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SMALL BUSINESS AND ENTREPRENEURSHIP
FOREIGN RELATIONS

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U.S. SENATE CLIMATE CHANGE CLEARING HOUSE

United States Senate

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The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Dear Mr. Cordray:

We write to inquire about the Consumer Financial Protection Bureau's (CFPB's) efforts to study, and, as appropriate, take action to protect consumers against entities that provide medical and dental credit cards, loans and other consumer financial products and services used by individuals to pay for medical and dental care that is not covered by health insurance. As indicated in a recent *The New York Times* article¹, several financial products exist on the market, including medical credit cards and medical loans that have extraordinarily high interest rates and questionable financing terms. These products are typically offered to consumers who may not otherwise be able to pay for the services by their physicians or health care providers immediately following or in anticipation of expensive medical procedures, and in many cases drive consumers further into debt. In an example provided in *The New York Times*, a dentist who marketed a medical loan to his patient was paid in full immediately while the patient was charged a 23% annual interest rate (or 33% if she missed a payment). The patient was then directed to obtain a medical credit card to cover the costs of additional dental work she required. Her monthly payments for these various products now add up to one third of her monthly Social Security benefits.

Consumers use these medical financial products and services to pay for medical procedures ranging from elective cosmetic surgeries to critical life-saving medical treatments. Often those targeted for these products are seniors or those who are seriously ill or underinsured or uninsured patients. Equally troubling, the entity offering the product or service is a trusted practitioner or health care facility. As more Americans have accessed these products, several Attorneys General – including those in New York and Minnesota – have conducted investigations alleging abusive lending practices or exploitation by some health care providers and financial firms offering this third-party medical financing.

As medical debt continues to place a heavy burden on millions of Americans, we need to gain a better understanding of the role played by consumer financial products and services that offer consumers seemingly quick fixes to cover the high costs of medical procedures. We are

¹Jessica Silver-Greenberg, October 13, 2013 'Patients Mired in Costly Credit From Doctors', *The New York Times*.

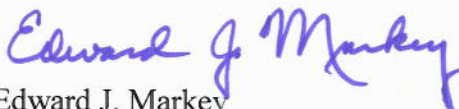
interested in hearing more about your efforts either planned or currently underway to better understand, and, as appropriate, address this troubling issue. To better understand the scope of this issue and the CFPB's role in reviewing and investigating these products, we respectfully request a response to the following questions:

1. Has CFPB investigated the risks, costs, and benefits that medical financial products – such as medical credit cards, deferred interest plans, installment loans, and any other third-party financing options for health care for patients? If so, what has CFPB determined? If not, are there reasons that you have not investigated these products?
2. Please describe the consumer financial products in this marketplace, such as medical credit cards, deferred interest plans, installment loans, lines of credit and any other financing options offered as a way for patients to finance their medical services subject to your regulatory authority including the major lenders or providers, how these products are used, what populations of patients are more likely to use these products, and the recourse available to patients whose care is not provided in the expected manner.
3. Do you think the information provided to consumers when offered these medical financial products is sufficient to ensure that consumers can understand the repayment terms, fees, and general nature of these financial products? If not, what measures should financial institutions and lenders take to clarify and increase transparency of the terms surrounding these financial products?
4. Does CFPB have a means to collect and investigate complaints received from consumers about medical financial products? If so, please explain the process of receiving and investigating complaints and the nature of the complaints received as well as any resolution to these complaints. If not, what would be necessary to start collecting and investigating these complaints? What congressional action or support, if any, would be helpful to CFPB in conducting this work?
5. How do the annual percentage rates, interest plans, and terms of credit for medical credit cards, medical loans or other financial products differ from traditional credit cards, loans or other financial products? How prevalent is the practice of offering deferred interest plans for medical credit cards and other medical financial products? To what extent are these deferred interest plans utilized by patients? How does this compare to traditional credit cards and financing?
6. Are you aware of whether financial institutions or lenders charge medical providers a fee for offering medical credit cards or other third party financing services to their patients? Are they required to meet a quota? Are you aware of any financial incentives or other benefits available to providers for getting patients to apply for these medical financial products? Do you have data or information to suggest that some medical providers may be referring patients to specific third-party financing entities in which the medical provider stands to profit? If a financial relationship does exist between health providers and financial entities, should this information be disclosed to consumers prior to them being offered such a product?

7. Is the CFPB coordinating its activities or consulting with other federal or state agencies or departments to share information, gather data, or develop plans to address problems plaguing consumers in this area?

We kindly request that you provide a complete response to these questions by November 18, 2013. Should you have any questions about this request, please have your staff contact Dr. Avenel Joseph at (202) 224-2742. We thank you for your assistance and for your willingness to look into this important issue.

Sincerely,



Edward J. Markey