



Season 1 Episode 7 – Changes to Medical Debt Reporting

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Speaker 1

It's time for Alabama Money with Cynthia White and Portia Johnson. We'll have financial tips from financial experts from across the state and extension specialists at Auburn University.

Cynthia White

Hello and welcome to Alabama Money, where we talk finance, facts, fun and fast. We are your hosts, Cynthia White, extension agent, and Dr. Portia Johnson, assistant professor and Extension specialist at Auburn University. In today's segment, we're going to talk about some updates to the reporting of medical debt on your credit report. Credit scores and credit reports can dictate or be a major factor in access to financial options, employment opportunities. They can really affect insurance rates, interest rates. Qualifying for a home mortgage and many other areas. According to a report by the National Association of Professional Background, screeners over have employers check candidates' credit reports when considering them for employment. Medical debt is an unpredictable debt and can negatively affect in lower credit scores. Some of the most fiscal responsible consumers run into situations where they miss payment.

Credit reporting companies recently announced that they will be making some changes to the way medical debt is reported on credit reports and how they affect credit scores.

Dr. Portia Johnson

Yeah, I think these changes coming down the line are going to be really helpful for a lot of Americans. So let's just jump right into the changes that are happening and how they might help improve our credit report.

Cynthia White

First, any medical debt that has been paid is now going to be removed from your credit report starting July 1st. So if you have a medical debt on your credit report that's with Equifax, Experian or TransUnion, and you've actually paid that debt off. Now, it will be removed from the credit report. It will no longer just sit there for that seven year period.

Dr. Portia Johnson

And so that seven year period is important. But what's also good about what's changing, right, is that after six months of being late, previously those items will show up on a on a credit report. Now, with the new changes, it'll take a year of you being late before something might show up on a report which gives you more time, six months more to come to some arrangement or to figure out what you're going to do about those debts.

Cynthia White

Exactly. Also, another change with that is that medical debt going to collections. A lot of times it's typically less than \$500. Now, anything less than \$500 will no longer be reflected on your credit report. And that's after the first half of 20, 23. They're going to start making those changes.

Dr. Portia Johnson

So after 20, 23 starts, if I have something that's less than \$500, it won't be able to go on my credit report. At all if it's unpaid. Correct. And it's a medical debt, of course.

Cynthia White

Yes. Medical debt.

Dr. Portia Johnson

Okay.

Cynthia White

Let's specify medical debt.

Dr. Portia Johnson

Right, exactly. I guess I still need to pay my credit card. Yes. So some might ask, why does that even matter? Right. If I have medical debt, I had to go to the doctor. I had to get seen by, you know, some professional. So that's just debt I had to incur. Who cares? But even if you had an otherwise perfect credit history, if you paid everything else on time and you had a medical debt that you couldn't pay. Having negative medical dings on your credit can lower your credit a hundred points or more. So just having medical debt alone can be really impactful to your credit score. And your credit report.

Cynthia White

Yes. And 100 points can make a major difference in a decision about any type of future financial options. We just have to remember that the affect won't be the same if there are still other negative accounts or other negative activity. But moving medical debt, if everything else is perfect, can be a major impact.

Dr. Portia Johnson

Okay, so we know that there are some really good changes coming down the line when it comes to medical debt and it's going to help us all out. I know how to help me out. But what are some ways, some really tangible, easy ways to figure out if those changes actually happened on your credit report?

Cynthia White

Well, the first thing is something that we always stress. Checking your credit report. Everyone is entitled to a free copy of their credit report from each of the three credit reporting agencies every year. But right now, there's an added bonus because of COVID and the pandemic, they've increased that to once a week until the end of the year. So from now until the end of the year, you can get a free copy of your credit report from each of the three credit reporting agencies Equifax, Experian and TransUnion every week.

Dr. Portia Johnson

So the listener is hearing and to tune in into this podcast at any other time in the future. The end of the year this year would be December 20, 22. So what that means is with Equifax, Experian, TransUnion, you can get a report every single week from every single one of them. And that's really helpful if you are monitoring or trying to actively improve your credit report.

Cynthia White

Yes, that's exactly right. Doing that. You can check and make sure that the updates to the medical debt and how it's reflected on your credit report is has been changed. And it is reflected you simply access that at WW W dot annualcreditreport.com. And remember, this is absolutely free to access that credit report. So if it asks for any type of credit card information or payment information, then you possibly are on the wrong site because it is totally free, will not ask you for anything associated with any payment method or your credit card.

Dr. Portia Johnson

And so in general, it's really good to just check your credit report regardless if these medical changes weren't happening. It's a good practice to get in the habit of checking your reports every year, several times a year. I had a friend who is a financial advisor and planner. Just last week, she posted on her Facebook page that she checked a report and she found at least five discrepancies And so, like myself, she's someone that is checking a report often.

Dr. Portia Johnson

And just in the few months that she had it and checked it, there were discrepancies So if you haven't checked it before, it's a good time to start. And mistakes happen. That's just proof that mistakes happen. The individuals that are putting the information into the systems, they're people just like us. And they will make mistakes. So make sure that you are also checking your reports, because one third of Americans are going to find at least one error on their credit report. So don't be surprised when you see an error. Just find it and you can help resolve it.

Cynthia White

Exactly. If someone checks their credit report and that medical debt is still there are and it should be removed. Are there are other discrepancies? They can go ahead and file a dispute with that credit reporting agency.

Dr. Portia Johnson

So a type of dispute might be if you go and you pull your credit report and you see a debt that you had previously paid, a medical debt that you paid or that you are paying down and the amount is wrong. That's cause for dispute.

Cynthia White

Exactly. And in that case, there may be a little more work to be done. The dispute will still be filed with the credit reporting agency, but it should also be filed with that company that sent the information in to that credit reporting agency. It's really important to make sure that you include any and all documentation that's going to be provided as proof that that debt has truly been paid and support your claim that that is inaccurate information.

Dr. Portia Johnson

So in short, there are some changes coming on how medical debt is being reported to credit agencies. Those changes are benefiting us all. But we should do our part to make sure that it's reflected on our credit reports accurately. Thanks for tuning in. I'm Dr. Portia Johnson.

Cynthia White

And I'm Cynthia White.

Dr. Portia Johnson

And this has been Alabama Money, where we talk finance, facts, fun and fast.

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This has been a production of Alabama extension at Auburn University.

