New Fight Looms Over How Medical Debt Appears in Credit Reports

October 31, 2025 - The Consumer Financial Protection Bureau is moving to reverse state laws that prevent medical debt from appearing on credit reports. The agency has drafted a new interpretation of the Fair Credit Reporting Act that says federal rules should override state laws in this area. The goal is to create a single national standard instead of allowing each state to decide how medical debt is treated.

Over the past several years, states like California, Colorado, New York and others passed laws to stop medical debt from appearing on credit reports. State lawmakers said medical debt is often caused by emergencies, billing errors, or insurance disputes, and that including it on credit reports makes it harder for families to qualify for loans, housing, and jobs.
A recent federal court ruling in Texas does not directly require this change, but it does support the CFPB's position. The court vacated an earlier rule that would have removed medical debt from credit reports nationwide. In doing so, the court signaled that federal law may allow medical debt to be reported and that states might be limited in how much they can restrict it. The CFPB is not relying on the ruling as its legal authority, but the decision strengthens the administration's argument if these new actions are challenged.

Consumer advocates are now preparing for what comes next. The National Consumer Law Center has advised states to rewrite their laws to avoid direct conflict with federal rules. Instead of telling credit bureaus what they cannot include, the NCLC suggests that states prohibit lenders and landlords from using medical debt in credit decisions. They also recomment that states require medical providers to add contract terms preventing debt collectors from reporting medical bills to the credit reporting agencies. These strategies focus on areas of law that states control, such as contract and consumer protection rules.

But these approaches have limits. Most lenders do not review individual credit report entries. They rely on credit scores. If medical debt is included at the national level, it will likely be factored into those scores. That means a state rule that tells lenders not to consider medical debt may have very little real effect in everyday lending decisions. The only lasting way to keep medical debt out of credit scores is to prevent it from being reported in the first place. Some states may attempt to do this by making reported medical debt void or uncollectable, but such a law could be challenged in court, and the Supreme Court may favor a uniform national standard.

There is also a practical gap in the state approach. Even if states follow the NCLC guidance, the protections would not apply if a resident receives medical care outside the state. In that case the provider in the other state could still report the debt, and the debt would still appear in the credit report and the score. This makes state-by-state protections uneven and difficult to rely on.

With Americans holding an estimated 220 billion dollars in medical debt, the outcome of this dispute will affect millions of households. It will likely involve court challenges and possibly a Supreme Court decision before the issue is resolved. And that may very well take several years.

by Jim Malmberg
Note: When posting a comment, please sign-in first if you want a response. If you are not registered, click here. Registration is easy and free.

Follow ACCESS