Explaining Medical Debt and the CFPB Rule:

What's Going On With Medical Debt, and How Does It Impact Consumers with Disabilities?

On January 7, 2025, the Consumer Financial Protection Bureau (CFPB) issued a final rule titled "Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information" (Regulation V).

What Is the CFPB?

The Consumer Financial Protection Bureau (CFPB) is a federal agency that protects people from unfair treatment by banks, credit reporting agencies, and lenders. It creates and enforces rules to help make the financial system safer and more transparent for consumers. The Bureau was created in response to the 2008 financial crisis to ensure consumers have a voice in financial decision-making and regulatory oversight. As of December 2024, the CFPB had secured over $21 billion in relief for consumers through debt cancellation, reductions, or monetary compensation resulting from its enforcement actions.

What does the CFPB Rule (Regulation) V Do?

This rule introduces significant changes regarding how medical debt is handled in credit decisions. It eliminates a regulatory exception that previously allowed lenders to consider medical debt when determining a person's eligibility for credit. Under this new rule, lenders can no longer consider medical debt despite having previously been permitted to do so under an exception to the Fair Credit Reporting Act (FCRA). Additionally, the CFPB clarifies that credit reporting agencies cannot include medical debt on credit reports if the lender is not legally permitted to use that information. This is a significant advancement in protecting consumers with disabilities from being disproportionately penalized for medical debt due to higher healthcare costs of unexpected and frequent medical visits, specialized healthcare treatments, and necessary assistive technologies. The CFPB Regulation V will accomplish the following:

- Prohibits credit reporting companies, such as Equifax, TransUnion, and Experian, from including most medical debt on credit reports.
- Prohibits lenders from using medical debt in making credit decisions.
- Helps 15 million people with unjustly lowered credit scores.
- Raises credit scores by an average of 20 points. Reduces pressure to pay bills that may be incorrect or already in dispute.

What Threatens the CFPB and Regulation V?

- February 6, 2025: The U.S. District Court in Texas granted a 90-day stay, delaying the CFPB rule's effective date to June 15, 2025, after lawsuits were filed by the credit industry and collections groups.
- February 8, 2025: The Trump administration directed the CFPB to cease ongoing investigations and new enforcement actions, pausing its core functions. The next day, the agency's headquarters was shut down, and layoffs began as part of broader federal agency reductions.
- February 14, 2025: A federal judge, Amy Berman Jackson, issued an injunction blocking the administration's attempt to dismantle the CFPB, ordering the reinstatement of laid-off employees and restoring the Bureau's responsibilities.
- March 6, 2025: U.S. Representative Ralph Norman of South Carolina introduced a House Joint Resolution 74 (H.J.Res.74) to the House and was referred to the Financial Services Committee. This resolution seeks to cancel the CFPB's Regulation V, which prohibits credit reporting companies and lenders from using medical debt. If passed, it would block the rule from taking effect and prevent similar regulations in the future unless Congress passes a new law.
- March 11, 2025: U.S. Senator Mike Rounds of South Dakota formally introduced the Senate Joint Resolution 36 (S.J.Res.36) to the Senate, read it twice, and referred it to the Senate's Banking, Housing, and Urban Affairs Committee. This resolution is the Senate version of the same disapproval measure. It carries the same intent: to repeal the CFPB rule and stop the agency from regulating medical debt on credit reports in the future.
- March 26, 2025: There was a hearing on H.J.Res.74 within the House's Subcommittee on Financial Institutions, but no vote was held.

What Is a Joint Resolution, and What Is the Congressional Review Act (CRA)?

A Joint Resolution is a type of bill that must pass both the House and the Senate and be signed by the President to become law. The Congressional Review Act (CRA) allows Congress to use a joint resolution to overturn a rule created by a federal agency. In this case, two joint resolutions have been introduced to repeal the CFPB's medical debt rule. If either H.J.Res.74 or S.J.Res.36 passes both chambers and is signed by the President, the following will occur:

- The CFPB's medical debt rule, Regulation V, will be repealed.
- The CFPB will not be allowed to create a similar rule in the future unless a new law is passed
- There would be a long-term gap in protections for people with medical debt

Why Medical Debt Is a Problem

Medical debt is not like other forms of debt. People do not choose to get sick or injured. Medical bills often come without warning and are frequently incorrect or should have been covered by insurance. The harmful impacts of medical debt are:

- Over 70% of people report they received a medical bill they believed to be incorrect.

- About 40% have received a bill with incorrect charges
- Medical debt is the #1 type of debt in collections on credit reports.
- 20 million adults in the U.S. have medical debt.
- Eleven million owe more than $2,000.
- Three million owe more than $10,000.
- 58% of bills in collections on credit reports are medical debt.

For members of the disability community, this debt makes it harder to rent a home, qualify for a loan, or maintain independence.

Why the CFPB Regulation V Matters to the Disability Community

People with disabilities face higher daily expenses and more frequent interactions with the healthcare system. These expenses cover a wide range of needs, including routine doctor visits, prescription medications, specialized treatments, durable medical equipment such as wheelchairs or hearing aids, and home healthcare services. Even with insurance, many people encounter high deductibles, coverage denials, and out-of-pocket expenses that result in medical debt. In many cases, medical expenses arise suddenly. For example, following an unexpected accident or emergency hospital visit, coming as a surprise due to billing errors, or a lack of transparency about what is and isn't covered by insurance.

Unlike other forms of debt, such as credit card debt, which is often related to discretionary spending, medical debt is typically involuntary and unavoidable. A person may find themselves in debt simply seeking life-saving treatment or trying to manage a chronic condition. For example, someone who uses a ventilator may require both regular maintenance for their device and ongoing in-home care, expenses that are not always reimbursed through private insurance or Medicaid. These types of financial burdens are unique and unfair, mainly when they negatively affect credit reports and limit access to essential resources.

Common Harmful Impacts of Medical Debt on the Disability Community

- Difficulty renting or keeping housing because of low credit scores that landlords may use to screen applicants
- Paying more in interest on car loans or personal loans due to damaged credit history
- Delays in moving out of family homes or into supportive housing because of poor financial standing
- Avoiding or delaying necessary treatments, medications, or doctor visits to avoid incurring additional debt
- Increased mental health challenges, including anxiety and depression, related to ongoing financial stress

Get Involved

AAPD encourages individuals, allies, and partnering organizations to support the CFPB's final rule, Regulation V, which protects consumers with disabilities from harmful medical debt credit reporting. Contact your representative today in response to the recent threats, urging them to vote to oppose both H.J.Res. 74 and S.J.Res.36. Additionally, there are resources on what your state can do regarding medical debt.

Join AAPD in pushing for economic power and accessible healthcare. This rule represents a significant advancement forward in building financial security for the future of the disability community. If you're interested in becoming a storyteller for upcoming medical debt opportunities, create and share a short video today!