April 16, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The undersigned organizations strongly support H.R. 2086 and S. 2149, the Medical Debt Responsibility Act, introduced in the U.S. House of Representatives and the U.S. Senate. The bills require credit agencies to remove FULLY paid or settled medical debt from credit reports within 45 days.

Annually, approximately 73 million Americans experience medical billing problems or have accrued medical debt. Medical debt is unique in that it is not typically reported to the credit bureaus by healthcare providers, but instead by collection agencies. Typically, medical bills are reported to the credit bureaus only after they have been assigned to collections. It is frequently the case that medical bills are sent to collection due to uncertainty over who should pay. The medical billing system is fraught with errors and confusion, further compounding the situation for consumers.

Indeed, when information is inaccurate, markets make decisions on less than perfect information. With regard to medical debt, this can mean significantly reducing a consumer's credit score and subsequently impeding economic activity and consumer borrowing capacity. According to the Fair Isaac Corp., any unpaid debt sent to collections, whether for $100 or $10,000, can shave up to 100 points off a person's credit score[i] – even if this collection is a mistake, made in error, or is in dispute. This can have a dramatic impact on an individual's ability to obtain a mortgage, a car loan, or any other form of credit, thereby limiting economic activity.

Many consumers in states throughout America are adversely impacted by this issue. The current system punishes consumers regardless of the underlying facts (e.g., mistakes, errors, or otherwise). Congress can create equity in the current system and dramatically increase economic activity and growth by amending the Fair Credit Reporting Act to require the removal of medical collection accounts that are paid in full or settled.

The Medical Debt Responsibility Act will prevent the credit records of millions of consumers from being unfairly tarnished. Credit records will show that these hard working consumers, who successfully paid off or settled their medical bills, are more creditworthy than their credit report would otherwise indicate to a prospective lender.

We urge Congress to pass this common sense legislation. H.R. 2086 and S. 2149 will help responsible consumers and at the same time reignite the economy.

Sincerely,

Americans for Financial Reform

American Financial Services Association

American Medical Association

The Asset Building Program, New America Foundation

California Association of Mortgage Professionals

Consumer Federation of America

Consumers Union

Corporation for Enterprise Development

Demos

Leading Builders of America

Mortgage Bankers Association

NAACP

National Association of Home Builders

National Association of Independent Housing Professionals

National Association of Mortgage Brokers

National Consumer Law Center

The National Consumer Reinvestment Coalition

National Credit Reporting Association

U.S. PIRG

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[i] Jessica Silver-Greenberg, How to Fight a Bogus Bill: Many Medical Bills Contain Errors That Could End Up Wrecking Your Credit Score. Here's What You Need to Know, Wall Street Journal, February 19, 2011.