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MONEY NEWS POLITICS

Removing medical debt from credit reports opens door to economic opportunity: 'It gives me hope'

The change is expected to boost millions of people's credit scores and helping them qualify for home mortgages. It's unclear whether President Donald Trump will reverse the federal rule announced Jan. 7 by the Biden administration.
By Rafaela Jinich | Jan 28, 2025, 11:18am PST



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Octavia Byars takes care of her son Tremaine Byars Jr. at her home in Calumet City this month. | Anthony Vazquez/Sun-Times

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For years, Octavia Byars' dreams of owning a home were stalled by something seemingly unrelated to housing: unpaid medical bills. The single mother from Calumet City found her credit score dragged down by thousands of dollars in medical debt from treating her son.

"I tried to buy a house, but they told me everything I needed to do was get the medical debt removed," Byars said. "I had to file for bankruptcy because of this two years ago. I didn't even try again, I knew I was going to be denied. Your debt-to-income ratio has to match, and it didn't."

For Byars and millions of other Americans, medical debt has been the barrier to financial stability.

"Medical bills shouldn't be allowed on credit reports because they're something people deal with every day, and it really hinders you," Byars said.

Byars' son, Tremaine Byars Jr., has cerebral palsy and epilepsy.

Stories like Byars' are why the Biden administration in its final days unveiled a federal rule aimed at **removing medical debt from credit reports**. The rule is expected to help 15 million people and exclude \$49 billion from showing up on credit reports. It is unclear whether President Donald Trump will reverse the rule.

The Consumer Financial Protection Bureau estimates this change will raise credit scores 20 points on average, potentially helping more Americans qualify for mortgages and other loans previously out of reach.

"No one should be denied economic opportunity because they got sick or experienced a medical emergency," then-Vice President Kamala Harris said in a statement announcing the rule on Jan. 7.

For many in Cook County, the news is reminiscent of a local effort. In 2021, Cook County Board President Toni Preckwinkle championed a program that used federal pandemic relief money to **wipe out \$382 million in medical debt** for over 210,000 residents.

The county's effort paved the way for statewide initiatives, including the **Illinois Medical Debt Relief pilot program** announced in November by Gov. JB Pritzker. That program already has erased more than \$72 million in medical debt for 52,745 Illinois residents, with additional relief planned to eliminate up to \$1 billion in debt statewide.

Byars, however, wasn't eligible for those local efforts. "Cook County's program didn't help me at all," she said. "But this federal rule? It gives me hope."



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Tremaine Byars Jr. lies in bed at his mother's home in Calumet City this month. | Anthony Vazquez/Sun-Times

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For many, this could mean greater access to mortgages and the chance for homeownership, as medical debt often is a barrier to qualifying for loans or securing favorable mortgage rates, according to KFF, a nonprofit focused on national health issues.

"While universal health care is the ultimate solution to eliminating these inequities, we all must do everything we can now to ease the financial and psychological strain of medical debt," Preckwinkle told the Chicago Sun-Times in an email.

"Policies like these underscore the importance of protecting vulnerable consumers and advancing solutions that prioritize equity and compassion. We applaud this federal effort and remain committed to supporting our residents through direct relief and these types of protections."

Eva Stahl, vice president for policy and programs at the nonprofit Undue Medical Debt, which worked with both Cook County and the state of Illinois on debt relief initiatives, sees the new federal rule as a natural progression.

"This is an important step for financial security," Stahl said. "We've seen firsthand how removing medical debt creates a ripple effect — it invites people back into the health care system and opens opportunities to access housing, jobs and more."

And for most Chicagoans struggling with medical debt, these layered initiatives — local, state and now federal — signal a promising shift toward equity and financial relief.

"This is about more than numbers," Stahl said. "It's about giving people a chance to rebuild their financial futures and access essential opportunities."

Credit.org, a nonprofit consumer credit counseling organization, called the rule a significant win for consumers.

"Our lower-to-moderate income communities are going to benefit positively," Credit.org spokesperson Melinda Opperman said. "We see families denied mortgages or paying higher rates for cars and homes due to medical debt, often caused by billing errors or insurance mishaps."

A Consumer Financial Protection Bureau' analysis shows medical debt is often a poor predictor of financial responsibility. Past studies found many medical bills were on credit reports due to errors or insurance delays, not an inability to pay. With the new rule, even paid medical collections will be removed, further alleviating barriers to financial stability.

"This decision is about equity," Opperman said. "It's about giving people a fair shot at economic opportunity without being penalized for something they couldn't control."

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Despite praise for the rule, experts caution it doesn't address the root cause of medical debt: the country's health care system.

Todd Christensen, a housing counseling and education manager at the nonprofit MoneyFit, said the rule treats the symptom, not the disease.

"People will still owe these bills, and hospitals that rely on payments may struggle financially. It could lead to unintended consequences down the road," Christensen said.

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Natalia Brown, chief compliance and consumer affairs officer at National Debt Relief, al

"Generally speaking, this rule is positive for people who are financially responsible but I she said. "But if people don't have their debt front and center, they may ignore it."

For families like Byars', the rule is a lifeline. Now renting in Calumet City, she dreams o financial stability.

"I've had to choose between keeping my lights on and putting food in the fridge," she said. "This will take a lot of weight off my shoulders."

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