Biden Administration Bars Medical Debt From Credit Scores

Health care debt touches an estimated 100 million Americans, forcing them to make difficult choices.

January 10, 2025 By Noam Levey and KFF Health News

The federal Consumer Financial Protection Bureau on [January 7] issued new regulations barring medical debts from American credit reports, enacting a major new consumer protection just days before President Joe Biden is set to leave office.

The rules ban credit agencies from including medical debts on consumers' credit reports and prohibit lenders from considering medical information in assessing borrowers.

These rules, which the federal watchdog agency proposed in June, could be reversed after President-elect Donald Trump takes office January 20. But by finalizing the regulations now, the CFPB effectively dared the incoming Trump administration and its Republican allies in Congress to undue rules that are broadly popular and could help millions of people who are burdened by medical debt.

"People who get sick shouldn't have their financial future upended," CFPB Director Rohit Chopra said in announcing the new rules. "The CFPB's final rule will close a special carveout that has allowed debt collectors to abuse the credit reporting system to coerce people into paying medical bills they may not even owe."

The regulations fulfill a pledge by the Biden administration to address the scourge of health care debt, a problem that touches an estimated 100 million Americans, forcing many to make sacrifices such as limiting food, clothing, and other essentials.

Credit reporting, a threat that has been wielded by medical providers and debt collectors to get patients to pay their bills, is the most common collection tactic used by hospitals, a KFF Health News analysis found.

The impact can be devastating, especially for those with large health care debts.

There is growing evidence, for example, that credit scores depressed by medical debt can threaten people's access to housing and drive homelessness. People with low credit scores can also have trouble getting a loan or can be forced to borrow at higher interest rates.

That has prompted states including Colorado, New York, and California to enact legislation prohibiting medical debt from being included on residents' credit reports or factored into their credit scores. Still, many patients and consumer advocates have pushed for a national ban.

The CFPB has estimated that the new credit reporting rule will boost the credit scores of people with medical debt on their credit reports by an average of 20 points.

But the agency's efforts to restrict medical debt collections have drawn fierce pushback from the collections industry. And the new rules will almost certainly be challenged in court.

Congressional Republicans have frequently criticized the watchdog agency. Last year, then-chair of the House Financial Services Committee Patrick McHenry (R-N.C.) labeled the CFPB's medical debt proposal "regulatory overreach."

More recently, billionaire Elon Musk, whom Trump has tapped to co-lead his initiative to shrink government, called for the elimination of the watchdog agency. "Delete CFPB," Musk posted on the social platform X.

This story was published by KFF Health News on January 7, 2025. It is republished with permission.
