



Credit Security Freeze

What is a credit security freeze and why are they important?

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Date: October 16, 2017

In the wake of the massive Equifax breach affecting more than half of the adult American population, it is important to understand your credit report and it is imperative to understand how to protect your credit report.

Living in today's world, every adult American should have a credit file that is maintained by one of the three major credit bureaus. It is a necessary evil that allows the economy to function. That credit file allows you to gain employment, open a checking or savings account, buy a car, buy a house, or rent an apartment. If you ever plan to be independent, you need credit. The down side to having a credit file is that you do not have any control over the bureaus that house your personal information, meaning there is no privity of contract between each bureau and yourself. They only have your information because you signed an agreement with a financial institution that allowed that institution to share your information with a third party – one or more of the credit bureaus.

Since there is no contractual relationship between you and each bureau, how do you protect yourself? The short answer is that there is not a lot you can do. Basically, you have to trust that they will handle your information securely, which as we learned with Equifax, seems unlikely. The best you can do is stop your credit file from being used to open new accounts unless you specifically authorize its release. Normally, this is done by filing a credit application with some financial institution. Part of the fine print that no one but lawyers read states that you allow that institution to check your credit and allow the bureau to share it with the institution. What's the problem with that? Well, if someone has stolen your identity and is attempting to open a new account in your name, do you really think they will not forge your signature on that credit application?

What if there was a way you could prevent the credit bureau from sharing your personal information with anyone until they verified the request came from you and you specifically



allowed that particular financial institution to receive it? That is called a Credit Security Freeze and there are a few important things to know about them.

First, a Credit Security Freeze does not protect the privacy of your credit information. An attacker could still hack the bureau's database and steal your information. Instead, what a Credit Security Freeze protects is your credit file being used by a thief to open a new account. This assumes your personal information has already been compromised, and following the news about the Equifax breach, that is a safe assumption to make. It is also noteworthy to mention that your personal credit information did not have to be compromised from Equifax. It could have been your bank, your computer, your doctor's office, or that company you signed up for to get a free travel voucher. The point is, your information is out there and thieves probably already have their hands on it. You cannot stop them, but you can stop the bank from receiving your credit file thereby preventing the thief from opening a new account under your name.

Second, to be effective, you need to place a credit freeze on all of your credit files. Each bureau maintains its own separate file on you. For the same reason that you need to check all three major bureaus when validating your credit report, you need to place a Credit Security Freeze with all the credit bureaus. Also, understand that while there are three major credit bureaus (i.e. Equifax, Experian, and Transunion), there are others out there with your personal information. The fourth largest, and probably most over looked bureau, is a company called Innovis. You need to contact each bureau separately to apply a Credit Security Freeze. Below are links to each of the four largest credit bureaus to place a Credit Security Freeze:

- **Equifax:** https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp
- **Experian:** <https://www.experian.com/freeze/center.html>
- **Innovis:** <https://www.innovis.com/personal/securityFreeze>
- **Transunion:** <https://www.transunion.com/credit-freeze/place-credit-freeze>

Third, the fees each bureau charges to place a Credit Security Freeze, remove one, and temporarily lift one will vary by bureau and according to state law. Each bureau will tell you what fees, if any, apply based on your state of residence. In California, the most the bureaus can charge is \$10 to place or remove a Credit Security Freeze so it may end up costing you \$20 in the long run. Certain groups are protesting having to pay a fee to protect your credit file and while I certainly understand their point, I am not debating that in this article. Even if you have to pay a fee to place the Credit Security Freeze, that fee is going to be much cheaper than the thousands



of dollars you will end up paying in bank and attorney's fees to clear up a stolen identity with fraudulent accounts on your credit report, assuming you could ever recover from that.

Fourth, with an active Credit Security Freeze on your file, an identity thief will not be able to access your file to open a new credit account at a financial institution, but neither can you. A Credit Security Freeze restricts your credit file so that it will not be sent to any requesting institution, including those that you legitimately want it sent to. Each time you authorize a financial institution to receive your credit report, you will need to determine from them what bureau they receive their reports from. Once you have that information, you will need to contact that bureau (and only that bureau) to temporarily suspend the Credit Security Freeze so they can get the credit report you authorized. The timing and fees, if any, again will vary by bureau and by state. Make sure you understand that process, the timing requirements, and any potential fees associated with it before attempting to open an account so bureaus require two to three business days to lift a Credit Security Freeze while others allow you to do it immediately online.

Fifth, placing a Credit Security Freeze, the bureau assigns you a Personal Identification Number ("PIN") which is a six to eight characters long. You will need that PIN to verify your identity in the future if you need to lift the freeze. Safeguard that PIN with your life and better than you safeguard the PIN to your ATM/Debit Card. Your ATM/Debit Card can only access one or two accounts that you own. This PIN controls and can access your entire life!