of medical debt on credit reports, we believe the prohibition in LD 558 on all medical debts being included in credit reports is ultimately necessary to protect consumers, particularly vulnerable consumers. The voluntary changes involved the removal of paid medical debts and medical debts under \$500 and a one-year delay in reporting other medical debts.⁷ These voluntary reforms resulted in the removal of the majority of medical debt, but the debt that remains is held by patients who are likely to be sicker, who have larger medical bills, and who cannot afford to pay off the debts. LD 558 would be particularly helpful to Maine's increasing senior population who typically require more frequent and extensive medical care.

Nine states have already banned medical debts from appearing in credit reports, including Connecticut and Rhode Island.⁸ The Consumer Financial Protection Bureau (CFPB) issued a final rule that banned lenders from considering medical debt, and banned CRAs from including such debts in credit reports sent to lenders.⁹ However, the fate of that rule is uncertain, given that it faces two lawsuits by the credit reporting and debt collection industry,¹⁰ as well as a

⁴ CFPB, Consumer Credit Reports: A Study of Medical and Non-Medical Collections, Dec. 2014, https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf.

⁵ CFPB, Data point: Medical debt and credit scores, May 2014, https://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf.

⁶ See VantageScore, VantageScore Removes Medical Debt Collection Records From Latest Scoring Models (Aug. 2022) available at <https://www.vantagescore.com/major-credit-score-news-vantagescore-removes-medical-debt-collection-records-from-latest-scoring-models/>

⁷ Consumer Data Industry Association, National Credit Bureaus Support Consumers with Changes to Medical Collection Debt Reporting, Mar. 2022, available at <https://www.cdiaonline.org/news/2022/03/18/equifax-experian-and-transunion-support-u-s-consumers-with-changes-to-medical-collection-debt-reporting>.

⁸ Conn. Gen. Stat., §§ 19a-673b, 20-7i; R.I. Gen. L. §§ 6-60-1 to 6-60-5; Cal. Civ. Code §§ 1785.13(a)(7), 1785.20.6, 1785.27, 1786.18(a)(9), 1371.56(C)(1)(A); Colo. Rev. Stat. § 5-18-109; 815 Ill. Comp. Stat. Ann. 505/2E.E.E.E.; Minn. Stat. Ann. ch. 332C.; N.J. Stat. Ann. § 56:11-56; N.Y. Pub. Health Law art. 49-A; Va. Code Ann. §§59.1-200(A)(79), 59.1-444.1.

⁹ CFPB, Prohibition on Creditors and Consumer Reporting Banking Regulators Concerning Medical Information (Regulation V), 90 Fed. Reg. 3276 (Jan. 14, 2025).

¹⁰ See Cornerstone Credit Union League v. CFPB, No. 4:25-cv- 00016 (E.D. Tex.); ACA International v. CFPB, No. 4:25-cv-0009 (S.D. Tex.).

Congressional Review Act challenge.¹¹ There is also a risk that the CFPB under the Trump Administration will rescind or withdraw the rule. Thus, we encourage Maine to continue being a leader on medical debt issues and pass LD 558.

For questions, please contact Chi Chi Wu, NCLC Senior Attorney (cwu@nclc.org) or Andrea Bopp Stark, NCLC Senior Attorney (astark@nclc.org).

¹¹ S.J. Res.36 (Rounds)/H.J. Res.74 (Norman), CRA Resolution Disapproving CFPB Medical Debt Credit Reporting Rule.

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LD 558

Attached please find the written statement of Chi Chi Wu,
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