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January 8, 2018

The Honorable Michael Sirotkin
Senate Committee on Economic Development, Housing and General Affairs
115 State Street
Montpelier, VT 05633-5301

Re: Opposition S. 207 An act relating to eliminating fees for placing or removing a credit freeze

Dear Chairman Sirotkin:

I write on behalf of the Consumer Data Industry Association (CDIA) to urge your committee to oppose S. 207, because it fails to recognize the existing federal consumer laws and consumer identity protections that should be used as a first line of defense against credit fraud and identity theft.

CDIA is an international trade association, founded in 1906, of more than 130 corporate members. Our mission is to enable consumers, media, legislators and regulators to understand the benefits of the responsible use of consumer data which creates opportunities for consumers and the economy. CDIA members provide businesses with the data and analytical tools necessary to manage risk. This includes criminal background checks. Our members help ensure fair and safe transactions for consumers, facilitate competition and expand consumers' access to a market which is innovative and focused on their needs. CDIA member products are used in more than nine billion transactions each year.

S.207 proposes to remove the fees to place a freeze on an individual's credit file. The fees associated with placing and removing a credit freeze are to offset the administrative costs the bureaus incur to place a freeze. The credit bureaus do not profit from these fees and they are intentionally low so consumers can afford to place and remove them. In Vermont, the cost to freeze a credit report is capped at

\$10. While this fee is low, it exists to cover the costs of providing the service and the development of, as well as maintenance of the technology, to place and remove a freeze. State laws permit a small fee for the placement and removal of a freeze, as well as require that consumers contact each nationwide credit bureau to place a freeze and obtain a PIN to manage the freeze. Where policy makers have determined that certain populations are vulnerable to identity theft these fees have been waived in some cases.

However, freezing a credit file should not be used as a consumer's first line of defense in identity protection. Freezing a credit file is cumbersome and it is an inflexible tool intended to assist victims of identity theft. It should be used as a last resort in the process of protecting one's identity. If a consumer is concerned that identity theft or fraud has occurred, under the federal Fair Credit Reporting Act consumers can place for free, a fraud alert on their credit file.¹ This alert is shared across all of the national credit bureaus once it has been placed by the consumer. It is a quick and easy process that tells a creditor to not issue credit to the consumer until the creditor has either contacted the consumer directly to verify the line of credit, or taken reasonable steps to verify the identity of the consumer. Once the initial fraud alert is placed on the consumer's file, the consumer is entitled to a free credit report from each of the national bureaus. The fraud alert lasts 90 days after which a consumer may choose to extend the time period for free and receive an additional free credit report.

A credit freeze was created to assist those chronic victims of identity theft and should not be considered the first line of defense in identity protection. A freeze is best used when a consumer has evidence that they are a victim of identity theft, as it will block the consumers' ability to access credit of any kind including a loan, apartment or even a job. Consumers who are "credit active" or are seeking employment, housing or utility services find that freezing and unfreezing their credit file is inconvenient and significantly slows credit transactions. In fact, we have found from our experience, when consumers understand the options in protecting their credit, from fraud alerts to a freeze, most choose to start with a 90-day fraud alert. We believe that fraud alerts are better options for those who want to be cautious and monitor their credit without limiting or cutting off access to their credit report. The Consumer Financial Protection Bureau (CFPB) which oversees the credit bureaus, agrees and recently put that recommendation on their website for consumers.

In the event that a consumer has become the victim of a data breach and their personal identifiable information has potentially been compromised, we agree that the consumer should not be held responsible for paying for credit monitoring or a freeze. In this situation, we believe that consumers should be entitled to a free freeze, however

¹ 15 U.S. Code § 1681c-1

it seems appropriate, that the breached entity should cover the costs of the credit freeze and credit monitoring service for the consumer.

In conclusion, we respectfully ask your committee to oppose S.207. We believe that this legislation is not in the consumer's best interest, as it creates incentives for the consumer to choose a credit freeze as the first line of defense in protecting one's identity. Instead, credit freezes are designed to help protect victims of identity theft safeguard themselves from further victimization. We believe, as well as the CFPB, that an initial fraud alert should be the first step in protecting your personal information. It's a protection that is free, requires only contacting one credit bureau, allows consumers a free credit report, and it doesn't interrupt a consumer's access to credit.

I would be happy to answer any questions the Committee might have.

Sincerely,



Sarah M. Ohs
Manager of Government Relations