

**Prepared Remarks of Lisa Stifler, Center for Responsible Lending**

**CFPB Field Hearing on Medical Debt Collection**

**December 11, 2014**

**Oklahoma City, OK**

Good morning, and thank you to Director Cordray and the CFPB staff for holding this hearing and for inviting me here today.

The Center for Responsible Lending is a research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. Debt collection, including medical debt collection, concerns us due to unfair or abusive practices in the market that can take advantage of financially-distressed consumers or unfairly strip families of wealth.

As we heard from Director Cordray, in some ways, medical debt is distinct from other forms of consumer debt. It arises from circumstances unlike those in other consumer transactions, and an individual's ultimate liability for the debt depends on factors typically beyond the individual's control. And, as we've heard, there is a distinct lack of standards for when a bill is sent to a debt collector or reported to credit reporting agencies.

These distinctions can result in unique harms to individuals in the credit reporting context. As CFPB research has shown, consumers with medical debts on their credit reports are overly penalized in their credit scores, underestimating the creditworthiness of those with outstanding medical debt, as well as those who have paid it off. As a result, they may be unjustly penalized for many years after their medical emergency - when seeking other forms of credit, finding housing, or seeking employment, and this is particularly true for those with lower credit scores. They can also result in consumers being wrongly pursued for debts they do not owe or for incorrect amounts due to billing or insurance disputes.

On the other hand, some of the abuses prevalent across the debt collection industry are also found within medical debt collection. Since July 2013, more complaints have been filed with the CFPB about debt collection than any other type of financial product or service, comprising more than 1 out of every 3 of complaints. More than 5,000 complaints have been filed on medical debt collection alone, reflecting many of the same problems consumers face with collection for other debts.

Of particular concern is the sale and purchase of old consumer debts, including medical debts. Debt buyers purchase these debts at a steep discount - often pennies on the dollar - and then attempt to collect the debts themselves. Debts are often sold with limited (and inaccurate or incomplete) information about the consumers and the debts. This, along with the collection tactics used, results in people being harassed and wrongly pursued for debts they don't owe, have already paid, or are too old to be subject of a lawsuit. Debt buyers are also increasingly operating as lawsuit factories clogging the courts to collect on the debts they purchase, often resulting in garnished wages and other financial harms.

Medical debts are the second largest type of debt purchased by debt buyers, comprising almost one-third of debts purchased. As the sale of credit card debt has dropped in recent years, debt buyers are looking to other forms of debt to purchase, including medical debt.

Although debt collection plays an important role in the functioning of the U.S. economy, it may also expose American households to unnecessary abuses. Such abusive practices have no place in our healthcare and credit markets. As more Americans are likely to face medical debt collection in coming years, it is critical that safeguards are in place to ensure that they do not face abusive collection practices that undermine their financial stability or ability to build assets for the future.

Thank you, again, and I look forward to the discussion.