



Free for All Consumers Soon Able to Place, Lift Credit Freezes at No Charge



On May 24, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act. The new law will go into effect no later than September 21, giving consumers nationwide the right to free security (credit) freezes. It also extends initial fraud alerts to one year.

In response to last year's Equifax breach, many news reports advised consumers to consider credit freezes with the three credit reporting agencies as a way to protect their personal information. As a rule, the Kroll Investigators have not advocated credit freezes, and continued to advise IDShield members of other options in the aftermath of the Equifax breach.

With the new law scheduled to go into effect no later than September 21, more consumers may be tempted to place credit freezes without understanding the complexities, and with a false sense of security. We're giving IDShield members an inside look as to why, even with the fees waived to place and lift them, credit freezes are not a silver bullet against identity theft thieves.

FRAUD ALERTS WORK

Anyone who is concerned about identity theft can place an initial 90-day fraud alert with the credit reporting agencies; consumers may renew the initial fraud alert as often as needed. Identity theft victims can place an extended (seven-year) fraud alert.

Once a fraud alert is in place, businesses are to take "extra reasonable precautions" to verify identity before issuing credit. These extra precautions may include contacting the consumer by phone or mail. For example, if you have a fraud alert in place and want to finance a vehicle, you may be asked to answer a few questions to verify your identity.

Kroll Investigator Carl Martin has experienced this first-hand; in addition to answering verification questions, he was contacted by the finance department the next day to confirm that he had purchased and financed the vehicle – all because of the fraud alert on his credit report.

CREDIT FREEZE: A BAND-AID, NOT A CURE-ALL

When a credit freeze is established, the consumer is issued a PIN that they must use in order to temporarily lift the freeze if they are applying for credit or new insurance, a prospective new employer wants to run a credit check, etc. A lift request can be made by mail, along with a copy of the consumer's driver's license, utilities statement and Social Security card, but the lift may not go into effect until a few days after the request is received by the credit reporting agencies.

The new law mandates that freeze lifts go into effect within one hour if a consumer uses their PIN to request a freeze lift online or by phone. While that offers convenience for consumers, it also puts them at risk because as Martin points out, the PIN itself can be compromised. Investigators have seen instances of fraudsters obtaining a PIN to lift or permanently remove the freeze. "Most of the time, when we see an extended fraud or freeze lifted, it's done by a fraudster," Martin says.

There is no guarantee that a new credit account will not be opened with your personally identifiable information (PII), even with a credit freeze in place. Some creditors will initially approve a line of credit (such as a store credit card), allowing a fraudster to run up a balance. When the application is sent to the back office where the creditor realizes a freeze is in place, they will reach out to the consumer and if the account is fraudulent, the creditor will close the account so the consumer is not liable for the balance. In cases such as this, the consumer needs to be diligent that the fraudulent account does not appear in their credit file.

ICE AGE

The new law also makes it easier to place a credit freeze for a minor under the age of 16. Since most minors do not have a credit file, the agencies must create one, then place the freeze on the newly-created file. The freeze can be placed and lifted by the minor's representative, who must present proof to the credit reporting agencies that they have the authority to act on behalf of the minor. The freeze can also be lifted by the minor once he or she is over age 16.

With more than one million children [reported](#) to be victims of identity theft in 2017, placing a freeze may seem like a logical move for concerned parents and guardians.

However, a freeze can be a detriment to a minor. Teenagers can begin working as early as age 14, they'll need car insurance once they get their driver's license, and they'll start to apply to colleges and for financial aid. Any of these events may require a background check that includes accessing the teen's credit report. If a freeze is in place, it can delay the process.

The Kroll Investigators don't see many child identity theft cases, but when they do, they often find that a relative or someone who has access to the child's Social Security number and other personal information has fraudulently used it to secure credit or employment. The best advice is to provide as little of your child's PII as possible and keep documents that contain your child's PII in a safe, secure place.

Is there anyone for whom placing a credit freeze is the best solution? Martin says that seniors who have no current credit obligations, and don't anticipate a need in the future, may consider placing a freeze on their credit file. Also, consumers of any age who repeatedly find themselves victimized by identity theft may consider a freeze.

Consumers who do place a security or credit freeze on their report, should not become complacent and think they are completely safe. PII can be fraudulently used to secure payday loans, obtain medical services, and even file income tax forms to claim a refund. And none of these require an inquiry with any of the three major credit reporting agencies.

The Kroll Investigators are available to answer any questions you may have about this new law and credit freezes in general, as well as discuss ways you can better protect your PII and recognize the signs of identity theft. Give them a call at 888.494.8519, Monday – Friday, 7 a.m. – 7 p.m. CT.

