EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Shalanda D. Young Shalanda D. Young

SUBJECT: Further Addressing the Impact of Medical Debt on American Families

This Memorandum, consistent with Executive Order 14070[1] and the Administration's efforts[2] regarding medical debt, directs agencies with direct loan and loan guarantee programs that focus on consumer loans or small and medium businesses where a consumer's credit history is a factor, to whenever possible and consistent with the law take actions to reduce the impact of medical debt in the underwriting of Federal credit programs. This Memorandum is applicable to programs governed by the Federal Credit Reform Act of 1990, as amended (FCRA).[3]

The Administration is committed to taking actions to mitigate the burden of medical debt on American families and in particular preventing medical debt from unfairly limiting Americans' access to Federal loans and loan guarantee programs. Medical debt has been a long-standing problem for millions of Americans. It is estimated that as many as one in three adults in the United States bears the burden of possessing outstanding medical debt,[4] which is the largest source of debt in collections in the country – more than credit cards, utilities, auto loans, and other sources combined[5]. This debt is an anchor that weighs down families, the economy, and the country – prohibiting people from accessing credit, living their full potential, and even realizing the American dream of home ownership.

The Federal Government has a responsibility to set the standard for how medical debt is treated when making lending decisions. To that end, whenever possible and consistent with the law, the Federal Government will make changes within its own programs, and as a result, influence how the broader market treats medical debt in lending decisions. A critical first step to

[1] Exec. Order No. 14070, April 5, 2022, "Continuing to Strengthen Americans' Access to Affordable, Quality Health Coverage."
[2] The Biden Administration Announces New Actions to Lessen the Burden of Medical Debt and Increase Consumer Protection, April 11, 2022.
[3] Federal Credit Reform Act of 1990, title V of the Congressional Budget Act of 1974 (Public Law 93-344; 2 U.S.C. § 661 et seq.).
[4] Comsumer Financial Protection Bureau, February 2022, "Medical Debt Burden in the United States."
[5] Crawford, K. (2021, July 20). *America's Medical Debt is Much Worse Than We Think*. Stanford University, Institute for Economic Policy Research. https://siepr.stanford.edu/news/americas-medical-debt-much-worse-we-think

ensuring better access to credit, as well as more effective and efficient Government loan programs, is to not factor in the existence of medical debt in the lending decision process. Further, conducting robust and efficient reviews of current Federal loan and loan guarantee programs will help to identify additional areas of opportunity to mitigate the adverse effects of medical debt on consumers.

Background

Success will require a Government-wide approach, in collaboration with private sector actors. For example, while many Americans across myriad demographics incur medical debt, its burdens are experienced most acutely by people of color, veterans, young adults, and older adults. Population disparities in medical debt cannot be ignored. Freeing American families from this burden will increase their access to credit and positively impact their financial, physical, and mental health and wellbeing.

Some agencies, such as the Department of Veterans Affairs and the Consumer Financial Protection Bureau, have already taken action to lessen the burden of medical debt. In addition, the Administration worked with the U.S. Congress in support of proposed legislation whereby the Fair Credit Reporting Act[6] would be amended to institute a 1-year waiting period prior to medical debt being reported on a consumer's credit report, as well as to require timely removal of medical debts from credit reports where the debt has been settled or paid off – even if the debt was paid off via a collections agency over time.

While these efforts are important steps, they are not enough. The collective efforts of the Federal Government, working with the private sector, need to be brought to bear to remedy the impact of the issue of medical debt as an indicator for creditworthiness. Therefore, the Biden-Harris Administration is providing guidance to all agencies to eliminate medical debt in the lending decision-making process.

Next Steps

For direct loan and loan guarantee programs that focus on consumer loans or small and medium businesses where a consumer's credit history is a factor, agencies must develop a plan to eliminate medical debt as a factor for underwriting in credit programs, including:

- Identifying any statutory, regulatory, or administrative changes that would be required to modify criteria and consideration factors, exclude medical debt, or otherwise lessen the impact of medical debt consideration or underwriting in Federal lending programs;
- Initial qualitative assessment and cost-benefit analysis of any statutory or regulatory changes and whether the changes are "economically significant," per Executive Order 12866;
- Anticipated changes to administrative processes, forms subject to the Paperwork Reduction Act (PRA),[7] technical infrastructure and systems, increase or decrease in staffing requirements, etc.;

[6] Fair Credit Reporting Act, title VI of the Consumer Credit Protection Act, (Public Law 90-321; 15 U.S.C. § 1601 et seq.).
[7] 44 U.S.C. §§ 3501 et seq.

- Assessment of whether model updates are required for FCRA cost estimation, especially if the exclusion of medical debt would explicitly or implicitly affect particular underwriting requirements such as debt-to-income ratios, etc.; and
- Stakeholder outreach and communications, time-phased execution with appropriate milestones, and known risks to achieving the plan.

Agencies should incorporate these plans in their FY 2024 budget submissions to their respective Office of Management and Budget Resource Management Office (RMO). Agencies can request a brief extension on submission of their plan in coordination with their RMO.