Trump Team Takes Aim at State Laws Shielding Consumers' Credit Scores From Medical Debt

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The Trump administration took another step Tuesday to weaken protections for Americans with medical debt, issuing new guidance that threatens ongoing state efforts to keep that debt off consumers' credit reports.

More than a dozen states, including Washington, Oregon, California, Colorado, Minnesota, Maryland, New York, and most of New England, have enacted laws in recent years to keep medical debt from affecting consumers' credit.

And more states — including several in conservative regions of the Midwest and Mountain West — have been considering similar protections, spurred by bipartisan concerns that medical debt on a credit report can make it harder for people to get a home, a car, or a job.

Nationwide, about 100 million people have some form of health care debt, with millions burdened by $10,000 or more in unpaid bills.

But in the new guidance, the Consumer Financial Protection Bureau asserts that federal law bars states from restricting medical debts from credit reports, arguing that only the federal government has this authority.

"Congress meant to occupy the field of consumer reporting and displace state laws," the bureau concluded in an "interpretive rule" signed by Russell Vought, the White House budget director and acting head of the CFPB.

The guidance, which offers a new interpretation of the Fair Credit Reporting Act, reverses policies advanced under former President Joe Biden that sought to empower states to expand protections for people with medical debt.

The Trump administration's latest move will not immediately roll back existing state protections.

But advocates for patients and consumers warn that the new guidance may stall progress elsewhere, just as millions of Americans are poised to lose federal aid that helps them buy health insurance through the Affordable Care Act. The aid is tied up in the current budget showdown between congressional Republicans and Democrats.

“You’d be hard-pressed to find a crueler regulatory interpretation,” said Elisabeth Benjamin, a vice president for the Community Service Society of New York. The nonprofit has pushed for medical debt protections in that state.

Lucy Culp, who oversees state lobbying efforts by Blood Cancer United, formerly known as the Leukemia & Lymphoma Society, warned that the Trump administration’s guidance could reverberate across the country. “This rule will have a chilling effect on states’ willingness to pass these critical patient protections,” she said.

The CFPB did not respond to a request for comment.

The new CFPB guidance might spur more litigation challenging state restrictions on medical debt credit reporting.

Trade groups representing credit reporting agencies and debt collectors went to court early this year challenging regulations issued by the Biden administration that would have removed medical debt from credit reports nationwide. They argued that the administration exceeded its authority in issuing the credit reporting restrictions.

The federal restrictions would have helped an estimated 15 million people. But the Trump administration chose not to defend the new regulations, and a federal judge in Texas appointed by Trump ruled that the regulations should be scrapped. They never went into effect.

The Consumer Data Industry Association, which represents credit bureaus, did not respond to a request for comment about the new CFPB rule, but the industry group has argued that regulating medical debt should be left to the federal government.

“Only national, uniform standards can achieve the dual goals of protecting consumers and maintaining accurate credit reports,” Zachary Taylor, the group’s government relations director, warned lawmakers in Maine this year before that state barred medical debts from credit reports there.

Broader health insurance protections could prevent more Americans from sinking into debt and depressing their credit scores.

But millions of Americans are expected to lose health coverage in the coming years as a result of the tax and spending bill signed by the president in July.

“Millions of Americans are avoiding medical care, putting off needed surgeries, skipping essential treatments,” said Allison Sesso, president and chief executive of Undue Medical Debt, a nonprofit that buys up and retires patients’ debts and advocates for broader patient protections.

“This isn’t just a health care issue,” Sesso added. “It’s an economic crisis that’s keeping families from building wealth and fully participating in the economy. When credit scores are dinged by medical bills, everyone loses.”

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