



**CONSUMERS UNION'S STATEMENT OF SUPPORT
OF HR 37 / SB 656 – SECURITY FREEZE
December 4, 2005**

Consumers Union, the non-profit independent publisher of *Consumer Reports*®, supports HB 37/SB 656, and urges the Florida House of Representatives and the Florida Senate to support these bills as well. These bills provide another key step in protecting all Florida consumers from the cost, delay, and time consumed by identity theft by giving consumers the option to place a security freeze on credit files.

Identity theft is a serious and increasingly more common crime in this “information age.” According to the Federal Trade Commission, in 2003, nearly 10 million Americans were victims of identity theft, costing businesses and financial institutions nearly \$48 billion and consumers \$5 billion. The FTC also found Florida ranked 6th in the nation in identity theft victims in 2004. When identity thieves open new accounts in a consumer’s name, the victim ends up spending, on average, \$500 cleaning up the damage.

While estimates on the number of hours spent to resolve identity theft problems vary, the 2003 FTC study found that Americans spent almost 300 million hours resolving their identity theft problems in that year. The personal costs can also be devastating; identity theft can create unimaginable family stress when victims are turned down for mortgages, student loans, and even jobs.

Consumers nationwide first learned of these data security breaches only because of one state’s law requiring that its residents be told, and 38 state Attorneys General (including Attorney General Crist) subsequently demanded that their states’ residents be informed as well. The Privacy Rights Clearinghouse, a non-profit, non-partisan privacy education and advocacy organization estimates that over 50 million people have had their personal data put at risk due to security breaches. (See <http://privacyrights.org/ar/ChronDataBreaches.htm>). Since ChoicePoint’s February 2005 revelations, 20 states have enacted a notice of security breach law; 22 states now have notice of security breach laws.

Florida has taken a first, and important step, in response to this past year’s over 80 reported data breaches by passing a strong security breach law. (Fla. Stat. Ann. 817.5681 *et seq*). This new law requires any person conducting business in Florida to coordinate an investigation with law enforcement, and provide notice to affected consumers if the affected consumers have been or are likely to be harmed by the security breach.

Notice of a data security breach may help consumers watch for identity theft more promptly after a breach occurs, and leads to better and greater data security. However, only a security freeze gives consumers in Florida the voluntary choice to take preventative and proactive steps to stop identity thieves from using stolen personal information to get new credit or other new accounts in consumers’ names.

West Coast Office

1535 Mission Street ■ San Francisco, CA 94103
415.431.6747 Tel ■ 415.431.0906 Fax

Only a security freeze prevents identity theft, a federal fraud alert does not. A security freeze provides identity theft protection because it does not allow thieves to open new accounts since the consumer maintains control over who has access to their credit files. On the other hand, an identity thief can open a new account on a credit file using a fraud alert after providing a consumer's personal information. Additionally, a fraud alert does not prevent the potential creditor from seeing the report, and it does not prevent the credit bureau from selling or sharing the credit report.

To activate a security freeze, a consumer initially places a request with the credit bureaus. The freeze can be "thawed" or lifted by the consumer to allow specified creditors into their credit reports and credit scores. Providing all Florida's consumers with the option to place security freezes on their credit files allows them to control who gains access to their personal information in their credit files, including blocking access to new creditors to their credit reports and credit scores derived from those reports, until the consumer affirmatively unlocks the file. This would help prevent identity thieves from achieving their ultimate goal – opening up new credit accounts to accumulate debt in their victims' names, which leads to a ruined credit report and credit score.

A growing number of states have provided consumers with the option of a security freeze. Twelve states now give this right, and most to all consumers can now choose to use the security freeze to prevent identity thieves from opening new accounts in their good names.