

# Credit Freezes - Pros and Cons

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The recent revelation by Equifax that the personal records of more than 145 million Americans were potentially compromised has caused a lot of concern about who can access an individual's credit information. In addition to personal identification information, such as Social Security numbers, driver's license numbers and addresses, credit bureaus monitor payment and loan information for existing accounts. While freezing credit records may seem like a good idea, there can be negative implications as well. Helping clients decipher the credit check process is another value-added service of the professional insurance agent.

The federal Fair Credit Reporting Act imposes strict limitations on who can legally access credit information, such as those you give written authorization to, or those you have a credit relationship with. Reasons that companies check a person's credit extend far beyond the obvious ones of buying a home or applying for credit. Credit scores can come into play when purchasing or renewing insurance, including life insurance. For example, an insurer may run a credit check to write or renew an auto insurance policy. If the insurer is blocked when trying to run the credit check, the lack of information may bump the insured into a higher rating tier. Potential employers also routinely check credit reports.

The Federal Trade Commission (FTC) estimates that victims of identity theft spend an average of 6 months and 200 hours of legwork to restore their identity. The fraudulent charges and defaults can remain on the credit report for years. Free resources are available on the FTC website. ([www.consumer.ftc.gov](http://www.consumer.ftc.gov))

Some credit card companies offer free credit monitoring, and others offer free credit scores. Identity theft recovery services provide assistance in repairing credit history when an identity theft has occurred. Beware of scammers who call offering such services. Also, use care when entering website address information as there may be fraudulent sites with very similar addresses.

Credit monitoring is not the same as a credit freeze. Credit monitoring services notify you when an account has been opened in your name. A credit freeze blocks all access to credit information. The freeze will not impact your credit score, nor will it block access to your report from existing creditors or debt collection agencies acting on their behalf. Anyone with existing credit freezes prior to the Equifax incident does not need to do another freeze, but having a freeze did not prevent the information in the account from being compromised.

A separate credit freeze must be requested from all three bureaus: Equifax, Experian and TransUnion. A PIN is needed to unfreeze the account, and there may be a charge associated with freezing and unfreezing. This fee is waived in instances where someone has been the victim of identity theft. When requesting a freeze, either online or over the phone, be prepared to write down and save the PIN since



you may not have another chance to hear it, and unfreezing the report is significantly more difficult and time consuming without the PIN. Not all potential employers or lenders check all three bureaus, so a freeze should be placed with all three.

Having information compromised does not necessarily mean the identity has been stolen right away, or at all. If it does occur, victims of actual identity theft should contact one of the three credit bureaus to place a fraud alert in their report. The selected bureau will notify the other two bureaus.

Data breaches and exposure of personal information can be a costly, time-consuming and scary situation. Helping clients understand the credit report process, and ways they can protect their information, is another sign of the true insurance professional.

*Previously published in the Insurance Advocate\**



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