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March 31, 2025

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The Honorable Alyssa Black
Chairwoman
House Committee on Health Care
115 State Street
Montpelier, VT 05601

RE: S.27 Prohibiting reporting of Medical Debt to Consumer Reporting Agencies

Dear Chairwoman Black and Members of the Committee:

I write on behalf of the Consumer Data Industry Association (CDIA) to express our concerns with legislation that would limit the reporting of medical debt. While we support the intention to help consumers, suppressing medical debt from a credit report will likely cause greater risk to a consumer's credit history, will increase risk to lenders and creditors and has the potential to result in less credit or higher interest rates to the consumers in Vermont. In addition, language requiring non-reporting to credit reporting agencies is preempted by the Federal Fair Credit Reporting Act.¹

The Consumer Data Industry Association (CDIA) is the voice of the consumer reporting industry, representing consumer reporting agencies including the nationwide credit bureaus, regional and specialized credit bureaus, background check companies, and others. Founded in 1906, CDIA promotes the responsible use of consumer data to help consumers achieve their financial goals, and to help businesses, governments and volunteer organizations avoid fraud and manage risk. Through data and analytics, CDIA members empower economic opportunity, helping ensure fair and safe transactions for consumers, facilitating competition and expanding consumers' access to financial and other products suited to their unique needs.

We understand that medical collections debt often arises from unforeseen medical circumstances. After several years of covid-19 and a detailed review by the nationwide credit reporting agencies (CRAs) of the prevalence of medical collection debt on credit reports, the nationwide CRAs made changes to help people focus on their personal wellbeing and recovery.

Since July 1, 2022, all paid medical collection debt has been removed from consumer credit reports. This means medical debt that was paid late, is no longer a red mark against a consumer's credit. In addition, the time before unpaid medical collection debt can appear on a consumer's credit report was increased from 6 months to one year, giving consumers more time to work with

¹ Preempted through subject matter preemption of furnisher responsibilities see 15 U.S.C. § 1681t(b)(1)(F).

insurance and/or healthcare providers to address their debt before it is reported on their credit file. Additionally, in 2023, the nationwide CRAs announced that they are no longer including medical collection debt under \$500 on credit reports. These are significant changes to reflect the impacts of medical debt on a consumer report.

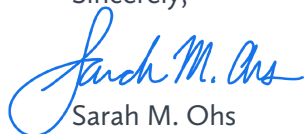
As you can see the nationwide CRAs have made substantial changes in how medical debt is reported to limit its impact on consumer's credit. However, any legislation which attempts to suppress the reporting of this information in its entirety could have severe unintended consequences. Failure to include medical debt in its entirety means that credit reports are less accurate and therefore less reliable for scoring models. Suppressing the information, does not clear the debt that the consumer still owes. Instead, suppression simply hides from future creditors an outstanding debt that the consumer must pay. This, in turn, makes a credit report less reliable and could mean less credit is available to Vermont consumers, or it is available at a higher rate than consumers living in nearby states.

A safe and sound credit economy needs a reliable credit reporting system. Suppression of credit reporting leads to increased inaccurate credit files, reduces the reliability of credit scores, and adds greater risk and uncertainty into the lending process. This is why Congress included language in the federal Fair Credit Reporting Act 15 U.S.C. § 1681t(b)(1)(F) which preempts "any subject matter regulated under...15 U.S.C. § 1681s-2, relating to the responsibilities of persons who furnish information to consumer reporting agencies..." The FCRA imposes obligations on companies ("furnishers") that provide ("furnish") information to consumer reporting agencies ("CRAs"). These obligations are in [15 U.S. Code § 1681s-2](#), responsibilities of furnishers of information to consumer reporting agencies. The FCRA has extensive preemption provisions that prohibit state regulation in many areas of law relating to consumer reporting, including provisions that impact furnishing requirements.

We support your goal to assist consumers, and we believe the existing tools that are in place enable individuals to protect and control their credit health. We are committed to working with consumers, the Vermont legislature, and all stakeholders to protect consumers and safeguard the stability of the financial system. It is with this in mind, that we respectfully oppose this legislation that would prohibit reporting of medical debt to consumer reporting agencies.

Thank you for your consideration of our comments. I would be happy to answer any further questions the committee might have.

Sincerely,



Sarah M. Ohs

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