



Consumer Protection & Asset Building

Testimony on HB 368 before the House Financial Institutions, Housing, and Urban Development Committee

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Good morning, Chairman Dever, Ranking Member Smith and members of the committee. My name is Kalitha Williams and I am the policy liaison for asset building at Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. My work centers on household financial stability and consumer protection issues in Ohio. I also convene Ohio CASH, a statewide coalition of organizations focused on improving the financial and economic conditions for low- and moderate-income families and communities in the state. Thank you for the opportunity to testify today in support of House Bill 368, legislation that would eliminate fees for freezing and unfreezing credit reports for Ohio consumers.

As has been mentioned by the bill sponsors, increasingly more security breaches that have made the consumers more vulnerable to identity theft and abuse. The Identity Theft Resource Center, a national organization established to support victims of identity theft, anticipates that data breaches this year will reach a record high of 1,500, which would be 37 percent higher than last year.ⁱ With the recent Equifax security failure affecting nearly half of all Americans, this is an important time to review and update our current policies that protect consumers from fraud.

Freezing a credit bureau report is the best way to protect victims of security breaches. Credit freezes make it difficult for a perpetrator to open credit accounts, get a job, car or housing, because it blocks the ability to look into a credit file without permission. It serves as a red flag to a lender, employer or landlord of potential fraud. Credit freezes are most effective when done with all three major credit bureaus (Equifax, Experian, and Transunion). Otherwise, havoc can occur with the credit report at the bureau that was not frozen.

Consumers should have control over the credit reports without paying excessive fees. While victims of identity theft can freeze their credit report for free, the current statute allows each credit bureau to charge Ohioans up to \$5 for each action (freeze, temporary unfreeze, and permanent unfreeze). For instance, freezing all three credit bureau credit reports could cost up to \$15. If an Ohio consumer wants the freeze temporarily lifted to purchase a car or buy a home, that is an additional \$15. There would be another \$15 to freeze the credit reports again. That is a total of \$45. Imagine the expense Ohio consumers accrue every time they want to make a purchase that requires credit. It can add up very, quickly. Victims of identity theft may not utilize credit freezes, because they do not want to incur fees they cannot afford. HB 386 would remove the financial barriers that may deter Ohio consumers from taking the most effective way to prevent fraud from identity theft.

Credit bureaus should not be able to profit over data breaches including ones in which they are responsible. Soon after the largest data breach in history, Equifax and TransUnion were touting their record revenues to Wall Street investors. When asked how the Equifax breach could impact their earnings, TransUnion CEO responded, "If anything there is probably more engagement from the consumer when these kinds of things happen."ⁱⁱ National consumer advocacy organizations

suspect that these increased earnings are due consumers purchasing credit monitoring and freeze services. Last month, the organizations sent a letter to each of the top three credit bureaus asking them to release revenues generated from these products.ⁱⁱⁱ The Cleveland Plain Dealer has also reported that confused consumers trying to access TransUnion's \$5 credit freeze service after the breach unknowingly signed up for the \$20 per month credit monitoring service.^{iv} It is important that credit bureaus are not allowed to create profit streams from the bad fortune of consumers.

Ensure that consumers are able to request credit bureau freeze changes by regular mail, telephone or secured email. The current statute requires consumers to make the requests through certified mail. We believe this is an unnecessary burden on consumers and none of the major credit bureaus require this. We support the proposed amendment that would remove this cumbersome constraint.

Mr. Chairman, thank you for allowing me to testify on this legislation. I am happy to answer any questions that you or any of the other members of the committee may have.

ⁱ <http://www.idtheftcenter.org/Press-Releases/2017-mid-year-data-breach-report-press-release>

ⁱⁱ TransUnion's CEO comments on 2017 third quarter results on Oct. 27, 2017, available at <https://seekingalpha.com/article/4117600-transunions-tru-ceo-james-peck-q3-2017-results-earnings-calltranscript?part=single>

ⁱⁱⁱ <https://consumerfed.org/wp-content/uploads/2017/11/letter-asking-credit-bureaus-about-profits-after-equifax-breach.pdf>

^{iv} http://www.cleveland.com/business/index.ssf/2017/09/want_to_freeze_your_transunion.html