



May 23, 2006

Secretary Jim Nicholson  
Department of Veterans Affairs  
By fax: (202) 273-4877

Re: Request that the VA inform veterans about the right that many enjoy to place a security freeze on their consumer credit files

Dear Secretary Nicholson,

Consumers Union, the nonprofit publisher of *Consumer Reports*, the Privacy Rights Clearinghouse, and the World Privacy Forum are deeply concerned about the failure to enforce data security rules that led to the storage at home, and a subsequent theft, of sensitive personal information about up to 26.5 million veterans or veterans' spouses. The reports that Social Security Numbers were included in the data which an employee stored at home are particularly troubling. We write to ask you to inform individual veterans about a right they may have under state law to stop the use of this information to open new accounts under their names.

Because of the way in which the Social Security Number is used in the granting of credit, the SSN has become the key to a consumer's financial front door. A thief who has a person's name and SSN is well-positioned to open new accounts for credit and services. New account identity theft can ruin a victim's credit record and deprive consumers of economic opportunities such as reasonably priced credit, jobs, and rental units, plus it imposes a daunting set of tasks to notify creditors, notify credit reporting agencies, dispute credit record information from unauthorized accounts. Individuals may experience the adverse consequences of unauthorized new accounts immediately after a security breach, or months and even years later, if stolen data is resold for future illegal use by the original thieves.

Studies show that less than half of consumers who are victimized by identity theft report that they know how the thief acquired the sensitive personal information necessary to commit the theft. This suggests that security breaches of data held by private and public entities could be a significant source of the ID theft epidemic afflicting Americans.

It is essential that all entities, government and private, to whom individuals entrust their sensitive personal information keep that information safe through

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strong policies, vigorous supervision over the implementation of those policies and effective auditing mechanisms. Government and private entities that hold sensitive information about individuals should have strong security policies, and see that those policies are effective, kept up to date and are rigorously followed.

It is also essential that individuals receive personal, written notice about a security breach at the earliest possible time after the breach is discovered and any necessary steps have been taken so that the same security weakness cannot be re-exploited. We appreciate that the Veterans Administration has already announced that it plans to “send out individual notification letters to veterans to every extent possible.” **We write to urge you to include information in that notice, on your website, and in your call center about an important right available to veterans living in some states.** That right is the choice to place a “security freeze” on the individual’s consumer reporting file at each major consumer reporting agency.

A security freeze lets the consumer stop anyone from looking at his or her own credit reporting file for purposes of granting credit unless the consumer chooses to let that particular business look at the consumer’s information. When the consumer is not seeking credit or new accounts, the security freeze effectively prevents anyone else from getting credit in the consumer’s name. This is a much stronger protection than is provided by the federal fraud alert system. Seventeen states have enacted security freeze laws, and eleven of those state laws allow consumers to place the freeze as a preventative device rather than waiting until the consumer becomes a victim of identity theft. In most states with the security freeze, consumers who are not already identity theft victims must pay a fee to place, lift, and remove the freeze.

Today, veterans and other consumers residing in California, Connecticut, Louisiana, Maine, Nevada, New Jersey, and North Carolina have the right under state law to place a security freeze on their credit files whether or not the consumer has already been a victim of identity theft.<sup>1</sup> The security freeze, while not entirely free of cost to the consumer, offers the strongest form of protection against the opening of new accounts by thieves. For this reason, Consumers Union, the Privacy Rights Clearinghouse, and the World Privacy Forum ask the Department of Veterans Affairs to provide information to veterans about the state

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<sup>1</sup> Similar laws giving the choice to place a security freeze to all consumers have been passed but are not yet in effect in Colorado, Kentucky, Utah, and Wisconsin. These additional states provide the security freeze tool to consumers after they become victims of identity theft: Kansas, South Dakota, Texas, and Washington (WA covers victims including consumers with a security breach notice and a police report). Lawmakers in Illinois and Vermont recently passed legislation strengthening the security freeze laws in their states so that all consumers will be covered in the future once those bills are signed and take effect.

security freeze. This information should be provided on the Department's web site, through the call center which has been set up to address the recent security breach, and in notice of breach letters sent to veterans in those states where the security freeze option is available. The attached document provides brief information about the security freeze.

Additional resources:

For more information about how the security freeze works, see:

[http://www.consumersunion.org/campaigns//learn\\_more/001842indiv.html](http://www.consumersunion.org/campaigns//learn_more/001842indiv.html)

For information about specific state freeze laws, with links to instructions on how to place the freeze, see:

[http://www.consumersunion.org/campaigns//learn\\_more/002355indiv.html](http://www.consumersunion.org/campaigns//learn_more/002355indiv.html)

For information detailing the many steps that individuals should take after a security breach, see: <http://www.privacyrights.org/fs/fs17b-SecurityBreach.htm>

We ask you to ensure that veterans and spouses whose personal information was compromised in the recent data security breach receive complete information about their consumer rights, including the security freeze. If we can help you in this endeavor, please contact us.

Very truly yours,

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Consumers Union

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Privacy Rights Clearinghouse

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Identity Theft Resource Center