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Delegate CT Wilson
Chair
House Economic Matters Committee
Maryland House of Delegates
230 Taylor House Office Building
Annapolis, Maryland 21401

Chair Wilson, Vice Chair Crosby, and Members of the Committee:

On behalf of the Consumer Data Industry Association (CDIA), I write to respectfully oppose HB 1020, which prohibits a consumer reporting agency (CRA) from including medical debt in a consumer report, furnishing any consumer report that includes information related to a medical debt, or otherwise maintaining information related to medical debt, as well as prohibiting providers and collectors from furnishing information related to medical debt to CRAs.

CDIA, founded in 1906, is the trade organization representing the consumer reporting industry, including agencies like the three nationwide credit bureaus, regional and specialized credit bureaus, background check companies and others. CDIA exists to promote responsible data practices to benefit consumers and to help businesses, governments, and volunteer organizations avoid fraud and manage risk.

While CDIA and its members recognize the concerns related to medical debt underpinning HB1020, the proposal is preempted by the Fair Credit Reporting Act (FCRA), which prohibits any state legislation that attempts to limit or prohibit the inclusion of medical debt in a consumer report or limit or prohibit the furnishing of medical debt information to a consumer reporting agency.

The FCRA provides important and necessary protections for consumers, lenders, government agencies, law enforcement, volunteer organizations, and businesses who rely on full, complete and accurate consumer reports to make informed decisions and manage risk. State legislation like HB1020 can undermine the accuracy and reliability of consumer reports, risking unintended consequences for all Marylanders. Only national, uniform standards can achieve the dual goals of protecting consumers and maintaining accurate credit reports, which is why CDIA must respectfully oppose proposals like HB 1020 that conflict with the federal FCRA.

The FCRA regulates the contents of consumer reports and the obligations of furnishers in reporting data to consumer reporting agencies at 15 USC §1681c and 15 USC §1681s-2, respectively. Congress, recognizing the importance of a single, national standard, also limited states' capacity to regulate the consumer reporting system. This includes preempting, at 15 USC §1681t(b)(1)(E) and 15 USC §1681t(b)(1)(F), respectively, any state legislation that limits or prohibits the kind of information that can go on a credit report or attempts to limit or prohibit the furnishing of medical debt information to a consumer reporting agency.

While HB1020 may be preempted by the FCRA, CDIA and its members acknowledge that medical debt is distinct from other types of consumer debt. As such, we wish to highlight how the national credit bureaus have adopted uniform procedures as it relates to medical debt and consumer reports that afford consumers increased time and flexibility to address unexpected bills with their insurance and healthcare providers.

First, unpaid medical debts must be more than $500 and outstanding for more than 365 days before any of the three national credit bureaus will show the account in a consumer report. For unpaid amounts greater than $500 and more than 365 days past due, upon repayment of outstanding amounts, these accounts are removed immediately from a consumer's report, unlike other debts.

The yearlong grace period provides consumers ample time to work with providers and insurers to correct any errors on a bill, pay the bill or get an insurance company to pay it, figure out a payment plan or otherwise resolve the problem and avoid having unpaid debts reach collections and appear on credit reports.

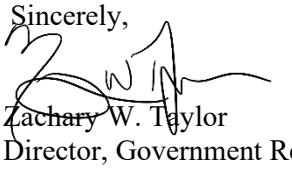
Second, amounts less than $500 are no longer included by the credit bureaus or reported to them by collections agencies. For consumers with outstanding medical debts less than $500, those accounts have been removed from their reports. Taken altogether, these changes to how CRAs handle medical debt reporting have removed a substantial majority of medical debts from consumer reports.

Finally, credit scoring models have changed how they consider medical debt, eliminating or reducing how it affects a consumer's score. For example, the Vantage Score 3.0 and 4.0 models ignore medical accounts in collections altogether.

While concerns regarding medical debt and the impact of unpaid debts on consumers are understandable, proposals like HB 1020 that attempt to exclude medical debts from the consumer reporting system do not address the underlying concerns about the costs of medical care. With that in mind, we respectfully request that the committee reject HB 1020 as it is inconsistent with 15 USC §1681c and 15 USC §1681s-2 and thus is preempted by 15 USC §1681t(b)(1)(E) and 15 USC §1681t(b)(1)(F).

Thank you for your time and consideration.

Sincerely,



Zachary W. Taylor
Director, Government Relations
Consumer Data Industry Association