AFSA
AMERICAN FINANCIAL SERVICES ASSOCIATION

December 5, 2025

CM Christina Henderson
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, D.C. 20004

Re: Bill 26-438, Medical Debt Mitigation Amendment Act of 2025

Dear Councilmember Henderson,

On behalf of the American Financial Services Association ("AFSA"), thank you for the opportunity to provide comments on Council Bill B26-438, also known as the Medical Debt Mitigation Amendment Act of 2025. Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

AFSA members have significant concerns about potential unintended consequences should 26-438 pass as written. While we share the council's desire to mitigate medical debt burdens for individuals and families facing financial hardship, we believe this bill goes too far and creates significant additional risk for financial institutions. We do believe, however, that with modifications to the current language, particularly to clarify the law's applicability to medical debt, not all debts, an appropriate balance could be struck between the imperative to protect consumers and the need to maintain the supply of safe and affordable credit to them.

The primary challenges stem from the definition of medical debt in the bill as "a debt arising from the receipt of health care services, products, or devices" – a definition so broad as to encompass general-purpose credit card lines, traditional installment loans (TILs) and other forms of credit that may incidentally be used for medical-related purchases. For example, an individual with the flu might use a credit card to buy over-the-counter remedies at a grocery store—just as they would for any other routine purchase. Under 26-438, this transaction would be classified as a medical expense and therefore treated as medical debt, in the same way as large or regular payments resulting from emergency or unplanned medical situations – by far the most common reason for medical debt – that the bill is primarily concerned with.

Associated with this is the operational impossibility for financial institutions to accurately determine what is and what is not medical debt. Credit card issuers, for example, are privy only to data relating to the date, amount, and location of a transaction. Medically necessary products

could conceivably be purchased from general retailers (e.g., a walking frame), and, non-medical products could be purchased at medical providers (e.g., fashion sunglasses at an opticians or teeth whitener at a dentist's office). Financial institutions have no way of determining which should be considered medical debt and basic norms of medical privacy preclude most avenues that might allow this. There is also the question of elective (i.e., not medically necessary) procedures, versus medically necessary procedures, a distinction that is made even more complex by the fact that some procedures can be elective or non-elective (e.g., Botox for wrinkles or the treatment of migraines). Even if a determination were possible, AFSA members should not be responsible for working out what is and what is not a medical debt under the current definition.

All of this means that creditors will face significant and unnecessary additional risk, both through restrictions on collection activities and prohibitions on reporting to credit agencies. Restrictions on collection activities prevent creditors from proactively assisting customers facing financial difficulties, which limits early intervention opportunities and can lead to missed chances for resolution and an increased risk of account charge-off. Additionally, prohibitions on credit reporting hinder creditors' ability to recover outstanding debts and reduce the completeness and reliability of credit reports, which are essential for underwriting. When certain debts, such as those classified as medical debt, cannot be reported, creditors are forced to make credit decisions with an incomplete picture of a consumer's credit history, potentially leading to higher losses, increased costs, and less favorable credit terms for consumers. Ultimately, these restrictions not only raise operational and financial risks for creditors but also threaten the availability and affordability of credit for consumers. Finally, the proposed rule introduces the risk of regulatory inconsistency and potential Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) concerns, as it would require creditors to treat customers in the District of Columbia differently from those in other states. This disparity could lead to confusion and a perception of unfairness, eroding trust and confidence in creditor's services and consumer protections.

The solution is to modify the bill's language to exclude certain credit products unless offered solely for the payment of healthcare services. The definition of "medical debt" is of primary concern, as is "medical debt collector", which, as written, could be interpreted to include financial institutions who are original creditors collecting debt on their own behalf. These definitions could benefit from clarification through new language. The definition of medical lending products as "medical credit cards or third-party medical installment loans issued specifically for the payment of health services, products, or devices provided to a person" could be more explicitly linked to third-party financing under the protection of the Truth in Lending Act (TILA). Likewise, references in the bill to debt reporting should use language that promotes a more concrete link to "medical debt". Rules relating to promoting financing in large healthcare facilities would also benefit from increased clarity.

Suggested Language Changes

Defining "Medical Debt Collector"

To avoid any ambiguity and ensure the definition of medical debt collector aligns with the spirit of the bill, we would like to respectfully request that the language be amended as follows:

> Line 80 - "Medical debt collector" means an entity that regularly collects or attempts to collect, directly or indirectly, medical debts originally owed or due, or asserted to be owed or due, to a large health care facility, including large health care facilities to whom a patient owes money for health care services, a collection agency or debt buyer who has purchased the medical debt that a patient owed a large health care facility, or any other entity considered a debt collector as defined by D.C. Official Code § 28–3814(b)(5), who regularly collects or attempts to collect medical debts.

Alternatively,

> Line 80 - "Medical debt collector" means an entity that regularly collects or attempts to collect, directly or indirectly, medical debts originally owed or due, or asserted to be owed or due, to a large health care facility, including large health care facilities to whom a patient owes money for health care services, a collection agency or debt buyer who has purchased the medical debt that a patient owed a large health care facility, or any other entity considered a debt collector as defined by D.C. Official Code § 28–3814(b)(5). "Medical debt collector" does not include debt collectors who do not collect or attempt to collect medical debt.

Defining "Medical Debt"

Using the Consumer Financial Protection Bureau's (CFPB) definition of medical debt would achieve the aim of increasing clarity of applicability. We respectfully suggest the following alternatives:

> Line 88 – "(14C) "Medical debt" means a debt ~~arising from the receipt of health care services, products, or devices.~~ owed by a consumer to a person whose primary business is providing medical services, products, or devices, or to the person's agent or assignee, for the provision of medical services, products, or devices. Medical debt includes, but is not limited to, medical bills that are not past due or that have been paid.

Alternatively, the definition based on that used in the state of Maine would serve the same purpose:

> Line 88 – "Medical debt" means a debt ~~arising from the receipt of health care services, products, or devices.~~ arising from health care services, including dental services, or health care goods, including products, devices, durable medical equipment and prescription drugs. "Medical debt" does not include debt arising from services provided by a veterinarian; debt charged to a credit card or installment loan unless issued under an open-end or closed-end credit plan offered solely for the payment of health care services; debt charged to a home equity or general-purpose line of credit; or secured debt.

Defining "Medical Lending Products"

We respectfully suggest changing the definition from "medical lending products" to "financing extended by a third party":

> Line 88 – 90 – **"**(14D) ~~"Medical lending products" means medical credit cards or third-party medical installment loans issued specifically for the payment of health services, products, or devices provided to a person."~~ "Financing extended by a third party" includes, but is not limited to, an open-end credit plan as defined under the federal Truth-in-Lending Act (15 U.S.C. 1602), a line of credit, or a loan offered or extended by a third party.

Additional Clarifications

Clarify the bill's applicability to medical debt, not to all debts:

> Line 285 – "(c) Subsections (a) and (b) of this section shall be construed to limit a consumer reporting agency from reporting known medical debts reported by a medical debt collector.

Clarify the rules for promoting financing in a large health care facility:

> Line 287 – 300 – "(d) ~~A large health care facility or an~~ employee or agent of a large health care facility shall not:
>
> > "(1) Complete, or assist a patient in completing, any portion of an application for ~~a medical lending product~~ financing extended by a third party;

"(2) Promote ~~a medical lending product~~ financing extended by a third party ~~with deferred interest~~;
"(3) Charge ~~a medical lending product~~ financing extended by a third party for a medical procedure not yet conducted;
"(4) Offer a patient ~~a medical lending product~~ financing extended by a third party or charge another form of credit when the patient's insurance, including Medicaid, will cover the services, unless the amount is for a copay, deductible, or co-insurance;
"(5) Offer ~~a medical lending product~~ financing extended by a third party or charge another form of credit for an eligible patient until the large health care facility has offered or conducted a financial assistance eligibility screening pursuant to section 4(c) of this Act; or
"(6) Require credit card pre-authorization or require the patient to have a credit card on file prior to administering emergency health services.

Conclusion

AFSA and its members recognize the importance of addressing difficulties consumers may face in both accessing and paying for healthcare, and we believe that supporting consumers' access to credit may in turn improve access to care for consumers who face difficulties in that regard.

Thank you in advance for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact me at 202-412-3504 or dfagre@afsamail.org.

Sincerely,

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