

SB

93

<TARGET><BILL>SB 93</BILL><SUBJECT>SB
93</SUBJECT><COMM>HJUD30</COMM></TARGET>

30th Alaska State Legislature

Judiciary Committee
Chairman
Resources Committee
Vice-Chair
Education Committee
Vice-Chair
State Affairs Committee
Select Committee on Legislative
Ethics
Joint Armed Services Committee



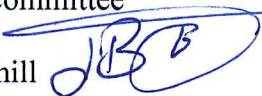
Senator John Coghill

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State Capitol, Room 119
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www.alaskasenate.org

MEMORANDUM

Date: March 22, 2018
To: Representative Matt Claman, Chair
House Judiciary Committee
From: Senator John Coghill 
Re: Senate Bill 93 - Security Freeze for Protected Consumers

I am requesting a hearing for SB 93, *'An Act relating to security freezes on the credit reports or records of incapacitated persons and certain minors'* at your earliest convenience.

I have attached a sponsor statement, sectional, and letters of supports with the bill.

Thank you for your consideration.

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SB 93 Security Freeze for Protected Consumers

Sponsor Statement

Two years ago legislation was enacted to allow for a security freeze for a minor, but the process by which this was to be initiated by a credit reporting firm was not established in statute.

SB 93 expands the process to not only minors up to the age of 16, but to incapacitated persons with legal representatives. The bill puts in place requirements for identification of both the protected consumer and the parent or legal representative and proof of authority for the legal representative.

Most protected consumers do not have a credit report to freeze, so SB 93 allows consumer reporting agencies to create a credit record to freeze.

1.3 million kids have their identity stolen annually. 50% of these children are under 6 years of age. A child's identity is 50 times more likely to be stolen than an adult's identity.

The primary purpose of a credit report for adults is prevent lending institutions, businesses, and credit card companies from providing credit for a bad risk. A freeze is placed on the credit record when there has been identity theft that impacts a good credit report.

The primary purpose of establishing a credit report for a minor or incapacitated person is to protect that person's identity from identity theft. A child's social security number is considered "pristine" because there is no reason for their parents to check their credit record when they have no financial transactions to show up on a credit report.

Thieves obtain the social security numbers by stealing mothers' purses containing SS cards or gaining to pediatrician's offices or school records.

SB 93 provides a process by which minors and incapacitate persons can be protected from identity theft. Twenty-six other states have similar statutes for protected consumers.

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SB 93 Security Freeze for Protected Customers SECTIONAL

Section 1. Distinguishes difference between security freezes for adults and security freezes for a "protected customer" AND Defines a "protected customer" as a person who is incapacitated or under 16 years of age.

Sec. 2. Creates Article 2A (Security Freeze for Protected Consumer)

***45.48.300. Placement of security freeze.** A consumer credit reporting agency is mandated to place a freeze on a protected consumer's report if:

- (1) A protected consumer's representative requests one.
- (2) The protected consumer's representative
 - (a) Submits the request in a manner specified by the agency
 - (b) Submits proof of identification of the protected consumer
 - (c) Submits proof of identification of the representative and proof of authority
 - (d) Pay the fee of not more than \$5.00.

***45.48.310. Record.** If a protected consumer does not have a credit report with the agency, the agency will create a record for the protected consumer and place a freeze on it.

***45.48.320. Proof of identification and authority.** Proof of identification includes:

- Social security number or copy of SS card
- Certified or official birth certificate
- A driver's license or identification card issued by Division of Motor Vehicles
- Other identification issued by a government agency

Proof of authority Includes:

- A court order
- A written, notarized statement expressly describing the authority that the representative has signed.

***45.48.330. Time of Placement of security freeze.** The agency shall place the freeze on the credit report or record no later than 30 days after receiving the request.

***45.48.340. Operation of security freeze.** Once a freeze is placed on the report or record, the agency cannot release information about the record without permission from the representative or consumer unless the freeze was placed based on misrepresentation of fact or the agency has received a request for removal of the security freeze.

***45.48.350. Duration of security freeze.** A security freeze remains in effect until the representative requests the freeze be removed or if the agency determines the freeze occurred because of misrepresentation of facts.

***45.48.360. Removal of security freeze.**

(a) The protected consumer or his or her representative can have a freeze removed by:

- (1) Submitting a request in the manner prescribed by the agency
- (2) Providing sufficient proof of:
 - (a) ID of protected consumer
 - (b) ID of representative
 - (c) authority for the representative
- (3) Pay the agency a fee of not more than \$5.00

(b) The agency has not more than 30 days to remove the freeze

***45.48.370. Effect of material misrepresentation of fact.** The agency may remove a security freeze or delete the record if the security freeze was obtained using a material misrepresentation of fact.

***45.48.380. Charges.**

- (1) A consumer credit reporting agency may not charge a fee more than \$5.00
- (2) The agency may not (shall not) charge a fee when:
 - the protected consumer's representative submits a police report, investigative report of complaint involving criminal impersonation in the 1st degree
 - the protected consumer is under the age of 16 and the agency has created a credit record for that consumer

***45.48.390. Exemptions.** Under the following conditions a frozen report of a protected consumer will be made available to the requestor:

- a person with a court order, warrant, or subpoena
- a government agency establishing and enforcing child support orders
- Dept. of Health & Social Services and its agents in investigating fraud

- Dept. of Revenue and its agents when investigating or collecting delinquent taxes, unpaid court orders, or other statutory responsibilities
- a credit file monitoring service the protected consumer is a subscriber to
- the protected consumer or representative has requested a report
- if the report of the agency consists entirely of information used solely for one or more of the following:
 - Criminal records information
 - Personal loss information
 - Fraud prevention or detection
 - Tenant screening
 - Employment screening
- A person preparing a credit report for an inquiring bank or financial institution regarding account closures because of fraud, substantial overdrafts, automated teller machine abuse, or similar information regarding a protected consumer

***45.48.395. Definitions.**

“consumer” an individual who is the subject of a credit report or credit score.

“consumer credit reporting agency” - a person who, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages, in whole or part, in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing credit reports to third parties, *but does not include a person who issues reports.*

“incapacitated person” - means a person whose ability to receive and evaluate information or to communicate decisions is impaired to the extent that the person lacks the ability to provide or arrange for the essential requirements for the person’s physical health or safety without court-ordered assistance.

“proof of authority and identification” - proof of authority and identification required for a protected consumer’s representative by the credit reporting agency to place a security freeze on the credit record or report.

“protected consumer” - a person who is an incapacitated person or under 16 years of age.

“record” - the record credit in AS 45.48.310, a record created by the agency and frozen.

“representative” - a person who has authority to act on behalf of a protected consumer.

“security freeze” - the restriction on access to a protected consumer’s credit report or record.

Sec. 3. Transition. This provision provides that security freezes put in place prior to the effective date of this Act, will remain enforced under the same statutes as they did when the freeze was placed on the record.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SB 93
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB093-LAW-CIV-03-23-18
Title: CREDIT REPORT SECURITY FREEZE
Sponsor: COGHILL
Requester: House Judiciary

Department: Department of Law
Appropriation: Civil Division
Allocation: Commercial and Fair Business
OMB Component Number: 2717

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Updated to SLA2018 fiscal note template.

Prepared By: Valerie Rose, Budget Analyst
Division: Administrative Services Division
Approved By: Jahna Lindemuth, Attorney General
Agency: Department of Law

Phone: (907)465-3674
Date: 03/22/2018 03:09 PM
Date: 03/22/18

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. SB 93

Analysis

SB 93 would repeal and replace AS 45.48.220, under AS 45.48 (Personal Information Protection Act), which allows a parent or legal guardian to place a security freeze on the credit report of a minor, incapacitated person, or protected person. Under SB 93, AS 45.48.100 – 45.48.290 (Credit Report and Credit Score Security Freeze) would not apply to a security freeze on the credit report of a protected consumer. SB 93 allows a representative of a protected consumer to place a security freeze on the credit report of a protected consumer.

If a credit report does not exist at the time the request is made, the consumer credit reporting agency would be required to generate a record for the protected consumer for the purpose of placing a security freeze. A representative of a protected consumer would be required to provide proof of identification in order to place a freeze on a protected consumer's credit report, and the credit reporting agency would be required to place the freeze within a certain period of time.

If a security freeze was placed on a protected person's credit report, the credit reporting agency would be prohibited from releasing the report without the express permission of the protected consumer or the protected consumer's representative. The security freeze would remain in effect until removed by the protected consumer, protected consumer's representative, or the credit reporting agency. A credit reporting agency would be permitted to charge \$5 to place a security freeze on a protected consumer's credit report, but would not be permitted to charge a fee in certain circumstances.

SB 93 contains a list of exemptions that allow certain persons and entities to access the protected consumer's credit report when the freeze is in place, and a list of definitions. The transition section of SB 93 allows a security freeze placed under AS 45.48.220 to remain in effect after the bill's effective date.

The Department of Law does not anticipate fiscal impact to the department should this bill become law.



1 SB 93 – Security Freeze for Protected Consumers

Senator John Coghill's Office

Presented by Rynniva Moss

March 28, 2018

Sec. 1

Section 1 exempts protected consumers from current security freeze statutes.

2

Who is a protected consumer?

A person who is an incapacitated person or under 16 years of age.

Definition of *incapacitated person*

An **incapacitated person** is a person whose ability to receive and evaluate information or to communicate decisions is impaired to the extent that the person lacks the ability to provide or arrange for the essential requirements for the person's physical health or safety without court-ordered assistance.

Why Sixteen?

Consumers at 16 years of age typically begin working, own a cell phone, have a bank account, and have established active credit. 26 other states have reduced the age from 18 to 16.

A **credit freeze for a minor and a credit freeze for an adult**, while similar in name, in practice they operate in very different ways.

- A credit freeze for **an adult is placed to temporarily turn off the availability of already established credit** for that individual. The request for a freeze could be due to a recent identity theft or for other purposes. Because a credit report was previously created by a lending agency and therefore currently exists for an adult, one can turn on and off their credit by placing a freeze.
- In the case **of a minor**, a credit report should not exist for a person under the age of 16. Therefore, in order to place a freeze, a credit reporting agency must (1) verify and authenticate the identities of both the minor and the requestor, (2) verify the relationship of the person requesting the freeze for the minor, and (3) **create a new record** (prohibiting a credit report from being created in the future for the minor).

Sec. 2

Creates Article 2A. Security Freeze for Protected Consumers

Article 2A sets up a system in state statute for placement of and removal of a security freeze for minors and incapacitated consumers. The bill puts in place requirements for identification of parties involved, verification of authority of personal representatives, accessing the record by the representative or other entities with legal purpose, and the lifting of a security freeze.

Placement of a Security Freeze

AS 45.48.300 - A consumer credit reporting agency is mandated to place a freeze on a protected consumer's report if:

- ▶ A protected consumer's representative requests one.
- ▶ The protected consumer's representative
 - ▶ Submits the request in a manner specified by the agency
 - ▶ Submits proof of identification of the protected consumer
 - ▶ Submits proof of identification of the representative and proof of authority
 - ▶ Pay the fee of not more than \$5.00

Creation of a Record for a Protected Consumer

AS 45.48.310 - Record

If a protected consumer does not have a credit report with the agency, the agency will create a record for the protected consumer and place a freeze on it.

Proof of Identification and Authority

AS 45.48.320 - Proof of Identification

- ▶ Proof of Identification Includes:
 - ▶ Social Security number or copy of SS Card
 - ▶ Certified or official birth certificate
 - ▶ A driver's license or identification card issued by the Division of Motor Vehicles
 - ▶ Other identification issued by a government agency

- ▶ Proof of Authority Includes:
 - ▶ A court order
 - ▶ A written, notarized statement expressly describing the authority that the representative has signed

Time of Placement of Security Freeze

AS 45.48.330 - Placement of Freeze

The agency must place a freeze on the credit report of record no later than 30 days after receiving the request.

Operation of Security Freeze

AS 45.48.340 - Operation of Freeze

Once a freeze is placed on the report or record, the agency cannot release information about the record without permission from the representative or consumer unless the freeze was placed based on misrepresentation of fact or the agency has received a request for removal of the security freeze from the representative.

Duration of Security Freeze

AS 45.48.350 - Duration of Freeze

A security freeze remains in effect until the representative requests the freeze be removed or if the agency determines the freeze occurred because of a misrepresentation of facts.

Effect of Material Misrepresentation of Fact

AS 45.48.370 - Material Misrepresentation of Fact

The agency may remove a security freeze or delete the record if the security freeze was obtained using a material misrepresentation of fact.

Removal of Security Freeze

AS 45.48.360 - Removal of Security Freeze. (a) The protected consumer or his representative can have a freeze removed by:

- Submitting a request in the manner prescribed by the agency
- Providing sufficient proof of:
 - Identification of protected consumer
 - Identification of representative
 - Authority for the representative
- Pay the agency a fee of not more than \$5.00

(b) The agency has not more than 30 days to remove the freeze

Charges

AS 45.48.380 - Charges.

- ▶ A consumer credit reporting agency may not charge more than \$5.00
- ▶ The agency may not charge a fee when:
 - ▶ The protected consumer's representative submits a police report, investigative report of complaint involving criminal impersonation in the 1st degree
 - ▶ The protected consumer is under the age of 16 and the agency has created a credit record for that consumer

Exemptions

AS 45.48.390 - Exemptions. The following entities do not create data and are not originators of credit reports therefore they should not be required to create a credit record to freeze.

- ▶ A person with a court order
- ▶ A government agency establishing and enforcing child support orders
- ▶ Dept. of Health & Social Services and its agents in investigating fraud
- ▶ Dept. of Revenue and its agents when investigating or collecting delinquent taxes, unpaid court orders, or other statutory responsibilities
- ▶ A credit file monitoring service the protected consumer is a subscriber to
- ▶ A person preparing a credit report for an inquiring bank or financial institution regarding account closures because of fraud, substantial overdrafts, automated teller machine abuse, or similar information regarding a protected consumer

Exemptions (continued)

AS 45.48.390 - Exemptions. The following entities do not create data and are not originators of credit reports therefore they should not be required to create a credit record to freeze.

- ▶ If the report of the agency consists entirely of information used solely for one or more of the following:
 - ▶ Criminal records information
 - ▶ Personal loss information
 - ▶ Fraud prevention or detection
 - ▶ Tenant screening
 - ▶ Employment screening

Definitions

AS 45.48.395 - Definitions

“consumer credit reporting agency” - a person who, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages, in whole or part, in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing credit reports to third parties, but does not include a person who issues the report.

Sec. 3 - Transition

This transition language provides that security freezes put in place prior to the effective date of this Act, will remain enforced under the same statutes as they did when the freeze was placed on the record.

AMENDMENT TO SB 93

- ▶ The amendment to SB 93 would eliminate the \$5.00 fee to place a credit freeze on a credit report.
- ▶ It does not eliminate the \$5.00 fee to create a credit record for a minor or incapacitated person.



QUESTIONS?

AMENDMENT

#1 Adopted

OFFERED IN THE HOUSE

BY REPRESENTATIVE CLAMAN

TO: SB 93

1 Page 1, line 1, following "Act":

2 Insert "**relating to the fees that may be charged by a consumer credit reporting**
3 **agency; relating to the placement of security freezes on credit reports and credit scores;**
4 **and"**

5

6 Page 1, following line 3:

7 Insert new bill sections to read:

8 **"* Section 1.** AS 45.48.160(a) is amended to read:

9 (a) Except as provided by [(b),] (c) [, OR (d)] of this section, a consumer
10 credit reporting agency may not charge a consumer to place or remove a security
11 freeze, to provide access under AS 45.48.130, or to take any other action, including
12 the issuance of a personal identification number, password, or similar device under
13 AS 45.48.120, that is related to the placement of, removal of, or allowing access to a
14 credit report or credit score on which a security freeze has been placed.

15 *** Sec. 2.** AS 45.48.160(e) is amended to read:

16 (e) A consumer credit reporting agency may not charge a consumer a fee
17 under [(b) OR] (c) of this section if the consumer has been a victim of identity theft
18 and provides the consumer credit reporting agency with a complaint filed by the
19 consumer with a law enforcement agency.

20 *** Sec. 3.** AS 45.48.170 is amended to read:

21 **Sec. 45.48.170. Notice of rights.** When a consumer credit reporting agency is
22 required to give a consumer a summary of rights under 15 U.S.C. 1681g (Fair Credit
23 Reporting Act), a consumer credit reporting agency shall also give the consumer the

1 following notice:

2 **Consumers Have the Right to Obtain a Security Freeze**

3 You may obtain a security freeze on your credit report and
4 credit score **without charge** [FOR \$5] to protect your privacy and
5 ensure that credit is not granted in your name without your knowledge.
6 [YOU MAY NOT HAVE TO PAY THE \$5 CHARGE IF YOU ARE
7 A VICTIM OF IDENTITY THEFT.] You have a right to place a
8 security freeze on your credit report and credit score under state law
9 (AS 45.48.100 - 45.48.290).

10 The security freeze will prohibit a consumer credit reporting
11 agency from releasing your credit score and any information in your
12 credit report without your express authorization or approval.

13 The security freeze is designed to prevent credit, loans, and
14 other services from being approved in your name without your consent.
15 However, you should be aware that using a security freeze to take
16 control over who gets access to the personal and financial information
17 in your credit report and credit score may delay, interfere with, or
18 prohibit the timely approval of any subsequent request or application
19 you make regarding a new loan, credit, a mortgage, a governmental
20 service, a governmental payment, a cellular telephone, a utility, an
21 Internet credit card application, an extension of credit at point of sale,
22 and other items and services.

23 When you place a security freeze on your credit report and
24 credit score, within 10 business days, you will be provided a personal
25 identification number, password, or similar device to use if you choose
26 to remove the freeze on your credit report and credit score or to
27 temporarily authorize the release of your credit report and credit score
28 to a specific third party or specific third parties or for a specific period
29 of time after the freeze is in place. To provide that authorization, you
30 must contact the consumer credit reporting agency and provide all of
31 the following:

- 1 (1) proper identification to verify your identity;
- 2 (2) the personal identification number, password, or
- 3 similar device provided by the consumer credit reporting agency;
- 4 (3) proper information necessary to identify the third
- 5 party or third parties who are authorized to receive the credit report and
- 6 credit score or the specific period of time for which the credit report
- 7 and credit score are to be available to third parties.

8 A consumer credit reporting agency that receives your request
9 to temporarily lift a freeze on a credit report and credit score is required
10 to comply with the request within 15 minutes, except after normal
11 business hours and under certain other conditions, after receiving your
12 request if you make the request by telephone, or an electronic method if
13 the agency provides an electronic method, or within three business days
14 after receiving your request if you make the request by mail. The
15 consumer credit reporting agency may charge you \$2 to temporarily lift
16 the freeze. **You may not have to pay the \$2 charge if you are a**
17 **victim of identity theft.**

18 A security freeze does not apply to circumstances where you
19 have an existing account relationship and a copy of your credit report
20 and credit score are requested by your existing creditor or its agents or
21 affiliates for certain types of account review, collection, fraud control,
22 or similar activities.

23 If you are actively seeking credit, you should understand that
24 the procedures involved in lifting a security freeze may slow your own
25 applications for credit. You should plan ahead and lift a freeze, either
26 completely if you are shopping around, or specifically for a certain
27 creditor, days before applying for new credit.

28 You have a right to bring a civil action against someone who
29 violates your rights under these laws on security freezes. The action can
30 be brought against a consumer credit reporting agency."
31

1 Page 1, line 4:

2 Delete "**Section 1**"

3 Insert "**Sec. 4**"

4

5 Renumber the following bill sections accordingly.

6

7 Page 6, following line 28:

8 Insert a new bill section to read:

9 "*** Sec. 6.** AS 45.48.160(b) and 45.48.160(d) are repealed."

10

11 Renumber the following bill section accordingly.

DOW JONES, A NEWS CORP COMPANY

DJIA **25264.53** 1.48% ▲S&P 500 **2779.34** 1.47% ▲Nasdaq **7543.51** 1.56% ▲U.S. 10 Yr **-10/32 Yield** 2.895% ▼Crude Oil **62.12** 3.33% ▲

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<https://www.wsj.com/articles/free-credit-freezes-coming-for-all-u-s-consumers-1520505001>

FINANCIAL REGULATION

Free Credit Freezes Coming for All U.S. Consumers

Congress moves to respond to massive Equifax hack with a national standard for credit freezes



Congress, in response to the massive Equifax data breach, is on track to approve a measure that would require credit-reporting firms to offer consumers freezes on their credit reports at no cost. PHOTO: WISE/EPA-EFE/REX/SHUTTERSTOCK/EPA/SHUTTERSTOCK

By *Lalita Clozel and AnnaMaria Andriotis*

March 8, 2018 5:30 a.m. ET

WASHINGTON—Consumers are on track to get one thing from Congress in response to last year's massive Equifax Inc. [EFX +3.11% ▲](#) hack: free freezes of their data held by the credit-reporting companies.

The bipartisan agreement, set to be approved in the Senate by next week as part of a broader banking bill, would require credit-reporting companies to let consumers block access to their credit reports to potential lenders without paying a fee. Freezing access to credit data is a crucial measure consumers can take if they want to protect themselves from identity theft.

Credit-reporting firms are mixed about the measure, which would erode a source of revenue, while consumer advocates worry it doesn't go far enough to give people more control over their data.

The provision would set a single national standard for credit freezes. Currently, 42 states allow credit-reporting firms to charge for the service unless an individual was a victim of identity theft. Eight states and the District of Columbia mandate waiver of the fees under all circumstances.

The U.S. has three main reporting companies—Equifax, Experian [EXPGY 1.25% ▲](#) PLC and TransUnion [TRU +1.03% ▲](#)—that typically charge \$10 or less each to freeze or reinstate credit-data access, depending on a patchwork of state laws. The measure bars fees for both.

Under the provision, credit-reporting firms would have to place the freeze within one to three days after receiving a consumer's request. Consumers would also be able to unfreeze their

credit within an hour, if the process is requested electronically, or three days if requested by mail.

Consumer groups are concerned the measure would override future efforts by states to implement stricter freeze requirements on credit-reporting firms—for instance, making credit freezes a default setting for credit reports, essentially requiring consumers to approve any credit inquiry from potential lenders.

“It’s stopping the states from doing anything better in the future, and that’s a problem,” said Mike Litt, a director at U.S. PIRG, a consumer-rights group.

Sen. Mark Warner (D., Va.), one of the chief sponsors of the broader Senate bill, said he regretted the legislation—the result of a compromise between the political parties—doesn’t do more to rein in credit-reporting companies.

“They have all of our personal information,” Mr. Warner said. “And there are not clear standards and clear penalties.”

The credit-reporting firms have accepted the change is coming. “This is likely to be Congress’s opportunity to address the credit-reporting industry,” said Francis Creighton, head of the Consumer Data Industry Association, a trade group that represents credit-reporting companies.

“We think it’s fair that we’re able to charge a fee on a freeze,” Mr. Creighton, said. But, “given that [policy makers] don’t agree with us, this bill is perfectly reasonable,” he added.

“We are not upset with the provision of the proposed law. We support a federal security freeze statute that simplifies the process for consumers,” Experian said.

The provision likely will result in credit-reporting firms pitching credit-monitoring and other subscription-based services, according to a person familiar with the matter. People who contact the firms to sign up for the freeze will likely be marketed services that have a monthly fee attached to them, the person said.

Credit-reporting firms don’t break out what share of their revenue comes from credit freezes, though an industry executive says it is much smaller than other services they sell consumers, such as credit monitoring and identity-theft protection. But removing freeze fees would eliminate funds some of the companies say they use to help cover the costs associated with the freezes, including maintaining call centers. In some cases, the companies incur losses from the service.

The provision’s impact likely extends to lenders who receive loan applications from consumers with frozen reports. In some cases, lenders that contact the firms for the applicant’s credit reports and receive a notice that the report is frozen will still pay for that service. The lenders in most cases wouldn’t move forward with the loan application without a credit report.

Some firms are letting consumers place limits on their credit reports at no cost. Equifax and TransUnion offer a free service that allows consumers to lock and unlock their credit reports, while Experian charges for it. Locks are similar to credit freezes in helping to block identity thieves from obtaining financing in another person’s name. While they offer more convenience, such as control of data via an app, locks also give consumers less legal protection, consumer advocates say.

The credit-freeze provision is one of several proposals circulating in Congress since last year’s disclosure of the massive Equifax hack, which compromised the personal information of 147.9 million people. Many of the proposals go further than this bipartisan deal, with provisions to impose stricter regulatory oversight on the credit bureaus, charge penalties in the event of further breaches, or establish credit freezes as the default option for consumers.

Equifax itself hasn’t been able to shake off condemnation from policy makers and is the subject of several government probes. It also has upset its competitors. Experian and TransUnion believe the freeze legislation wouldn’t have materialized without the Equifax breach, according to the person familiar with the matter.

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Free Credit Freezes Coming for All U.S. Consumers - WSJ

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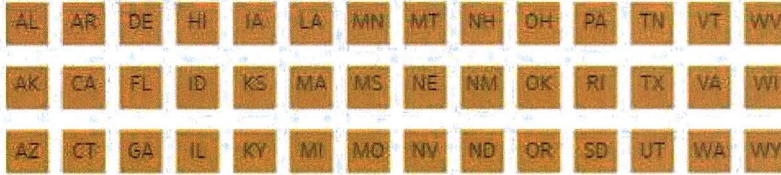
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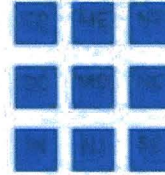
Fee Block

Consumers in 42 states, under proposed federal legislation, would join those in eight states and the District of Columbia that already have guaranteed access to free credit-data freezes.

States allowing fees for credit freezes



States prohibiting fees



Sources: U.S. Public Interest Research Group, TransUnion and The Wall Street Journal