ACA
INTERNATIONAL

April 26, 2023

Chairman Sherrod Brown
Senate Committee on Banking, Housing and Urban Affairs
Washington, D.C., 20515

Ranking Member Tim Scott
Senate Committee on Banking, Housing and Urban Affairs
Washington, D.C., 20515

Dear Chairman Brown and Ranking Member Scott,

On behalf of ACA International, the Association of Credit and Collection Professionals ("ACA"), I am writing regarding your hearing titled "Oversight of the Credit Reporting Agencies."

ACA represents approximately 1,800 members, including credit grantors, third party collection agencies, asset buyers, attorneys, and vendor affiliates, in an industry that employs more than 125,000 people worldwide. Most ACA member debt collection companies, however, are small businesses. Women make up 70% of the total diverse debt collection workforce.

Background about ACA International

ACA members play a critical role in protecting consumers while providing liquidity to lenders. ACA members work with consumers to resolve their debts, which in turn saves every American household, on average, more than $700, year after year. The accounts receivable management ("ARM") industry is instrumental in keeping America's credit-based economy functioning with access to credit at the lowest possible cost. For example, in 2018 the ARM industry returned over $90 billion to creditors for goods and services they had provided to their customers. And in turn, the ARM industry's collections benefit all consumers by lowering the costs of goods and services—especially when rising prices are impacting consumers' quality of life throughout the country. ACA members also follow comprehensive compliance policies and high ethical standards to ensure consumers are treated with dignity and respect. ACA contributes to this end goal by providing timely industry-sponsored education as well as compliance certifications. In short, ACA members are committed to assisting consumers as they work together to resolve their financial obligations, all in accord with the Collector's Pledge that all consumers are treated with dignity and respect.

CFPB Coordination with the Credit Reporting Agencies Surrounding Medical Debt

Consumer Financial Protection Bureau ("CFPB") Director Rohit Chopra and other leaders in the CFPB have delivered public remarks that appear to encourage credit monitoring organizations to not report unpaid medical debt. In March 2022, the three nationwide credit reporting agencies

(“NCRAs”) announced significant changes to the medical debt credit reporting process. They announced that, effective July 1, 2022, paid medical debt will no longer be included on consumer credit reports. In addition, the time before unpaid medical debt would appear on a consumer’s report will be increased from six months to one year and, effective in the first half of 2023, Equifax, Experian, and TransUnion will also no longer include medical collection debt under at least $500 on credit reports. Compounding these actions, in August 2022, VantageScore announced that it will exclude all medical billing that is sent to collections in its credit scoring model, making no differentiation between medically necessary *and* voluntary medical debt.

On April 26, 2022, U.S. Sen. Sherrod Brown commended the CFPB director regarding the NCRAs’ actions changing the scope of medical debt credit reporting by stating, “In just a few short months you have successfully pressured companies into making meaningful changes after increasing scrutiny from you and your staff.”

Since that time, there have been mixed public signals about the CFPB’s involvement in these actions. This is concerning because major policymaking was done outside the scope of a formal rulemaking process, which means there is limited data to support the NCRAs’ actions, and there are many unknowns about the consequences of their actions.

As a result of the CFPB’s actions, creditors considering extending additional credit to consumers will no longer see a complete picture of their applicant’s already outstanding debts. Instead, lenders and credit grantors will rely on an underwriting process that no longer includes all debts already owed by an applicant, thereby creating blind spots in a credit reporting system that has always been used to issue new credit. As a result, outstanding obligations that are indeed still owed will be missing from consumers’ credit reports and debts that providers now will be forced to collect through the courts would result in needless excess costs for consumers. Even worse, Americans, especially those with limited financial resources, will have less access to health care as providers react to their reduced cash-flow from these credit reporting changes by requiring cash payments up-front for co-pays and deductibles for non-emergency procedures.

The public pressure campaign from the CFPB for the NCRAs to take actions related to medical debt is just the first step in their larger goal to water down the value of a credit report. Student loan and rental debt credit reporting have been similarly targeted, and there is likely more to come. Congress should urge the NCRAs not to pick winners and losers in the marketplace.

Thank you for your attention to the concerns of the ARM industry. Please let me know if you have any questions.

Scott Purcell
Chief Executive Officer
ACA International