

CFPB Report Highlights ‘Aggressive,’ ‘Illegal’ Medical and Rental Debt Collection Practices

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On September 5, 2024, the Consumer Financial Protection Bureau (CFPB) released its [annual report on debt collection](#), drawing attention to a range of activities with respect to medical and rental debt collection that the CFPB describes as “aggressive” and “illegal.” The report underscores the CFPB’s continued focus on consumer debt collection practices – specifically those that relate to the collection of medical and rental debt, which the report labels as “consistent collections problems” that have persisted since the CFPB’s [publication of its 2023 debt collection report](#). These practices, the report notes, are contributing to significant consumer harm and raising substantive regulatory compliance questions.

In particular, the CFPB notes what it refers to as the “financialization” of the medical and rental debt collection markets, including where third parties offer consumer medical and rental payment products and services. As a result, financial institutions, fintechs, and other third parties that offer payment products and services to consumers in this space should pay particular attention to the activities and practices highlighted in the report.

Key report highlights

Medical debt collection

Medical debt collection complaints made up approximately 11% of all debt collection complaints received by the CFPB in 2023. The report focuses on trends in medical debt collection practices, as outlined below.

Collection of already paid bills

In 2023, the CFPB reported that more than half of the complaints about medical debt collection involved attempts to collect debt not owed. Common issues included attempts to collect on debts already paid (including debts partially or fully paid via nonprofit hospital financial assistance programs), debts owed by third parties (e.g., insurance companies), or debts appearing on credit reports without the consumers’ prior knowledge of the debt itself. The CFPB notes that attempts to collect such debts may violate the Fair Debt Collection Practices Act (FDCPA), Regulation F, and the Consumer Financial Protection Act’s prohibition on unfair, deceptive, or abusive acts or practices.

Quality of information

The report notes that in 2023, consumers continued to report issues with the quality of information in connection with medical debt collection. Complaints often involved miscommunication between healthcare providers, insurers, and debt collectors, leading to conflicting or unclear information about the status of debts. According to the report, consumers frequently received inconsistent billing amounts and faced continued collection efforts even after proving the debt was not owed. Additionally, the CFPB notes that vague and incomplete written notices made it difficult for consumers to identify or resolve debts.

Medical payment products and services

The report highlights the rise in what the CFPB refers to as the “financialization” of medical payment products and services within the healthcare sector and the CFPB’s continued receipt of consumer complaints related to such products and services. Complaints include high interest rates, retroactive application of interest and “aggressive” collection tactics. The report describes complaints where consumers are offered medical payment products or services without considering their eligibility for nonprofit hospital-based financial assistance, potentially leading to situations where a consumer is pursued by debt collectors for debts that should not have been incurred in the first place.

Rental debt collection

Following the CFPB’s recent decision to start accepting complaints related to rental debt, more than 1,700 rental debt complaints were filed with the CFPB between August 2023 – when it first began accepting such complaints – and December 2023. According to the report, rental debt in the US is estimated at more than \$9 billion, with more than 4.5 million households behind on rent. As we’ve outlined below, the report also highlights trends in rental debt collection practices.

Collection for debts owed by landlords

The report emphasizes complaints involving rental debts charged improperly. According to the CFPB, landlords may withhold security deposits or charge excessive fees based on vague lease terms. Additionally, the CFPB reports that it has received complaints about rental debt collectors collecting amounts that are inflated by so-called junk fees or other amounts not owed by the consumer as a matter of federal or state law, including charges for basic repairs and upkeep that may be the landlord’s financial responsibility in many states.

‘Financialization’ and price-fixing

As with medical debt, the CFPB notes an increase in new financial products being offered to landlords and tenants, raising consumer risks (e.g., payment processing, cash-back rewards, collection services to recover delinquent rent payments, and lending products). The CFPB refers to this rise in financial offerings as the “financialization of the rental housing market” and notes that it is monitoring the risks associated with the practice, including the possible collection on amounts not actually owed by tenants.

The report highlights that rental payment companies offering rental financial products may add payment fees with little notice. According to the CFPB, it is often unclear whether these fees are permitted under leasing agreements, leading to collection of amounts that are inflated, inaccurate or not owed by the tenant. Furthermore, the CFPB points to price-fixing practices by revenue cycle management companies that inflate rent using sensitive data from property managers.

Verification and information quality

The report indicates that the CFPB has received complaints related to debt verification issues, as well as issues arising from the quality of tenant information collected and reported by landlords. First, according to the CFPB, consumers have reported instances in which debt collectors failed to respond to requests for debt verification – or even refused to verify the debt altogether – **and** reported the debt to credit reporting agencies. The report also highlights verification-related complaints concerning errors by tenant screening companies and the inability of consumers to correct errors on rental background checks.

Second, the report indicates that the processes implemented by landlords for managing tenant information and charging tenants for damages may be the catalyst for inaccurate reporting and incorrect collection notices. The report references complaints suggesting

that the delay in how landlords charge tenants for damages once a lease has ended may contribute to information discrepancies and errors. In particular, the CFPB says that landlords may not be adequately managing information on when tenants have satisfied certain obligations, which may result in consumers receiving collections notices for debts they do not owe. The CFPB emphasizes the potential for FDCPA violations when debt collectors pursue consumers for these incorrect amounts.

How this affects your business

The report serves as a reminder of the CFPB's focus on enforcing consumer protection laws in the debt collection space. Accordingly, debt collectors, healthcare providers, payments products providers, landlords and property managers should closely examine their debt collection practices. Companies involved in debt collection, or the use of financial products tied to medical or rental debt, should ensure they are in full compliance with federal consumer protection laws, including the FDCPA and Fair Credit Reporting Act, as well as state debt collection laws.

Specific actions items include the review of medical and rental debt collection processes, as well as the regular review and update of compliance programs in accordance with applicable law, CFPB and other regulatory agency guidance, and enforcement actions that may impact debt collection activities.

This alert provides a high-level overview of the medical and rental debt collection issues highlighted by the CFPB. If you require a more in-depth analysis of how your specific business is impacted by these issues, please reach out to one of the lawyers below.

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