

CERTIFIED MORTGAGE PLANNER[®]



Ron Fossum RFC
888-560-7119

HOME LOAN
=EXPRESS=

Medical Collections

by Edward
Jamison

- the Good, the Bad and the Ugly

We all know that ignoring our bills will most likely lead to collections. We also know that if we break a lease or skip out on the last month's rent, this too could lead to collections. And if we don't pay a utility or phone bill for several months, not only would we end up with no power or phone service, but you guessed it, we'd probably end up with collections as well.

CERTIFIED MORTGAGE PLANNER®

But what happens if we don't pay a medical bill that is the result of inefficient communications between our doctors and our insurance company?

Between uninsured Americans and the bureaucratic red tape of large healthcare companies and insurance providers, medical collections are becoming increasingly common in consumer credit reports. The problem is that a lot of consumers don't pay them because they either don't



have the money or because they expect their employer or insurer to take care of the problem. Many people also believe that medical collections are overlooked or excluded from their credit and credit scores.

Unfortunately, medical collections are no different than other types of collections and can wreak havoc on your credit scores just as easily. The most frustrating thing with medical collections is that in most cases the consumer isn't the cause, yet they end up paying the price.

One reason for the large misconception about medical collections is due to how some industries view them. While medical collections hurt credit scores just as badly as other collections, most industries don't view medical collections as negatively as other collections. The mortgage industry in particular, frowns on unpaid collections but tends to overlook or turn a blind eye on unpaid medical collections. Even FHA guidelines aren't overly concerned with medical collections when determining a consumer's eligibility for a mortgage loan.

This begs the question, "Why do credit scoring models view medical collections the same way they view non-medical collections?" There are a couple of reasons:

- As long as the companies that build the credit scoring models continue to treat medical collections as normal collections, they'll continue to hurt your scores. Unfortunately, the blame doesn't lie solely on the credit scoring models...the credit reporting agencies are also part of the problem.
- Credit reporting agencies are just as guilty for the way medical collections are handled because they allow collection agencies to report the medical collections.

Edward Jamison is president of Los Angeles-based Jamison Law Group, one of the nation's leading credit restoration law firms and the creator of Credit CRM. Learn more and get a free workbook at www.CreditCRM.com.

If they are reported in your credit report, the credit scoring models will see these accounts and they will continue to damage your scores. The credit bureaus could implement a policy that would NOT allow medical collections to be reported if the collections were caused by insurance claim errors. But this would require the doctor's office and the collector to prove that the collection was valid before it could be reported, which is exactly what the Fair Credit Reporting Act was intended to do. Sadly, this will never happen.

- If the credit scoring companies and the credit bureaus ever did change the negative impact of medical collections on credit scores, the collection agencies would hit the roof. Think about it, if medical collections didn't hurt your score, what motivation would people have to pay them? The problem is that collection agencies represent a hefty client base for the bureaus and generate a pretty large revenue stream. If the credit bureaus ever decided to change how medical collections are reported or treated, you can bet that the collection agencies would throw their proverbial weight around.

So what does this mean to you and how can you keep this from happening?

This is a tough one because there's really no easy answer. The best option would be to avoid medical collections if at all possible. This may mean paying for medical debts until your insurance company processes the claim and pays the bill. The problem with this solution is that not everyone has the funds to do so. Another option might be charging the services to a credit card but this too can cause problems because higher utilization on your credit cards can cause your credit scores to fall.

In this case there's just not a simple solution. Until the credit industry makes changes to flaws in the system, consumers with medical collections caused by the incompetence of healthcare providers and insurance companies will continue to suffer from lower credit scores. ■



Ron Fossum RFC

Certified Mortgage
Planner

Smart Money Financial
Group
209 Ave D
Ste 200
Snohomish WA 98290

[rfossum@
smartmoneyfinancialgr
oup.com](mailto:rfossum@smartmoneyfinancialgroup.com)

One of the greatest
compliments I can
receive is a personal
referral to one of your
friends who may