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September 16, 2025

Representative Jean Schmidt
Chair
Health Committee
Ohio House of Representatives
1 Capitol Sq,
Columbus, OH 43215

RE: Opposition to Sec. 1349.54 of House Bill 257, Enact the Ohio Medical Debt Fairness Act

Chair Schmidt and members of the committee:

On behalf of the Consumer Data Industry Association (CDIA), I write to respectfully oppose Sec. 1349.54 of House Bill 257 which would prohibit consumer reporting agencies (CRAs) from including medical debt in a consumer report and similarly prohibit providers and collectors from furnishing medical debt information to a CRA, in conflict with the federal Fair Credit Reporting Act (FCRA). The FCRA preempts any state legislation that attempts to limit or prohibit a consumer reporting agency from including medical debt information in a consumer report at 15 USC §1681t(b)(1)(E) and likewise preempts any state legislation that attempts to limit or prohibit the furnishing of medical debt information to a consumer reporting agency 15 USC §1681t(b)(1)(F). To address these conflicts and avoid unnecessary confusion between Ohio and federal law, CDIA respectfully requests the committee amend House Bill 257 to strike Sec. 1349.54 entirely.

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.

The FCRA provides important and necessary protections to consumers, lenders, government agencies, law enforcement, volunteer organizations, and businesses who rely on full, complete and accurate consumer reports to make informed decisions. Given the ever-increasing interconnectedness of the modern economy, maintaining alignment between state consumer reporting laws and federal consumer reporting laws is more critical than ever.

State legislation that attempts to regulate credit reporting can unleash many unintended consequences because the credit reporting system operates across all jurisdictions. Only national, uniform standards can achieve the dual goals of protecting consumers and maintaining accurate credit reports, which is why CDIA must oppose proposals like Sec. 1349.54 of House Bill 257.

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 also limited states' capacity to independently or differently 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.

Similar laws in Maine and Texas remain the subject of ongoing litigation over the preemptive reach of the FCRA. More recently, in a ruling vacating the Biden Administration's Consumer Financial Protection Bureau's (CFPB) rule prohibiting the inclusion of medical debt on consumer reports, the U.S. District Court

for the Eastern District of Texas concluded that the FCRA expressly preempts state laws like Sec. 1349.54 of House Bill 257. In finding for CDIA and vacating the rule, the Court included this *dicta*, writing ***"just as an agency cannot prohibit what a federal statute explicitly permits, neither can a state law. Accordingly, any state law purporting to prohibit a CRA from furnishing a credit report with coded medical information would be inconsistent with FCRA and therefore preempted."*** *Cornerstone Credit Union v. Consumer Financial Protection Bureau,* U.S. District Court, D. Tex. (No. 4:25-CV-16-SDJ).

The U.S. District Court for the Eastern District of Texas was not the first Federal Court to reach this conclusion, only the most recent. Previously, the U.S. District Court for Minnesota found, in looking specifically at the subject matter preemption, that ***"the preemptive reach of FCRA is both broad and explicit".*** *CDIA v. Swanson*, U.S. District Court, D. Minn. (No. 07-CV-3376). In other words, this Court also held that any state legislation that touches any of the areas enumerated in 15 USC §1681t triggers the FCRA's preemptive authority. As noted above, Sec. 1349.54 of House Bill 257 trips not one, but two of the enumerated provisions in 15 USC §1681t(b)(1) by attempting to regulate the contents of consumer reports and furnishing of information to consumer reporting agencies.

However, setting aside CDIA's preemption concerns and the ongoing litigation, Sec. 1349.54 of House Bill 257 fails to contemplate a variety of aspects of the FCRA, how CRAs operate, and the consumer reporting ecosystem. First and foremost, the current version of House Bill 257 relies on a definition of medical debt that is excessively broad and would open the door to significant operation challenges.

Consider the example of a consumer who racks up thousands of dollars of debt on their personal credit cards, including some purchases that may be related to healthcare. Under House Bill 257 it is not clear whether or not that credit card account would need to be removed from a report. CRAs would have no way to know what individual transactions the debt corresponds to and whether or not reported amounts are medical debt. This is because CRAs neither receive nor want to receive the transaction-level data that would be required to parse out what portion of the debt is truly medical debt, no matter the definition used.

Likewise, most of the entities that provide information to CRAs—furnishers who are regulated by the FCRA at 15 USC §1681s-2—whether they be collectors, card issuers, or lenders themselves, are unlikely to have access to the individual, transaction-level data necessary to try to parse out what portion of a consumer's debt is medical debt or general debt incurred to a card or paid for through another credit instrument.

As a result of the expansive and broad definition, it could result in efforts to force the suppression of debts incurred by consumers via other instruments, possibly forcing the removal of significant portions of consumers' credit histories. Somewhat ironically, the lack of clarity could result in far broader negative consequences for consumers across Ohio, lowering scores and making it harder for them to access credit as a result of their shorter and less detailed credit histories.

Regardless of the differences in opinion on medical debt being included in credit reports, CDIA expects that this outcome—making it harder and more expensive for Ohioans to access credit—is far outside the proponents' intent but underscores risks created when states regulate contrary to the FCRA and without regard to how the consumer reporting ecosystem functions.

While Sec. 1349.54 of House Bill 257 may be preempted by the FCRA, CDIA and its members acknowledge that medical debt is distinct from other types of consumer debt. As such, the national credit bureaus have established uniform procedures regarding how and when a consumer's unpaid medical debts can be included in a credit report to help consumers by providing more time and flexibility.

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.

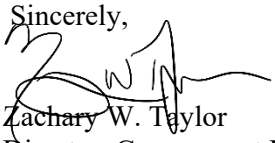
Further, amounts less than $500 are no longer included by the credit bureaus or reported to them by collections agencies. For consumers with outstanding medical debts less than $500, those accounts have been removed from their reports. Taken altogether, these changes to how CRAs handle medical debt reporting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

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 consumer's credit histories are understandable, proposals like Sec. 1349.54 of House Bill 257 that attempt to exclude some debts from the consumer reporting system do not address the underlying concerns about the costs of medical care. On the other hand, the changes made by the three national credit bureaus have provided consumers with substantial flexibility to address outstanding amounts through a variety of approaches.

While CDIA acknowledges the validity of concerns surrounding the cost of care and its impacts on Ohioans, we respectfully request that the Committee amend House Bill 257 to remove Sec. 1349.54 as its operative provisions are inconsistent with 15 USC §1681c and 15 USC §1681s-2 and are preempted by 15 USC §1681t(b)(1)(E) and 15 USC §1681t(b)(1)(F), respectively. Thank you for your time and consideration.

Sincerely,



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