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New Year, New Credit Score? CFPB Issues Contested Final Rule for Credit Reporting on Medical Debt

On January 7, the Consumer Financial Protection Bureau (CFPB) finalized a rule amending Regulation V, the implementing regulation of the Fair Credit Reporting Act (FCRA), to ban the inclusion of medical bills on credit reports. In its [press release](#), the CFPB states that the final rule will increase privacy protections for consumers and “help end the practice of using the credit reporting system to coerce payment of bills regardless of their accuracy.”

The final rule will be published in the Federal Register on January 14, 2025, and go into effect on March 17, 2025. While there are still exceptions to the prohibition on creditors’ use of medical debt information to determine credit eligibility, they are narrow in scope. As the effective date approaches, lenders must consider how their underwriting standards currently treat medical debt information and whether this treatment goes beyond the pared-down exceptions in the final rule.

Creditor Beware: Prohibiting Consideration of Medical Information

The final rule removes most of the regulatory “financial information exceptions” to the FCRA’s limitation on creditors obtaining and using information on medical debts for credit decisions.

Under the final rule, a creditor is permitted to consider medical debt information only under specific exceptions outlined in the amended § 12 C.F.R. 1022.30(e) of Regulation V. Some exceptions include: when it is necessary to comply with applicable local, state and federal laws; when it relates to the purpose of the loan, such as for financing medical products or services; determining, upon the consumer’s request, whether the consumer qualifies for a special credit program or credit-related assistance program or forbearance; or to the extent necessary for purposes of fraud prevention or detection. The CFPB provides several example

applications of these exceptions including one in which creditors may use unsolicited medical debt information self-disclosed on a loan or credit application for compliance with Regulation Z's ability-to-repay rules.

Previously, Regulation V § 1022.30(d) provided that a creditor may obtain and use a consumer's medical information to determine the consumer's eligibility or continued eligibility for credit if the following criteria are met:

- The information is the type "routinely used in making credit eligibility determinations, such as information relating to debts, expenses, income, benefits, assets, collateral, or the purpose of the loan, including the use of proceeds";
- The information is used in a manner and to an extent that is no less favorable than it would use comparable information that is not medical information in a credit transaction; and
- The creditor does not consider the consumer's physical, mental, or behavioral health, condition or history, type of treatment, or prognosis into account as part of any such determination.

Coding Changes and Ban on Medical Bills in Credit Reporting

The final rule bans consumer reporting companies from furnishing medical debt information on credit reports and credit scores sent to lenders, except for non-prohibited uses.

Specifically, medical debt information may be included in a report furnished to a creditor only if the consumer reporting agency has (1) reason to believe the creditor intends to use the medical debt information in a manner not prohibited for consideration by creditors; and (2) reason to believe the creditor is not otherwise legally prohibited from obtaining or using the medical debt information, including by a state law.

The CFPB expects that consumer reporting agencies will need to make coding changes to exclude data identified as medical information from consumer reports sent to creditors. The goal is to

ensure that no medical debt information is conveyed to creditors unless the consumer reporting agency has reason to believe the creditor intends to use the information in a manner not prohibited by the rule.

In summary, the final rule (1) prohibits lenders from considering medical information, including medical debt, in lending decisions, except in very limited cases; and (2) it generally bans medical bills on credit reports and in credit scores sent to lenders. The CFPB predicts that consumers with medical debt on their credit reports could see their credit scores rise by an average of 20 points as a result of the ban.

The final rule is already being met with legal challenges. The day the final rule was issued, industry trade groups Consumer Data Industry Association and Cornerstone Credit Union League filed a [lawsuit](#) in the U.S. District Court for the Eastern District of Texas, alleging the CFPB has exceeded its authority under the FCRA and requesting the final rule be vacated.

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