

To Buy or Not To Buy:

Identity Theft Spawns New Products and Services To Help Minimize Risk



Recent headlines about data breaches and losses of personal information have prompted many companies to advertise products or services to help consumers prevent or minimize their risk of identity theft.

The Federal Trade Commission (FTC), the nation’s consumer protection agency, says before you pay for an identity theft prevention product or service, make sure you understand exactly what you’re paying for. Many people find value and convenience in paying an outside party to help them exercise their rights and protect their information. At the same time, some rights and protections you have under federal or state laws can help you protect your identity and recover from identity theft at no cost. Knowing and understanding your rights can help you determine whether — or which — commercial products or services may be appropriate for you.

FRAUD ALERTS

A **fraud alert** is a signal placed in your credit report or credit file to warn potential creditors that they must use what the law calls “reasonable policies and procedures” to verify your identity before they issue credit in your name. Fraud alerts may be effective at stopping someone from

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opening new credit accounts in your name, but they may not prevent the misuse of your existing accounts.

Under the federal Fair Credit Reporting Act (FCRA), you may be entitled to two kinds of free fraud alerts: *initial* and *extended*.

You may ask a consumer reporting company to place an *initial* fraud alert on your credit report if you suspect you have been, or are about to be, a victim of identity theft. This may be appropriate after your wallet or another source of personal information is lost or stolen. An *initial* fraud alert is good for 90 days, and can be renewed when appropriate. To place an *initial* fraud alert, call the toll-free fraud number of any one of the three national consumer reporting companies. The company you call is required to contact the other two; they, in turn, will place an alert on their versions of your report. Expect to receive a confirmation from each of the companies.

Equifax: 1-800-525-6285

Experian: 1-888-EXPERIAN (397-3742)

TransUnion: 1-800-680-7289

When you place an *initial* fraud alert on your credit report, you're entitled to order one free credit report from each of the consumer reporting companies; if you ask, only the last four digits of your Social Security number will appear on your reports.

If you have been a victim of identity theft, you may ask for an *extended* alert, which stays on your credit report for seven years. To get an *extended* fraud alert placed on your report, you will need to contact one of the credit bureaus, and provide an Identity Theft Report, such as a police report or other report to a law enforcement agency, including a report to the FTC. If your credit report has an *extended* alert, potential creditors must contact you in person, or by phone or some other method you have provided before they can issue credit in your name. When you place an *extended* alert on your credit report, you're entitled to two free credit reports from each of the consumer reporting companies within 12 months. In addition, the consumer reporting companies must remove your name from marketing lists for pre-screened offers of credit for five years — unless you ask them to put your name back on the list.

CREDIT FREEZES

A **credit freeze** allows you to restrict access to your credit report. If you place a freeze on your report, potential creditors and certain other people or businesses can't get access to it unless you lift the freeze temporarily or permanently. For more information about credit freezes, check with your state attorney general's office or visit www.naag.org.

Limiting access to your credit report makes it more difficult for identity thieves to open new accounts in your name. That's because most creditors will need to view a credit file before opening a new account; if they can't see the file, they may not extend the credit. Still, a

credit freeze may not prevent the misuse of your existing accounts or certain other types of identity theft.

A credit freeze is different from a fraud alert in a number of ways. A freeze generally stops all access to your credit report, while a fraud alert permits creditors to get your report as long as they take steps to verify your identity. The availability of a credit freeze depends on state law or a consumer reporting company's policies; fraud alerts are federal rights intended for consumers who believe they may have been, or actually have been, victims of identity theft. And some states charge a fee for placing or removing a freeze, although it is free to place or remove a fraud alert.

Most states have laws that allow consumers to place a credit freeze with consumer reporting companies. In many of these states, any consumer can freeze their credit file; in others, only identity theft victims can freeze their files. The cost of placing a credit freeze and the lead times vary. In many states, credit freezes are free for identity theft victims; other consumers typically are charged about \$10 per credit reporting company. Contact your state attorney general for the particulars of your state's freeze laws. To place a freeze, contact each of the nationwide consumer reporting companies because a credit freeze placed at one company is not referred to the other companies. And be aware that the three major credit reporting companies have begun offering credit freezes directly to consumers — for a fee — regardless of whether their state has a freeze law.

Placing a credit freeze does not affect your credit score, keep you from getting your free annual credit report, or keep you from buying your credit report or score. It doesn't prevent you from opening a new account yourself, applying for a job, renting an apartment, or buying insurance, either. In these situations, the business usually needs to review your credit report. You can ask the consumer reporting company to lift your credit freeze temporarily, or remove it altogether. But the cost and lead times to lift or remove a freeze vary, so it's wise to check with your state authorities or with a consumer reporting company in advance if possible.

FREE CREDIT REPORTS

Federal law gives every consumer the right to one free credit report from each nationwide consumer reporting company every 12 months. Staggering these reports — that is, getting a report from a different company every few months — can help you monitor activity on your credit reports. For more information, or to request your free credit reports, visit www.annualcreditreport.com.

IDENTITY THEFT PROTECTION PRODUCTS AND SERVICES FOR SALE

Identity theft protection companies offer a range of products and services for sale. Some allow you to “lock,” “flag,” or “freeze” your credit reports. Often, the companies advertising these services simply are offering to place a fraud alert or credit freeze on your report. These services also may renew or update your alerts or freezes

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automatically, as long as you continue to pay. Under the law, initial fraud alerts and renewals are available for free if you have reason to believe you have been — or are about to be — a victim of identity theft.

Some companies, including consumer reporting companies, offer subscriptions to credit monitoring services. These services track your credit report, and generally send you an email alert reflecting recent activity, such as an inquiry or new account. Typically, the more frequent or more detailed the report, the more expensive the service.

Some companies offer services to help you rebuild your identity in the event of identity theft. Typically, these services operate by obtaining a limited power of attorney from you, which enables the company to act on your behalf when dealing with consumer reporting companies, creditors, or other information sources.

Many companies may offer additional services, including removing your name from mailing lists or pre-screened offers of credit or insurance, representing your legal interests, “guaranteeing” reimbursement in the event you experience a loss due to identity theft, or helping you track

down whether your personal information has been exposed online. Before you agree to pay for any of these services, read the fine print. You can get some of them yourself at no cost: for example, if you decide you don’t want to receive pre-screened offers of credit and insurance, you can opt out for five years or permanently by calling toll-free 1-888-5-OPTOUT (1-888-567-8688) or visiting www.optoutprescreen.com.

The FTC has a library of resources to help victims of identity theft report the crime and take steps to recover their identity. Visit www.ftc.gov/idtheft.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education