

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

May 21, 2014

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Room 2129 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Hensarling:

I write to request that the Financial Services Committee hold a hearing to review the negative consequences for consumers that stem from having paid or fully settled medical collections on their credit reports.

On Tuesday, May 20, 2014, the Consumer Financial Protection Bureau (Bureau) released a study that found credit scores could be more predictive if they distinguished between medical debt and non-medical debt. The study also noted that credit scoring models may underestimate the creditworthiness of consumers who have repaid medical collections in full. These findings support the need for H.R. 1767, the "Medical Debt Responsibility Act of 2013," which I introduced, which requires consumer reporting agencies to remove information about paid or fully settled medical debt from credit reports within 45 days. This bill prevents consumers from being unfairly penalized as a result of having paid or fully settled medical collections on their credit reports.

Medical debt is fundamentally different than consumer debt. Unlike a person's choice to buy a consumer product or service, generally a person does not choose to have a medical condition or illness that requires medical treatment. Given complex and often unclear medical billing practices involving multiple parties, many individuals do not even realize that they have medical debt until an unpaid bill has gone into collections. Medical collections may be wholly unrelated to a person's ability to repay and, thus, are not a reliable indicator of a person's creditworthiness. In fact, the Bureau's study found that consumers with paid medical collections were less likely to be delinquent than other consumers with the same credit score.

Under the Fair Credit Reporting Act, medical collections generally remain on a credit report for seven years, even after it is paid off. A study by Commonwealth Fund found that medical bill problems and accrued medical debt affect roughly 73 million working-age adults in this country. When consumers have paid collection items on their credit reports, it lowers their credit scores, and may adversely impact their ability to buy or rent real estate, purchase a car, obtain a private education loan, and in some cases, even get a job.

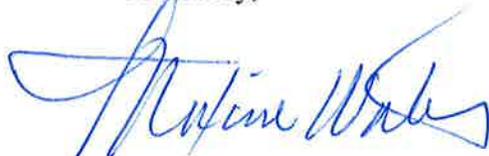
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Given the significant and wide-ranging impact that credit scores and reports have on the lives of consumers, the serious issues highlighted in the Bureau's study on medical debt and credit scores, and the growing use of credit information for noncredit purposes, I hope that you will schedule a hearing as soon as possible to provide Members the opportunity to fully review whether current credit scoring practices continue to be appropriate and in the public interest.

Sincerely,

A handwritten signature in blue ink, appearing to read "Maxine Waters", with a large, stylized flourish at the end.

MAXINE WATERS  
Ranking Member