

# Investigator Tips



## What about a Credit Security Freeze?

### The basics you need to know

Whenever a data breach hits the news, it is quickly followed by the advice to place a credit security freeze (“freeze”). Before blindly following that advice, make sure you understand what a freeze will accomplish and that if a data breach is the question then a credit security freeze is not the entire answer. Here we examine both the value of freeze and the limits of what it can provide.

A freeze is a protective measure taken to minimize the threat of credit-related identity theft. It blocks access to your credit file so only the creditors and other businesses with whom you have a current relationship will have access to your reports (with certain exceptions).

With a freeze in place on all three of the national credit reporting agency (CRA) reports, new creditors, lenders, landlords, insurance companies, cell phone and utility companies, potential employers and any other entity that would request access to your credit file are denied access to your file and, therefore, will be unable to evaluate your credit history.

With a freeze in place, any application for credit or other services will likely be denied, thus reducing the chances of

an identity thief successfully using your identity to obtain some sort of credit.

#### **Not a Cure-All**

What you can’t do is place a freeze and then think no identity theft of any kind can take place. Freezes do not reduce the chance of falling victim to other types of identity theft or fraud, such as account takeover, which can affect your existing bank accounts and credit cards. Nor will the freezes help with non-credit-related issues, such as medical or criminal identity theft or employment and tax fraud.

Additionally, it may be ineffective with some creditors, such as payday loan companies and utility companies that may issue credit without conducting a credit check.

#### **Placement Details**

To place a freeze on your credit reports, each of the CRAs has to be contacted separately. Freezing one credit report will not place a security freeze on the other two.

In most states, if you are a confirmed victim of identity theft with a valid identity theft report filed with a federal,

state, or local law enforcement agency, there is no fee to have a security freeze placed, lifted, or removed from your credit file. Some states mandate that certain populations, such as residents past a certain age, not be charged a fee to place a freeze. For most, but not all states, non-victims are charged fees to place/manage freezes. The fees vary by state.

Most state governments have legislation in place that sets the fees and procedures for freezes. Information on each state can be located by visiting the Consumer's Union website at <http://consumersunion.org/research/security-freeze/>.

Once a freeze is place, each CRA assigns a personal identification number (PIN) to you. These PINs are required to manage your freeze. For example, if you need to temporarily lift the freeze for a creditor to access your credit file, the PIN will be requested by the CRA as part of the process to allow such access.

In most states, the freeze will remain in effect permanently unless a request is received from the consumer to temporarily lift or permanently remove it. In a small number of states the freeze expires after 7 years.

### Pros & Cons of a Freeze

Pros:

- A freeze can minimize the risk of an identity thief successfully opening most types of new credit accounts in your name.
- In most cases, for victims of identity theft, there is no charge to place, temporarily lift, or remove a freeze.
- The freeze does not affect your credit score.

Cons:

- A freeze is not effective if it is not placed with all three credit reporting agencies.
- A freeze does not prevent fraud involving your existing bank or credit accounts.
- It can be costly unless you are a proven victim of identity theft.
- You must lift the freeze when you want your credit report to be available for review by a creditor, potential employer, etc.
- A freeze can take up to 3 business days to be lifted. Only a few states have passed laws requiring the freeze to be lifted within 15 minutes of the request. This may be an issue in an emergency situation where credit is needed immediately.
- If you lose your PINs, you will have to write to each CRA and provide proof of your identification to request a replacement PIN. A fee may be required in some states to replace the PIN.