



CREDIT BUREAUS ANNOUNCE SWEEPING CHANGES TO REPORTING MEDICAL DEBT

✧ *Mike Tomkies and Ben Hurford*

Equifax, Experian and TransUnion have announced that they will change how they approach medical debt on consumer credit reports.

Effective July 1, 2022, Equifax, Experian and TransUnion will no longer consider paid medical collection debt on consumer credit reports. These joint measures are expected to remove nearly 70% of medical debt in collections from consumer credit reports. New unpaid medical debts will not be added to consumer credit reports until a full year after being sent to collections. Reportedly, the three credit bureaus are planning to remove any unpaid medical debt of less than \$500 in 2023, with the potential for that threshold to rise.

This announcement comes after several months of focus on medical debt reporting practices. The Consumer Financial Protection Bureau ("CFPB") has long viewed medical debt as less indicative of a person's future creditworthiness because medical debt often arises in unplanned or emergency situations where surprisingly high bills can overwhelm a person who otherwise never misses a payment. The CFPB has recently taken a hard line on reporting medical debt, threatening to hold accountable any company that furnishes incorrect information about medical debts. At the same time, the CFPB expressly endorsed up the Department of Veterans' Affairs new policy of reporting debts owed to the Department only as a last resort as a potential industry gold standard. Since 2015, Equifax, Experian and TransUnion have not reported unpaid medical debts until six months after default under settlements with various state attorneys general.

While potentially helpful to consumers, furnishers should note the removal of information from credit bureaus requires greater vigilance by those used to relying on older reporting standards. Credit bureaus have also been removing other negative information that arguably is not indicative of future creditworthiness, such as unpaid library fines, traffic tickets, gym memberships, tax liens or civil judgments. On the other hand, new information may soon be included in consumer reports. The credit bureaus have already announced they intend to report "Buy Now, Pay Later" financing, which the CFPB has criticized for being excluded from consumer reports. □

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