

May 13, 2013

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

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

Dear Chairman Johnson & Ranking Member Crapo:

The undersigned organizations strongly support S.160, the *Medical Debt Responsibility Act* of 2013, introduced in the U.S. Senate. The bill requires 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 accrue medical debt. Medical debt is unique in that it is not typically reported to the credit bureaus when it is paid on time since virtually no healthcare providers report to the credit bureaus. When medical bills are sent to collection agencies, they are generally reported to the credit bureaus and identified as accounts in arrears, which drags down credit scores. The medical billing system is fraught with errors and confusion, further compounding the situation for consumers.

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 scoreⁱ – even if this collection is a mistake, made in error, paid or settled, 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.

A 2012 Federal Trade Commission report found that as many as 40 million Americans have mistakes on their credit report. The current system punishes consumers regardless of the underlying facts (e.g., mistakes or errors). 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.

Creditworthy consumers are being denied credit or are paying higher interest rates or higher fees when purchasing a home loan or obtaining credit for credit-related products, due to medical debt on consumer credit reports. The *Medical Debt Responsibility Act* goes a long way in ensuring that creditworthy consumers obtain the credit they have earned.

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. This important legislation recognizes that the current credit reporting system contributes to artificially constrained credit and allows consumers to participate in our economy from a market-oriented policy basis.

We urge Congress to pass this common sense legislation to help responsible consumers and reignite the economy.

Sincerely,

Americans for Financial Reform

American Medical Association

The Asset Building Program, New America Foundation

California Association of Mortgage Professionals

Consumer Federation of America

Consumer Action

Consumers Union

Corporation for Enterprise Development

Demos

Leading Builders of America

Mortgage Bankers Association

NAACP

National Association of Home Builders

National Association of Mortgage Brokers

National Consumer Law Center

The National Consumer Reinvestment Coalition

National Consumer Reporting Association

The Neighborhood Assistance Corporation of America

U.S. PIRG

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.