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Authors:

[Emilia R. Rubin](#)
[Lindsay S. Oak](#)

Texas Court Vacates CFPB's Medical Debt Rule: Lender and CRA Takeaways

On July 11, 2025, the U.S. District Court for the Eastern District of Texas [vacated](#) the Consumer Financial Protection Bureau (CFPB)'s [medical debt rule](#). The final rule, originally scheduled to go into effect in March of this year, would have amended Regulation V of the Fair Credit Reporting Act (FCRA) to ban consumer reporting agencies (CRAs) from furnishing medical debt information on credit reports and prohibited lenders from considering medical debt in lending decisions. In February, the CFPB requested a three-month stay in the preceding litigation, and the effective date of the rule was postponed.

The consent judgment comes after the CFPB joined the plaintiffs in submitting a [joint motion](#) in April to request that the medical debt rule be vacated on the grounds that it exceeded the CFPB's authority and violated the FCRA and the Administrative Procedure Act (APA).

Medical Debt Rule

The FCRA allows for the inclusion of medical debt information on credit reports if the information is properly coded to conceal medical information. Regulation V, the FCRA's implementing regulation, provides "financial information exceptions" that allow creditors to consider this information if certain conditions are met. The CFPB's medical debt rule sought to curb these "financial information exceptions," permitting a creditor to consider medical debt information only if specific exceptions apply, such as for the purpose of financing medical products or services, determining whether the consumer qualifies for a special credit program or credit-related assistance program or forbearance, or to the extent necessary to detect or prevent fraud. For background, see our [previous article](#) on the implications of the medical debt rule.

District Court's Decision

The U.S. District Court in Texas ultimately accepted the parties' joint motion. First, the District Court stated that the medical debt rule was "irreconcilable" with a section of the FCRA that allows CRAs to furnish credit reports with medical information to creditors if it is properly coded to conceal any identifying information, and if the information furnished pertains only to the transactions, account, or balances relating to the debt. The only limitation Congress imposed, as the District Court noted, was that the CRA must have reasonable grounds for believing a creditor will use the credit report for a permissible purpose.

The District Court also found that the rule impermissibly limited creditors' use of medical debt information by removing the current "financial information exceptions" that allowed for creditors to use properly coded medical debt information. It notes that while the FCRA allows the CFPB to add additional exceptions to further permit creditors' use of medical debt information, it did not grant the CFPB authority to prohibit the use of properly coded medical information. "In sum," the District Court stated, "FCRA expressly allows creditors to obtain and use properly coded medical-debt information in credit decisions, but the Medical Debt Rule would prohibit them from doing so. As it now recognizes, the Bureau was powerless to promulgate such a rule that flouts a federal statute by functionally rewriting it."

Additionally, the District Court found the rule's provision prohibiting CRAs from reporting if they have "reason to believe the creditor" is "otherwise legally prohibited from obtaining or using the medical debt information, including by State law," to be impermissible. The CFPB, it found, has no authority to limit the contents of consumer reports based on state and other laws.

Responses to the Ruling & Industry Takeaways

With the District Court's decision, healthcare providers, lenders, and CRAs will continue to be subject to the FCRA and Regulation V in its current form. However, they should be mindful that the medical debt rule has not yet been rescinded by the CFPB, leaving the door

open for amendments to the rule in the future.

The District Court's decision has been met with criticism from supporters of the medical debt rule. Notably, a group of U.S. senators from various states have already [expressed their disagreement](#) with the CFPB's position, requesting that the CFPB release the information it relied upon in making their determination.

Additionally, the decision does not directly impact state laws. Multiple states, including California, Colorado, Illinois, Maine, Massachusetts and New York, have proposed or enacted legislation further restricting, or completely prohibiting, the furnishing or use of consumer medical debt—a sign that potential harm from medical debt reporting remains a pervasive concern. With the medical debt rule vacated, states may become more active in promulgating and enforcing their own consumer protections. While such legislation could face preemption challenges in the future, lenders and CRAs should continue monitoring the law of the states where they operate to avoid state regulatory scrutiny in the future.

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