

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

January 26, 2016

1:31 p.m.

**MEMBERS PRESENT**

Senator Mia Costello, Chair  
Senator Cathy Giessel, Vice Chair  
Senator Kevin Meyer  
Senator Gary Stevens  
Senator Johnny Ellis

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 121

"An Act relating to a security freeze on the consumer credit report of a minor."

- HEARD AND HELD

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT HEARING

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 121

SHORT TITLE: SECURITY FREEZE ON MINOR'S CREDIT REPORT

SPONSOR(s): SENATOR(s) MEYER

01/19/16	(S)	PREFILE RELEASED 1/8/16
01/19/16	(S)	READ THE FIRST TIME - REFERRALS
01/19/16	(S)	L&C, JUD
01/26/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

EDRA MORLEDGE, Staff  
Senator Kevin Meyer  
Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Introduced SB 121 on behalf of the sponsor.

DAVYN WILLIAMS, Assistant Attorney General

Civil Division

Commercial and Fair Business Section

Consumer Protection Unit

Department of Law (DOL)

Anchorage, Alaska

**POSITION STATEMENT:** Answered questions related to SB 121.

Laura Hughes, representing herself

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 121.

#### **ACTION NARRATIVE**

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**CHAIR MIA COSTELLO** called the Senate Labor and Commerce Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Stevens, Meyer, Giessel, Ellis, and Chair Costello.

#### **SB 121-SECURITY FREEZE ON MINOR'S CREDIT REPORT**

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**CHAIR COSTELLO** announced the consideration of SB 121.

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**EDRA MORLEDGE**, Staff, Senator Kevin Meyer, introduced SB 121 on behalf of the sponsor. Describing the legislation as a consumer protection bill, she said state legislatures and the federal government work continually on measures to prevent and combat the crimes of identity theft and financial fraud. An area of growing concern is child identity theft because many years can go by before it is recognized. She continued the introduction speaking to the following sponsor statement:

SB 121 allows a parent or legal guardian to place a security freeze on a minor's credit report, and allows for the creation of a credit file by a credit bureau in order to place a freeze if none currently exists. Alaska statute does not specifically state that a parent or legal guardian can request a freeze on a minor's credit report, and while the credit bureaus

have generally allowed parents to do so in the past, SB 121 will expressly permit this action.

According to the 2012 Child Identity Theft Report, children are 35 times more likely to be subject to identity theft than adults, increasing the possibility that a parent or the minor would not catch such a crime until reported to a collection agency, or until the individual applies for credit or financial aid. Unfortunately, clearing up fraudulent claims on a credit file can take from several months to several years, and could severely limit the options for young people just entering adulthood.

SB 121 will give parents and guardians a much needed tool to safeguard their dependent children against identity theft and financial fraud prior to the crime occurring. At least 11 other states have passed or are in the process of passing legislation to do the same.

MS. MORLEDGE reported that Alaska is one of 27 states that allows a consumer to place a security freeze on their account, but has no specific provision for minors or protected individuals. Five states specify that a parent or guardian of a minor under age 18 can place a freeze and a majority of states provide some combination of under 16 years of age, under 18 years of age and/or a parent or guardian of a protected consumer or incapacitated individual.

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SENATOR GIESSEL asked which five states have a specific provision allowing a parent or guardian of a minor under age 18 to place a freeze.

MS. MORLEDGE clarified that there are just four and named Connecticut, Illinois, Montana, and Nebraska.

SENATOR STEVENS raised a question about the language, "has not had the disabilities of a minor removed ..." and asked if there might be a better way to say that.

MS. MORLEDGE explained that it refers to minors that have been emancipated at age 16. They are no longer dependent on their parents to make decisions. She offered to provide a copy of the statute.

SENATOR STEVENS questioned the reason for writing the clause in the negative, because it leads to confusion.

MS. MORLEDGE offered her understanding that it was drafted that way because Sec. 09.55.590 is titled "Removal of disabilities of minority." She added, "We would certainly be able to reword the statute to make that more clear."

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SENATOR ELLIS asked where the idea for the legislation came from.

MS. MORLEDGE replied a constituent brought the issue forward and when she researched the matter she found that many states have a similar statute.

SENATOR ELLIS asked if Alaska would be the fifth state to adopt this legislation.

MS. MORLEDGE answered yes. She reiterated that a majority of states statutorily provide some combination of under 16 years of age, under 18 years of age and/or a parent or guardian of a protected consumer or incapacitated individual. She said she found that one reason for the terminology "16 years of age and younger" is because individuals older than that can apply for federal and state student aid. "So there is a question as to whether or not you want to make that age explicitly 16 years of age and younger or keep it at 18."

She highlighted that the Department of Law questioned whether the statute could be construed to assume that only a person 18 years of age and older could unfreeze their own credit, but Legislative Legal opined that a child 16 years of age and older isn't prohibited from lifting their own freeze. She advised that the sponsor is amenable to the policy call of the committee.

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SENATOR MEYER added that the constituent who brought the issue forward said that Delaware, Georgia, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, and Texas have passed or are in the process of passing similar legislation. He that the constituent could provide the source of that information.

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CHAIR COSTELLO asked Ms. Williams if the administration has a position on the legislation. She also asked her to address Senator Steven's question about the use of the negative in the last sentence.

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DAVYN WILLIAMS, Assistant Attorney General, Civil Division, Commercial and Fair Business Section, Consumer Protection Unit, Department of Law (DOL), Anchorage, Alaska, stated that many states have passed legislation similar to SB 121 due to concern about data breaches and the potential for unauthorized access to credit information of minor children. Legislation of this type is designed to give consumers additional protection. She said the department is neutral on the idea of parents being able to create credit reports for minors and then freezing them, but recognizes that many consumers like that additional protection.

MS WILLIAMS confirmed that the Department of Law questioned whether the statute could be construed to assume that only a person 18 years of age and older could unfreeze their own credit. If the statute isn't specific, it could be burdensome for the person who is trying to lift the freeze. On the other hand, a person under age 18 could enter a contract to buy a vehicle, for example, and then get out of the contract by raising the defense of infancy or disability. She noted that, "09.55.990 allows a minor to go to court and emancipate themselves and then they're able to do things for themselves that generally a minor would have to have a parent do for them, and it requires a court order in that case under that statute."

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CHAIR COSTELLO asked if a an employee of a credit rating agency who receives a request to place a freeze on a minor's credit account would need to look through that state's statutes to see if it was authorized.

MS. WILLIAMS answered yes, but the three major credit bureaus are probably accustomed to checking different state statutes because a number of states have this type of law.

CHAIR COSTELLO asked what the burden is for someone to verify that they are the parent.

MS. WILLIAMS replied some states specify what is needed, and the credit bureaus generally list the standards of identification on their website. Often it's a birth certificate or some type of

court order stating that the person is the legal guardian of the minor, she said.

CHAIR COSTELLO asked what the national average is for identity theft of minors.

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MS. MORLEDGE said the information might be in 2012 report from the AllClearID Alert Network titled "Child Identity Theft" that's in the packets, but she would do follow up research and provide the information.

CHAIR COSTELLO opened public testimony.

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Laura Hughes, representing herself, Anchorage, Alaska, stated support for SB 121. She explained that she and her husband froze their credit after they purchased their house. They tried to do the same for their daughter after she was born, because they'd heard that minors are more susceptible than adults to identity theft. "They're essentially a clean slate and you don't know that their identity has been stolen until they are 16 or 18," she said. When they found that the state didn't have a process to do this they contacted Senator Meyer's office. Responding to an earlier question, she said she recently read that one child in ten is a victim of identity theft.

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CHAIR COSTELLO closed public testimony.

SENATOR STEVENS asked what the process is to lift a credit freeze once a child reaches age 18 or is emancipated.

MS. MORLEDGE explained that current statutes that govern security freezes provide that the individual him or herself must contact the credit bureau. "It can be as easy as a phone call and then following up with documentation," she said.

[CHAIR COSTELLO held SB 121 in committee.]

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There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 1:51 p.m.