

Sites Offering 'Free' Credit Reports: Worth Consumer Consideration?

**Review of 24 Sites Shows Potential for Confusion
and Unnecessary Expenses**

**by Robert N. Mayer, Ph.D.
Tyler Barrick
University of Utah
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Consumer Reports WebWatch
101 Truman Avenue
Yonkers, NY 10703-1057
Tel.: 914.378.2600
www.ConsumerWebWatch.org

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EXECUTIVE SUMMARY

Study Purpose

This report examines Web sites that offer consumers paid access to their credit reports in combination with credit scores, credit monitoring, and/or identity theft insurance. These sites are alternatives to annualcreditreport.com, created as a result of the Fair and Accurate Credit Transaction Act of 2003 (FACTA), which entitles consumers to obtain, once a year, a free copy of their credit reports from each of the three major credit reporting bureaus – Equifax, Experian, and Transunion.

Key Definitions:

A **credit report** is a document generated by a credit bureau, such as Equifax, Experian, or Transunion. It shows a person's credit or repayment history over time, based on data from banks, merchants and other creditors.

•A **credit score** is one of several numerical summary measures, often ranging from 300 (negative) to 850 (positive), of the information contained in a consumer's credit report.

•**Credit monitoring** is a paid service that alerts consumers when inquiries are made into their credit reports, or the content of their reports changes. Some types of queries, such as those made by a bank when a consumer seeks to open a line of credit, can actually affect the credit score. Other inquiries, such as from marketers seeking information to make offers of credit, do not affect the score.

The “alternative” sites to annualcreditreport.com market themselves aggressively to consumers. Consumers who knowingly use the alternative sites as an adjunct to annualcreditreport.com may find their services valuable. However, consumers using the alternative sites because of confusion about annualcreditreport.com and its alternatives may end up paying needlessly for something they are entitled by law to receive for free, or paying more than necessary for credit scores. Alternative sites (e.g., www.annual-credit-reports.com) have been criticized for blurring the distinction between annualcreditreport.com and other sites. This research examines a wider array of Web site practices that may perpetuate consumer confusion, or cause problems even when consumers understand they are paying for services beyond those provided by annualcreditreport.com.

Major Findings

1. Based on an analysis of 58 offers made on 24 alternative sites, we conclude that the enticement of free credit reports and free credit scores is an integral part of the marketing of credit-related services. The most common offer (57% of the 58 offers analyzed) provides one or more free credit reports and one or more free credit scores with the purchase of a credit monitoring service. The second most common offer (15% of the remaining) involves access to a free credit scores with the purchase of three credit reports. Some of these uses of the term “free” may be inconsistent with the regulatory guidelines of the Federal Trade Commission and the self-regulatory standards of the Better Business Bureau.

2. While there appear to be an abundance of Web sites offering credit reports for free, or as part of a multi-service offer that includes something for free, the industry is far more concentrated than it first appears. Of the 24 sites analyzed, nine were owned by or closely connected to Transunion and eight were owned by or otherwise closely connected to Experian. This concentrated market structure has potentially negative consequences for competition and aspects of market performance (e.g., price, quality, choice, and innovation).

3. Many Web site names and URLs contain the word “free” and/or are similar enough to annualcreditreport.com to possibly cause consumer confusion. Those using the word “free” include:

- free3bureaucreditreport.com
- freebiecreditreport.com
- free-credit-reports.com
- freecreditreportsinstantly.com
- freecreditreport.com
- thefreecreditreportsource.com.

Those similar to annualcreditreport.com include:

- creditreport.com
- creditreporting.com
- nationalcreditreport.com

4. In addition to the use of the word “free” in Web site names and URLs, the word is used liberally on most Web sites studied. Including the nine uses of the word “free” to indicate a Web site’s name, there were 312 uses of the word “free” across the 24 site home pages. (See Table 1.) This is an average of 13 uses per home page and a median of 8 uses per home page. There were, of course, many additional uses of the word “free” on pages linked to the home page. While some of these uses do not seem designed to attract consumer purchases, the majority clearly are.

5. One way in which Web sites can avoid being confused with annualcreditreport.com is to prominently disclose the existence and purpose of annualcreditreport.com to consumers. Fourteen of the 24 sites indicated the existence of annualcreditreport.com, eight of which included this information on their home page. (See Table 2.) Some of the disclosures were conspicuous by any reasonable definition, but several sites used small print and/or letter colors that did not contrast sharply with their background. Furthermore, some disclosures subtly diminish the value of the reports obtained from annualcreditreport.com with the expression “all free credit reports are not the same” or “all free credit reports are not created equal.”

6. Most offers contain one or more free credit scores when a credit report or credit monitoring service is purchased. Many offers were imprecise about the exact nature of the credit score(s) to be provided, that is, whether consumers would be receiving the well-established FICO score provided by Fair Isaac Corporation or any of a half dozen other scores associated with one of the three major credit reporting agencies (e.g., VantageScore). This information was often not available until *after* a consumer had made a purchase or signed up for a free trial of a service. Even then, consumers might not fully understand the differences among the various credit scores.

7. Sites generally did an excellent job of disclosing privacy and security policies. Third-party icons, such as VeriSign, TRUSTe, and BBB OnLine, were commonly used to add credibility to these policies.

8. Some Web sites did a good job of disclosing their charging and cancellation policies, but others did not. Several Web sites stated explicitly no charges would be made against a person’s credit card until after the expiration of any trial period, while other sites were ambiguous or unclear. Similarly, some sites provided conspicuous and clear information about how to cancel trial periods and services. Others provided only a general customer service phone number. A small-scale purchasing test demonstrated that companies did an excellent job of honoring consumer cancellation requests. However, some cancellation procedures were cumbersome, or likely to leave consumers wondering whether a cancellation process had been successful.

Recommendations to Consumers

For consumers relatively unfamiliar with credit reports, scores, and monitoring, we recommend *unbundling* these services and proceeding incrementally. Most consumers should begin by exercising their right under the FACT Act to obtain free copies of their three credit reports. The three reports can be obtained simultaneously, but many experts advise that access be staggered over several months. For consumers curious about their credit scores, one or more can be purchased at low cost when accessing reports at annualcreditreport.com. Consumers should consider purchasing credit monitoring services only after reviewing the contents of their free credit reports, and perhaps one or more credit scores. Security freezes on credit reports, provided by law in a majority of states, may be a less expensive and more effective alternative to credit monitoring services for consumers who are particularly concerned about preventing identity theft.

Methodology

The sample of 24 Web sites examined in this study was obtained by entering the phrase “free credit report” in the search engines of Google and Yahoo! For each search engine, the first ten eligible organic (i.e., non-sponsored) and first ten eligible sponsored sites were taken, yielding four lists of ten each. After eliminating sites that appeared on more than one of the four lists, 24 unique sites remained.

A questionnaire was developed for the site analysis, using the five Consumer Reports WebWatch Guidelines for Web site credibility as a starting point. Data were collected during mid-December, 2006. Data for each site was coded independently by two researchers, after which any discrepancies were reconciled. Services from six Web sites were purchased by a Consumers Union (CU) employee in late December, 2006.

CREDITS

This project was written and directed by Robert N. Mayer, Ph.D., a consultant and adviser to Consumer Reports WebWatch. Mayer is a professor in the Department of Family and Consumer Studies at the University of Utah. Tyler Barrick, a graduate student at the University of Utah, assisted Mayer with research and testing. The project was funded by Consumer Reports WebWatch. The report was edited by Jørgen Wouters, WebWatch’s senior producer, and Beau Brendler, WebWatch’s director. Some testing was performed by a Consumer Reports WebWatch staff employee. WebWatch, Consumers Union and the University of Utah are not affiliated with any online credit service reviewed in this study.

ABOUT CONSUMER REPORTS WEBWATCH

Consumer Reports WebWatch serves as a daily resource of unbiased and trustworthy information, using the proven methods of Consumer Reports and other independently derived research methods. The WebWatch research agenda includes health, financial services, news and information sites, children's sites and general issues of concern to consumers on the Web, such as privacy, spyware and information security.

Consumer Reports WebWatch at Consumers Union, the non-profit publisher of Consumer Reports magazine and ConsumerReports.org, acknowledges support of The Pew Charitable Trusts, the John S. and James L. Knight Foundation, and the Open Society Institute as instrumental to its founding and first five years of success. WebWatch's investigative reports, articles and news are available to the general public at <http://www.consumerwebwatch.org>

WebWatch accepts no advertising or corporate support whatsoever. WebWatch serves as a special unpaid adviser to the StopBadware.org project of The Berkman Center for Internet & Society at Harvard Law School and the Oxford Internet Institute. WebWatch director Beau Brendler is a member of the At-Large Advisory Committee to the Internet Corporation for Assigning Names and Numbers (ICANN).

INTRODUCTION

Study Purpose

The purpose of this report is to examine the operation of Web sites – other than the government-sanctioned annualcreditreport.com – that offer consumers “free” access to their credit reports. As a result of the Fair and Accurate Credit Transaction Act of 2003 (FACTA), all consumers now have the right to request and obtain, once a year, a copy of their credit reports from each of the three major credit reporting bureaus – Equifax, Experian, and Transunion. Prior to FACTA, consumers had the right to obtain a free copy of their credit report only under a limited set of conditions: (1) they were denied credit, at least in part, based on the information contained in a credit report; (2) they were unemployed and would apply for unemployment within 60 days; (3) they received public assistance; (4) they had been a victim of identity theft and placed a fraud alert on their file; or (5) believed their file contained inaccurate information due to fraudulent activity (Consumers Union, undated).

Key Definitions:

A **credit report** is a document generated by a credit bureau, such as Equifax, Experian, or Transunion. It shows a person’s credit or repayment history over time, based on data from banks, merchants and other creditors.

•A **credit score** is one of several numerical summary measures, often ranging from 300 (negative) to 850 (positive), of the information contained in a consumer's credit report.

•**Credit monitoring** is a paid service that alerts consumers when inquiries are made into their credit reports, or the content of their reports changes. Some types of queries, such as those made by a bank when a consumer seeks to open a line of credit, can actually affect the credit score. Other inquiries, such as from marketers seeking information to make offers of credit, do not affect the score.

The right under FACTA to free credit reports was implemented according to a phased timetable between December 2004 and September 2005. Between December 1, 2004 and December 1, 2006, approximately 52 million credit files were provided to consumers for free by the three major credit reporting agencies via the annualcreditreport.com Web site (Federal Register, 2006). Simultaneously, an unknown number of consumers have visited alternative Web sites and obtained credit reports in conjunction with the purchase of other credit-related services, typically, credit scores and/or credit monitoring services. This report focuses on these alternative sites and examines their offers to consumers. The report finds substantial variation in the transparency of these Web sites and in the value they potentially offer to consumers.

The Potential Problems with Alternative Sites

Is there anything wrong with sites that provide an alternative to annualcreditreport.com as a way of obtaining free credit reports? Not necessarily. Most of these alternative sites offer consumers a free credit report in conjunction with services that cannot be obtained from annualcreditreport.com. The value of these alternative sites will vary from consumer to consumer depending on how much other credit-related services -- such as credit scores, credit monitoring, and identity theft insurance -- are worth to them. Yet, the existence of these alternative sites may cause problems for consumers and cost them money:

1. Consumers unaware of their right to obtain free credit reports from annualcreditreport.com may buy expensive services from other sites, believing they are getting a credit report for free.
2. Consumers unaware that they can purchase credit scores at annualcreditreport.com may spend more than necessary when offered a free credit score bundled with the purchase of credit reports.
3. Consumers who patronize alternative sites with the intention of canceling services before a free trial expires may incur unwanted charges if they forget to cancel within the allotted time or encounter unexpected barriers to canceling.

The number of consumers who have encountered these and other problems is unknown, but apparently millions of consumers have transacted with sites other than annualcreditreport.com.

FreeCreditReport.com, owned by Experian, invites consumers to “join over 20 million consumers who have already checked their FREE Experian Credit Report” and to remember that “all free credit reports are not created equal.” Similarly, CreditReport.com urges consumers to “trust the name that has provided millions of consumers just like you with their free credit reports.” The potential exists for at least some of these transactions to have been based on consumer ignorance and confusion.

In two reports published in 2005 (Dixon, 2005a, 2005b), the World Privacy Forum brought to light the existence of over two hundred Web domains that resembled the official annualcreditreport.com site or closely misspelled variations. The author of the reports referred to sites such as annualceditreport.com and annualcreditcheck.com as “imposter domains” and “imposter sites,” to highlight the possibility of consumers ending up at unwanted Web sites.

The U.S. Federal Trade Commission, the agency in charge of implementing and enforcing FACTA, has also recognized the possibility of consumer confusion. The Commission’s consumer education efforts are designed to prevent deception. For instance, one of the FTC’s Web pages (<http://www.ftc.gov/freereports>) urges consumers to be wary of search engine results using phrases such as “free credit report” or “free credit score.” The Commission’s Web site also tells consumers it wants to hear from them if they paid for what they thought was a free annual credit report.

The Commission’s strongest method of deterring and punishing consumer deception is through prosecution of individual companies. In 2005, the Commission settled charges that Consumerinfo.com, a company owned by Experian, had deceptively marketed (prior to the passage of FACTA) “free credit reports” by not adequately disclosing that consumers automatically would be signed up for a credit report monitoring service and charged \$79.95 if they didn’t cancel within 30 days. In settling the charges, the defendant agreed to pay almost a million dollars in restitution (U.S. Federal Trade Commission, 2005). In 2007, Consumerinfo.com paid an additional \$300,000 to settle charges that it had violated the terms of its 2005 agreement by failing “to disclose adequately that consumers who signed up would be automatically enrolled in a credit-monitoring program and charged \$79.95” (U.S. Federal Trade Commission, 2007). Despite these precedents of enforcement, this report shows some questionable practices persist.

Arriving at Alternative Sites

Given the existence of free credit reports at the government-sanctioned site, how might consumers end up at a site other than annualcreditreport.com? The journey can be either business-initiated or consumer-initiated. Television commercials, pop-up advertisements and links on Web sites, and unsolicited email are three ways Web sites offering free credit reports and scores try to attract customers. For example, the Web site freecreditreport.com was the fifteenth largest spender on online advertising in November 2005 (\$4.4 million). This occurred approximately the same time consumers were first being offered a truly free credit report under the FACT Act (ITFacts Advertising, 2006). As recently as March 2007, Experian was the top Internet advertiser, spending \$90 million in a month (ITFacts Advertising, 2007). Unfortunately, it is not possible to specify how much of this amount was spent advertising Experian companies that offer credit reports, such as freecreditreport.com and consumerinfo.com, as opposed to companies like lowermybills.com and pricegrabber.com, also owned by Experian.

Consumers, can also initiate the process. Even when a consumer knows a site exists at which free copies of credit reports can be obtained, he or she may not know the exact URL. Today, if a person enters a phrase like “free credit report” in a major search engine like Yahoo! or Google, annualcreditreport.com will be the first item in the organic (i.e., non-sponsored) list of results, but a consumer might be distracted by the many surrounding sites in both the sponsored and organic results. Another way in which a consumer might travel to a site other than annualcreditreport.com is by typing a URL like creditreport.com, creditreports.com or freecreditreport.com. All three offer consumers a variety of ways to obtain a “free” credit report. [Freecreditreport.com](http://freecreditreport.com) mentions the existence of annualcreditreport.com, but it immediately discourages consumers from visiting the government-sanctioned site by stating that “all free credit reports are not created equal.”

In short, there are several pathways by which consumers looking for a free credit report can arrive at a site other than annualcreditreport.com. The goal of the research described below is to analyze the content of the alternative Web sites consumers might reach intentionally, or unintentionally when searching for free credit reports online.

METHODOLOGY

The research methodology used in this study is a variant of the approach used in several other investigations of Web sites, including studies sponsored by Consumer Reports WebWatch (Buckleitner, 2006; McGee, 2005; Scribbins, 2002). The basic approach is to visit and test a sampling of the most widely used Web sites in a given area of consumer interest – in this case, sites that sell credit reports, credit scores, credit monitoring, and related services. The approach is to match as closely as possible the behavior of the average consumer who is considering a transaction with a given Web site.

Sample

The search term “free credit report” was entered on November 17, 2006 in the two most widely used Internet search engines, Google and Yahoo! Then, for each search engine, the first ten eligible sites were taken from the organic search results plus the first ten eligible sponsored sites. An eligible site was defined as one that offered a free credit report or score as part of a commercial service, excluding annualcreditreport.com. This meant eliminating three sites (FTC.gov, PrivacyRights.org, vcr.org) that pointed consumers to annualcreditreport.com and did not mention any of the alternative sites. It also meant deleting six sites that were “pure portals” or “link farms,” that is, sites whose sole function was to provide numerous and unranked links to sites (not necessarily including annualcreditreport.com) where purportedly free credit reports could be obtained from commercial sites. These sites were: 2muslims.com, annualcreditreport1.com, consumerfinanceportal.com, cardratings.com, finance.yahoo.com, and hotboards.com.

As would be expected, there were several duplications among the forty eligible sites. There was overlap not only between the two search engines but also between sponsored and organic results. For example, the site freecreditreport.com appeared on all four lists. After retaining only one site among duplicates, the final sample consisted of twenty-four Web sites (see Appendix 1).

Questionnaire

A questionnaire (see Appendix 2) was developed to measure the general features of each of the selected sites as well as the specific characteristics of its offers to consumers. The selection of the general site features was driven, in part, by the five Consumer Reports WebWatch Guidelines for Web site credibility. Among these guidelines, the most relevant to sites offering credit services were a site’s identity (e.g., disclosure of ownership or parent company), customer service (e.g., clear and conspicuous disclosure of costs and procedures for canceling memberships), and privacy (e.g., providing consumers with control regarding future contacts initiated by the site, its affiliates, or third parties).

Beyond these general features, the characteristics of a site’s credit-related offers were analyzed: what specific services were made available to consumers, at what price, under what conditions, in association with which claims or endorsements? We paid special attention to the use of the term “free.”

The questionnaire was based on a model of a consumer who was “window shopping,” that is, trying to gather as much information as possible *without* actually signing up for a service that provides credit reports and other related services. Our fictional consumer was willing to provide each Web site with a name, geographic address, telephone number, and/or email, but data collection typically halted when the shopper was asked to provide a credit card number or social security number. In some instances, the window shopper was able to access a site’s full set of terms and conditions. In other cases, this information was not available without making a purchase.

The questionnaire was pretested and refined by applying it to six Web sites that appeared on the Google or Yahoo! search results but below the official sample of 24 sites. The first three sites were used to refine the questionnaire *per se*, that is, making sure that the questions made sense and the answer categories were comprehensive. Two additional sites not included in the official sample were used to gauge and improve consistency between the judgments of the two data coders. Finally, a sixth pretest site was used to formally measure inter-coder agreement. (See Appendix 3 on coding for a discussion of inter-coder reliability.)

Data Collection

Initial data collection took place between December 5 and 18, 2006. Two university-based researchers began by coding eleven unique sites, that is, twenty-two of the twenty-four sites. Next, each researcher coded the two remaining uncoded sites and inter-judge consistency was more formally measured. (See Appendix 3 for a discussion of inter-coder reliability.) After a discussion of the few discrepancies, each researcher coded the eleven sites not yet examined. Through this procedure, each of the 24 sites was coded twice.

Actual purchases from six Web sites of credit-related services were made and recorded by a third researcher -- a Consumers Union employee -- between December 21, 2006 and January 2, 2007. Researchers intended to purchase from a larger number of sites, but because of the extensive interconnections among the subjects, it was not possible to buy from some sites after purchasing from another. Thirty days after the initial purchase, each service was cancelled. The six purchase sites were: credit.com, creditreporting.com, identityguard.com, myfico.com, nationalcreditreport.com, and thefreecreditreportsources.com.

MAJOR FINDINGS

1. Three Basic Choices

Across 24 sites studied, there was a total of 58 offers. The majority of sites (16 out of 24) contained three offers, at least one of which involved a free credit report. Two sites bore two offers; six sites only one. (Three sites contained more than three credit-related offers, but we coded only the first three offers on a given Web site.)

The offers on the twenty-four sites vary in detail, but the majority (51) fell into one of three broad categories:

- A. Buy three credit reports and get one credit score for free, sometimes with the option of buying additional credit scores (8 offers)
- B. Buy credit reports and scores, with nothing offered for free (10 offers)
- C. Receive one or more free credit reports and/or one or more free credit scores when enrolling in a credit monitoring service, often with a free trial period (33 offers)

The advantage of the first type of offer (Offer A) is the convenience of having all three credit reports generated at the same time and, according to some of the Web sites, in an "easy to read" format. The approximate cost of this convenience is the price of the service (typically \$30-\$40) minus the cost of obtaining a credit score separately. These scores are available when a consumer obtains a credit report via the annualcreditreport.com site for \$5.95 (from Experian for a VantageScore), \$7.95 (from Transunion for a VantageScore), and \$7.95 (from Equifax for a FICO Score). So the cost of the convenience is about \$25 since one can obtain all three reports for free and buy a score for less than \$10. Some offers include the option of paying \$5 of \$10 more for all three credit scores, but the cost of the convenience is still about \$20.

The second type of offer (Offer B) doesn't include anything for free, but it comes in two variations. One is buying a single credit score and credit report from the same company. The other variation is buying all three scores and all three reports. The first variation typically is priced at \$14.95 but doesn't offer any real convenience when compared to going to annualcreditreport.com and then obtaining a free credit report and buying a credit score for \$5.95-\$7.95. Essentially, the consumer is paying \$7 for not using annualcreditreport.com. (This would not be the case when a consumer has already exercised his or her annual rights under the FACT Act within the last year, in which case a free version of the credit report would not be available for several more months.) The variation of offer type B that involves multiple reports and scores is typically priced at \$39.95, although we did find one offer for \$29.95. *A consumer can buy the same information for half the price by going to annualcreditreport.com and buying the credit scores offered by each of the three major credit bureaus.*

Offer C is by far the most common offer. It entails signing up, usually with a free one-month trial period, for a credit monitoring service. These credit monitoring offers typically include at least one free credit score and at least one free credit report. After the trial period expires and the service begins on a paid basis, a customer can access their scores and reports without restriction. Six of the 33 offer provide free credit reports but no scores, while the remaining offer provides a credit score but no reports. Credit monitoring services are typically priced on a monthly basis, with charges ranging from \$9.95 to \$12.95 for one report and corresponding score. Consumers pay a typical fee of \$19.95 per month for credit monitoring in conjunction with all three reports and scores.

A vigilant consumer who wants to minimize his or her financial outlay can enroll in, but then cancel within the designated period, one of the credit monitoring services that provides all three credit reports and corresponding scores. Another savvy strategy is to sign up for a trial period from more than one site but staggered across several months. One pays nothing under these scenarios as long as each service is cancelled within the allotted period of time. (There is a limit to these strategies, however, as revealed by the purchasing exercise described below.)

If the consumer forgets to cancel before the end of a free trial period or deliberately chooses not to cancel, the value of the credit monitoring service is difficult to estimate and would vary substantially among individual consumers. For a person who wants to view his or her credit reports and scores on a monthly basis, \$19.95 is certainly less expensive than buying these services separately. For a person who needs to check his or her credit scores and reports infrequently, it may be less expensive to start with annualcreditreport.com and, when needed, buy one-time access to reports and scores for \$30-40.

2. Few Actual Sellers

At first glance, there appear to be dozens, if not hundreds, of Web sites other than annualcreditreport.com that offer consumers various ways to obtain free copies of their credit reports. On closer inspection, however, there is far less variety. Despite differing URLs and Web site names, many sites are members of one of two "families" headed by either Transunion or Experian.

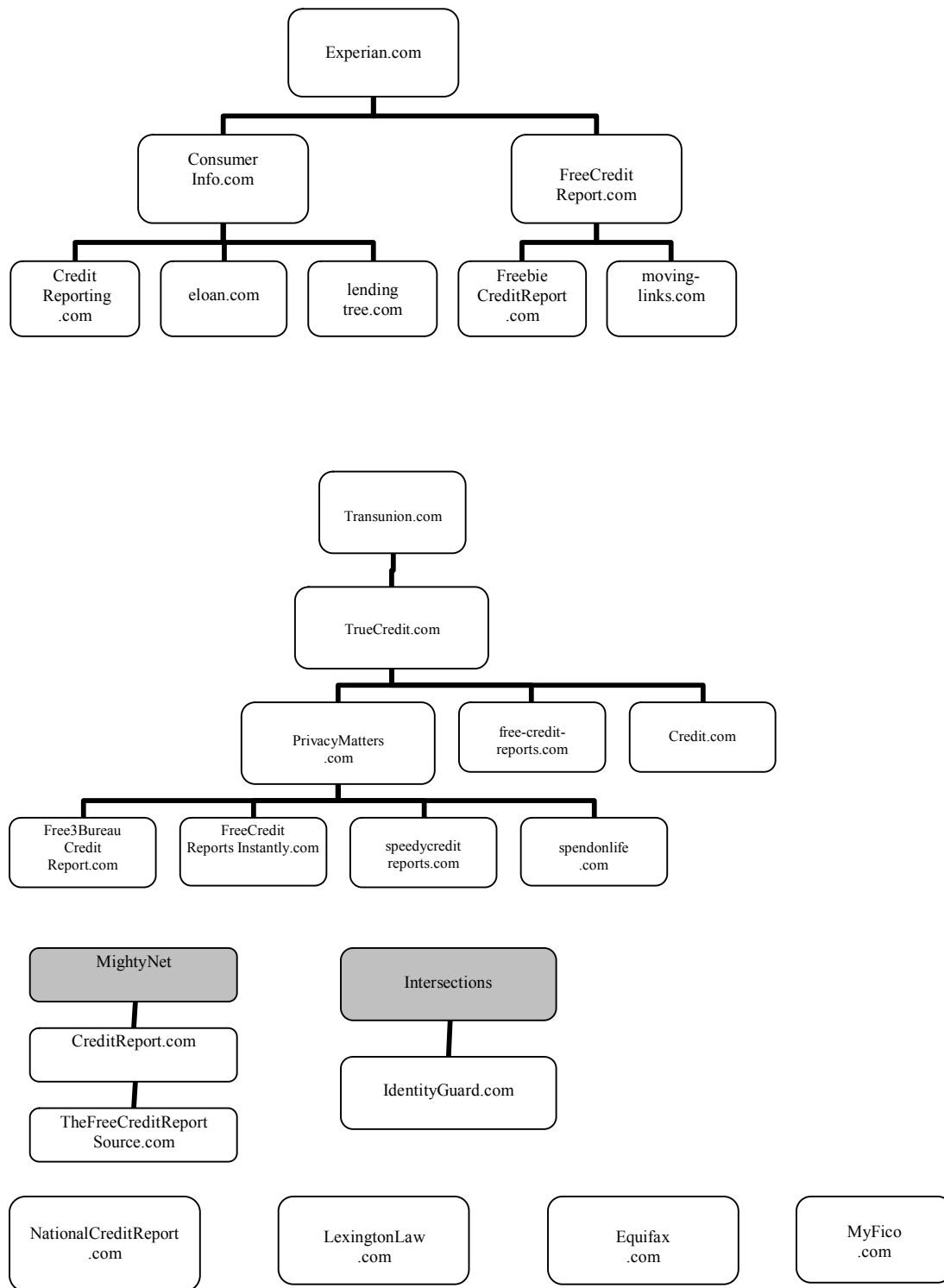
Of the 24 sites examined in this study, nine were members of the Transunion family. Eight were part of the Experian family. In some cases, Transunion or Experian owned a particular site, and this ownership relationship was clearly described on the Web site. For example, the Web site of consumerinfo.com prominently displays the phrase "An Experian." Other disclosures strongly imply ownership without stating it explicitly. Truecredit.com conspicuously prints "By TransUnion" at the top of its home page. Creditreport.com displays in faint lettering at the bottom of its home page: "CreditReport.com is a servicemark of Mighty Net, Inc."

In many instances, the relationship between Web sites appeared to be one of service provider and client. As an example, speedycreditreports.com discloses that its "Services are provided by TrueCredit." As another example, identityguard.com states that its "identity theft and customer services [are] provided by Intersections, Inc., America's foremost fraud protection and security organization." In most cases, the exact nature of the relationship between Web sites is somewhat ambiguous due to the absence of explicit ownership statements. However, there are several strong indicators of interconnections between and

among Web sites, including: identical sign-up pages for services, information entered at one site coming up automatically on another site, and the inability to purchase one service after having purchased another from the same family.

Figure 1 shows an estimate of the relationships among the 24 sites in this study. A few of the relationships are “strong,” in the sense that an ownership relationship is either stated or strongly implied. The majority of relationships are “weak,” not well explained on the Web sites and probably based on a service relationship rather than ownership of one site by another. Most important is understanding the relationships among the Transunion and Experian “families.”

FIGURE 1: Relationships Among Web Sites



Note: The above map shows Web sites that are owned by other Web sites or are otherwise affiliated with other entities. Gray cells are companies but not Web sites.

Should consumers be concerned that more than two-thirds of the Web sites in our sample are owned by, or closely affiliated with, two of three major credit reporting agencies? Several objections are possible. First, much of the marketing of services from Web sites that serve as alternatives to annualcreditreport.com originate from the companies that are, by law, supposed to be making it easy for consumers to exercise their right to obtain free credit reports. Certainly, the majority of the offers made to consumers on alternative sites go beyond what consumers can obtain from annualcreditreport.com (i.e., free credit reports once per year and inexpensive credit scores). Should the major credit reporting agencies, already required by FACTA to dispense free credit reports, use the lure of free credit reports to sell services like credit monitoring? Should they be selling credit reports with the incentive of free credit scores?

Further: A large number of seemingly independent Web sites are closely connected to the same credit reporting agency. As with any industry, concentrated ownership or control reduces competition and thereby can undercut incentives for price and quality competition. Also, consumers who like to comparison shop among Web sites may waste time and effort comparing sites that appear to be competitors, but in reality offer identical or nearly identical services.

A final objection follows from the appearance that a wide range of Web sites exist that offer credit report-related services. The appearance of variety may encourage consumers to believe there are important differences among the credit reports and credit scores available from these sites and lead them to purchase redundant information from multiple sites. Consumers might be forgiven for thinking that by patronizing more than one of these sites that they will be obtaining unique information from each one. Moreover, they may think the credit reports and scores they purchase are different from, and superior to, those that can be obtained via annualcreditreport.com.

Some alternative sites take reasonable steps to prevent consumers from being confused about their identity. Truecredit.com, for example, discloses in a conspicuous fashion its relationship to its parent, Transunion. Directly below the Web site banner of [Truecredit](http://Truecredit.com) one finds the words: "Brought to you by Transunion." At the bottom of the site's home page, one also finds (in very faint print) the statement: "TrueCredit.com is powered by TransUnion Interactive, a wholly owned subsidiary of TransUnion." Also, if one explores the "About TrueCredit" portion of the Web site, one finds the statement: "Majority owned by Transunion."

Privacymatters.com is somewhat less clear about its ownership. The site never refers to ownership explicitly, but its home page states: "Services provided by TrueCredit, Inc." This phrase leaves unresolved the nature of the relationship between privacymatters.com and truecredit.com and, in turn, Transunion. Just as truecredit.com provides services for privacymatters.com, privacymatters.com appears to receive customers from a number of other sites, including free3bureaucreditreport.com, freecreditreportsinstantly.com, speedycreditreports.com, and spendonlife.com. These "fourth-tier" sites offer no explicit information about their ownership, but they sell the services of Privacy Matters 1-2-3 and each site states inconspicuously, if at all, that its services are "provided by TrueCredit." None of these sites makes reference to Transunion, the owner of [Truecredit](http://Truecredit.com). These practices do not appear to be consistent with Consumer Reports WebWatch Guidelines, which state:

- "Sites should clearly disclose their ownership, private or public, naming their parent company"
- "Sites should clearly disclose relevant business relationships, including sponsored links to other sites."

Disclosure *per se* may not suffice to explain a site's ownership and financial relationships. Consider the case of creditreporting.com. Under "About Us," one finds:

Creditreporting.com is a Website for Evergreen Credit Reporting, Inc., who is a provider of credit reports and related services to users nationwide. Evergreen is a member of the Consumer Data Industry Association, Inc. which is the industry association in this country for credit reporting companies and credit bureaus...Evergreen is also known as [Trucredit](http://Trucredit.com) or Trucredit.com.

Evergreen markets its credit reports as a Trucredit Credit Report. This is not to be confused with Truecredit.com, the company owned by TransUnion.

Printed at the bottom of the first page of creditreporting.com's sign-up procedure is the following statement:

ConsumerInfo.com, Inc. is licensed to use the Experian trademark, other trademarks and service marks...The products on this Web site are offered by ConsumerInfo.com, Inc.

But consumerinfo.com is owned by Experian. So what is the nature of the relationship between creditreporting.com and Experian?

While we did not ascertain the precise nature of all of the relationships among the sister sites in the Transunion and Experian families, we were able to determine that they are strong. One indication was that information entered into a form at one of the sites within a family typically was displayed automatically when filling out a similar form at a sister site. Another sign of the strength of these interrelations emerged during the exploratory purchasing phase of this research project (see below for more details). When we tried to buy similar services from two members of the same family, we found it to be impossible. For example, the Consumers Union employee was denied the ability to purchase credit monitoring from freebiecreditreport.com, presumably because she had already purchased this service from its sister site, creditreporting.com. Similarly, the CU employee could not buy a credit monitoring service from free3bureaucreditreport.com or speedycreditreports.com or truecredit.com, presumably because she had already transacted with their sister site, credit.com. In some cases, these rejections were met with no explanation at all; in others, the CU employee was told by the site that its system indicated that she had made a previous purchase from the site or another related site.

3. Free Use of the Term "Free"

The term "free" when used as a marketing tool can be problematic. Accordingly, the U.S. Federal Trade Commission (1971) and the Better Business Bureau (1994) have issued guidelines on the term's proper use. While differing slightly from one another, both sets of guidelines emphasize three basic principles. First, the terms of any free offer should be clearly and conspicuously stated. Second, the price (or quantity) of any item that must be purchased to obtain the free good should not be increased to cover, in whole or in part, the cost of the free item. Third, the free offer should be temporary. If it is a continuous combination offer, then no part of it can really be considered free. When used properly, the offer of free goods or services can be, according to the FTC, "a useful and valuable marketing tool." But, the FTC continues, "such offers must be made with extreme care so as to avoid any possibility that consumers will be misled or deceived."

At the alternative Web sites studied here, the term "free" was used generously. On the one hand, this is not surprising given that the sites were generated with the search term "free credit report." On the other hand, it might not have been easy to predict that the term free would appear 312 times on the home pages of the twenty-four sites. The values among the sites ranged from a low of zero uses to a high of 81 uses of the word "free." The median number of uses on these home pages was 8, a summary statistic that discounts the one or two extremely high values compared to the simple average of 13.

Of the 312 references to "free," about 40 could not be tied to a specific offer. These references either pertained to more than one of a site's offers (e.g., "free credit report offers" or 100% Free Credit Report – Online"), to a site's overall features (e.g., "toll-free customer service"), or to the general subject of credit reports and scores (e.g., "How can I get a Free Credit Report?"). The term "free" was also used nine times as part of the names of six Web sites. The sites are:

- free3bureaucreditreport.com (twice)
- freebiecreditreport.com (twice)
- free-credit-reports.com (twice)
- freecreditreportsinstantly.com

- freecreditreport.com
- thefreecreditreportsources.com.

Other references (16) to the term “free” involved services that were only tangentially related to credit reports and credit scores (e.g., free financial calculator; toll-free assistance; free quotes for health, dental, or car insurance). Twenty references pertained to a consumer’s rights under the Free Credit Reporting Act or the FACT Act (see below for more details on the disclosure of FACTA rights).

An additional ten references to the word “free” were contained in a warning to consumers on the freebiecreditreport.com Web site. The site cautions consumers against typographical errors (e.g., reecreditreport.com) that might lead them to imposter sites that sound like legitimate sites:

Some common misspellings of Free Credit Report and Score include: ree credit report, wwffreecreditreport, free creditreport, fee credet repot, totaly fre credit report, absolutly frecreditreport, freecreditreport, freecreditreportcom, myfree credit report com, free credit report, free credat report com, freecreditreporting, feecreditreport com, freecerditreport, freecreditreport, absolutley and totalley frre credit report, credit eport, credit history, freee credit reportes, getcreditreport, freecreditreports freecredit report.

Warning consumers about the dangers of inadvertent misspellings is certainly useful, but it is also ironic, since freebiecreditreport.com could be mistaken by consumers for annualcreditreport.com.

But the majority of the references, 181, were part of a specific offer involving credit reports, credit scores, and/or credit monitoring. Of these 181, over eighty percent (150) of the uses of the term “free” were in reference to a credit monitoring program offered on a trial period of 7 or 30 days and including at least one free credit report and at least one free credit score. An additional 20 uses were in conjunction with a free credit report (but not a free credit score) as part of a credit monitoring trial period. These offers typically apply the word free to credit reports, credit scores, credit monitoring, or all three, but these offers can also apply the word “free” to identity theft insurance, telephone contact numbers, and shipping, even to describe something delivered via the Internet, and therefore virtually cost-free to the supplier. Eleven additional sites offered free reports and/or scores in conjunction with credit monitoring, but without the free trial period. Table 1 shows a breakdown of the major ways in which the term “free” was used on the home pages of the 24 sites.

Table 1: Use of the Term “Free”	
TYPES OF USES OF THE TERM “FREE”	NUMBER OF USES
As part of a credit monitoring service with trial period	170
As part of a credit monitoring service without a trial period	11
In reference to consumer rights under FACT Act of FCRA	20
In reference to recommended sites or partner companies	20
In reference to free credit score(s) when report(s) are purchased	14
In reference to credit calculators or price quotes	16
In the Web site’s name	9
In reference to close misspellings of annualcreditreport.com	10
All other uses	42
TOTAL	312

Some of the 312 uses of the word “free” across the 24 Web sites, especially those referring to credit reports and scores, might be viewed as being inconsistent with the guidelines set by the Federal Trade Commission and the Better Business Bureau. Take as an illustration an offer on the experian.com site to obtain “a FREE PLUS Score” with the purchase of Experian’s “3 Bureau Credit Report” for \$34.95. (Similar offers can be found on other Web sites.) It is difficult to see how buyers of this offer are getting anything for free. They can get the same thing by going through annualcreditreport.com and paying just \$5.95 for a credit score from Experian. But that’s not the only reason use of the term “free” may be inappropriate. Before the advent of FACTA, Experian and the other major credit reporting companies typically sold credit reports alone for about \$8 each (often less, depending on state legislation). Thus, the market value of the three report-one score deal (using past and current prices) is less than \$35. Under these conditions, it is difficult to conclude that the following condition set by the FTC has been met:

“When the purchaser is told that an article is “Free” to him if another article is purchased, the word “Free” indicates that he is paying nothing for that article and no more than the regular price for the other.”

By the same token FTC (and BBB) guidelines suggest that for a free offer of something to be “special and meaningful,” the offer should be short-term. Otherwise, the offer becomes the regular selling price, in which case, nothing is being obtained for free. While the current study was not longitudinal in nature, it appears that identical offers of free credit reports and free credit scores have been in place for several years, far beyond the maximum of six months recommended by the FTC. At a less legalistic level, it is worth asking whether use of the word “free” is appropriate on a Web site such as freecreditreport.com or thefreecreditreportsources.com, when the site’s primary offering to consumers is a credit monitoring service that costs \$120-150 on an annual basis.

4. Potentially Important Omissions

The Consumer Reports WebWatch Guidelines recommend that Web sites offer consumers clear and easy-to-locate information about their (1) identity, (2) sponsors and relevant business relationships, (3) financial charges and methods of canceling services, (4) methods of correcting incorrect information, and (5) privacy practices. We have already examined the disclosure of ownership and business relationships, and we found that within the two families of Web sites owned or closely connected to Experian or Transunion, information about a site’s lineage is sometimes clear and conspicuous, but often it is not.

FACT Act Rights

Perhaps the most useful information that an alternative Web site can provide consumers is notification of their rights under the FACT Act and the existence of the annualcreditreport.com Web site. There is a potential conflict of interest for alternative Web sites when it comes to disclosing this information: The more consumers know about their annual right to a free credit report, the less likely they are to purchase services that include a free report. A majority (14) of the Web sites manage to overcome this conflict of interest, although their disclosure of FACTA information varies across sites in terms of its location, conspicuousness, and wording.

Five sites specializing in credit reports, scores, and monitoring (consumerinfo.com, creditreporting.com, experian.com, freecreditreport.com, spendonlife.com) provided information about a consumer’s right to free credit reports **on** their home page, and an additional three sites offering a broader range of financial services (eloan.com, lendingtree.com, and moving-links.com) disclosed this information on what amounted to the home page for credit-related services. While these prominent disclosures are commendable, those made by Experian-owned or Experian-affiliated sites are likely due to a requirement in the 2005 settlement between the Federal Trade Commission and consumerinfo.com that this disclosure be made clearly and conspicuously “on the landing page of the Website or the first point of communication” (Federal Trade Commission vs. Consumerinfo.com, Inc., 2005)

The remaining six of 14 sites did not describe a consumer’s right to a free credit report on their home page but did so elsewhere on the site, for example, within the ordering process (i.e., after a consumer has provided personal information), or within a section of the Web site devoted to consumer education. Four

of the 14 sites offered consumers multiple paths to information about their rights under the FACT Act. For example, credit.com alerted consumers to their right to a free credit report both as part of the ordering process and within its consumer education materials. A full list of the Web sites that provide full or partial information about a consumer's rights under the FACT Act is shown in Table 2.

Table 2: Site Disclosure of FACT Act Rights	Home/First Page	Order Process	Education	Other
Consumerinfo.com	√	√		
Credit.com		√	√	
Creditreporting.com	√			
Eloan.com	√	√		
Equifax.com				√
Experian.com	√			√
Freebiecreditreport.com				√
Freecreditreport.com	√			
Lendingtree.com	√			
Movinglinks.com	√			
Nationalcreditreport.com		√		
Spendonlife.com	√			
Transunion.com			√	
Truecredit.com			√	

It is one thing to tell consumers they have a legislatively-created right to a free credit report once a year; it is another to inform consumers on how to exercise that right. Of the fourteen sites that mentioned the right to free credit reports anywhere on their Web site, ten made specific reference to annualcreditreport.com. Four of the fourteen left out this important piece of information.

Some of the FACTA disclosures, regardless of their location on the home page or elsewhere, were more conspicuous than others. Across the nineteen instances of disclosure across the fourteen Web sites, twelve were judged to be conspicuous by our two coders. The most common method of making such a disclosure noticeable was by preceding it with the words, usually in bold letters: IMPORTANT INFORMATION. In case of Web sites such as consumerinfo.com, this attention-grabbing phrase was followed with a clear description of the FACT Act and the prerogatives it grants to consumers:

“Under a new federal law, you have the right to receive a free copy of your credit report once every 12 months from each of the three nationwide consumer reporting companies. To request your free annual report under that law, you must go to annualcreditreport.com. Consumerinfo.com is not affiliated with the annual free credit report program.”

At the other end of the spectrum, nationalcreditreport.com's only reference to FACT Act rights was in the fifth section of a lengthy set of arcane disclaimers, terms, and conditions. Getting to these disclosures requires first entering a range of personal information. Even if the consumer scrolls down far enough to find the disclosure, it makes no mention of the Web site annualcreditreport.com.

There is no direct *legal* obligation for alternative Web sites to educate consumers about their credit rights, but it could be considered disingenuous for sites that sell credit-related services – especially the three major credit reporting bureaus – to leave out this important information. It could also be viewed as insincere for these sites to, first, tell consumers about their rights under FACTA but then undercut this disclosure with statements such as:

- “Remember, all free credit reports are not created equal. Get your Free Credit Report and Credit Score from the leading provider of consumer credit monitoring products (freecreditreport.com)
- “Please note that not all free credit reports are the same.” (consumerinfo.com)

It is certainly appropriate for Web sites to stress that the FACT Act does not provide consumers with access to their credit scores, credit monitoring, or identity theft insurance, but it might be hard to justify any superiority claims about the credit reports received from annualcreditreport.com versus those obtained from alternative sites. While credit reports purchased from alternative sites may vary slightly in format from those obtained for free from annualcreditreport.com (e.g., side-by-side presentation of information from the three credit bureaus versus three separate documents), virtually all of the information contained in any credit report is drawn from the exact same source: the three major credit reporting bureaus, Experian, Transunion and Equifax.

Type of Credit Score(s)

In addition to the failure of some alternative sites to tell consumers about their right to receive free reports annually from the three major credit reporting companies, there are two additional areas where disclosure on alternative sites might be described as spotty: (1) the precise nature of the credit scores provided and (2) trial period charging and cancellation procedures.

There is already some consumer confusion about the exact nature of credit scores and the companies that provide them (Consumer Federation of America, 2004; U.S. Government Accountability Office, 2005). The original credit score was developed by Fair Isaac Corporations and its score, generally known as a FICO Score, was until recently almost synonymous with the term “credit score.” Currently, Fair Isaac licenses its credit scoring methodology to several entities, including the three major credit reporting agencies. Each of these agencies, in turn, modifies the methodology and creates scores based on the data they collect. For example, Experian calls its version of the FICO Score its PLUS Score. Moreover, in 2006, the three agencies collaboratively created an entirely different score, the VantageScore, with a maximum value of 990. (The maximum FICO Score is 850.) With all this variation (and there is more within the world of credit scoring), it is important that Web sites providing credit scores be clear about the type of score a consumer will receive and/or purchase.

Out of the 58 offers analyzed across the 24 Web sites, 53 included at least one credit score. Of these 53 offers, 39 specified the organization (i.e., Equifax, Experian, Transunion, or Fair Isaac) associated with the credit score that would be provided, leaving 14 that failed to disclose the precise nature or source of the score. Even when a score was identified with a particular reporting organization (e.g., Experian’s PLUS Score), it was not necessarily clear whether this score was based on the FICO or VantageScore methodology. This difference could be very important to a consumer. A score of 800 is extremely high on the FICO scale of 850 but not as enviable compared to the VantageScore’s maximum value of 990. Overall, sites could have been far more precise in describing, as a form of *pre-purchase* information, the credit scores they provided. In contrast, sites from which credit scores were obtained in a small-scale purchasing exercise (see below) did a good job of complying with the credit score disclosure requirements laid out in Section 609(f)(1) of the Fair Credit Reporting Act.

Charging and Cancellation Procedures

A trial period is supposed to allow consumers the opportunity to try a product or service without making any long-term commitment to it. In the case of offers involving credit monitoring, 24 out of 33 provided consumers with a free trial period -- usually 30 days in length but sometimes only a week. In all 24 of these cases, consumers were asked to provide a credit card number, but it was not always clear what would happen with this credit card information: would there be a charge that would later be credited back or would there be no charge until the end of the trial period?

In ten of the 24 cases, the site explicitly stated that there would be no charge on a person's credit card bill until after the end of the trial period. In six additional instances, the offer included a statement that there would be a charge *during* the trial period, typically to cover a \$1 refundable processing fee. In the remaining eight cases, however, the offer was silent on whether a charge, even one as small as \$1, would be levied during the trial period.

As indicated above, even consumers who are aware of their right to free credit reports under the FACT Act can find it attractive to enroll in a free trial of a credit monitoring service. If they cancel the service before the expiration of a free trial period, these consumers end up with one or more credit scores and a better idea of what credit monitoring services entail, both at no charge. To cancel a service before the end of the trial period (or later on), a consumer needs to be able to find and then follow the cancellation procedures without any undue barriers. How did the sites perform on this measure?

In 18 of the 24 trial period offers, cancellation-specific information was provided somewhere on the Web site. In 16 of these 18 cases, telephoning the company was the only method of canceling. In two additional cases, consumers could choose between using the telephone or sending an email. An exception to this rule of easy cancellation procedures was equifax.com. To find out how to cancel its credit monitoring trial period, a consumer must enter his or her name, address, email address, and other personal information. Then, the cancellation procedures are provided deep in a lengthy section titled "Terms of Use." If a consumer manages to reach this point, he or she will find the following instructions:

You may cancel the Product by notifying Us. You may notify Us by first logging in to the MyEquifax Member Center. Once logged in, click on the "Contact Us" button and you can contact the Equifax Customer Care team at the telephone number or email address listed on that page.

While not formidable, this procedure is more cumbersome than just providing a phone number for cancellation calls. In six of the 24 offers involving a free trial period, no cancellation-specific information was found on the Web site.

Privacy and Security Practices

In contrast to incomplete or absent disclosures of ownership, business relations, credit score type, and cancellation procedures, there were several areas in which disclosure was particularly strong and accorded well with the Consumer Reports WebWatch Guidelines: contact information, privacy policies, and security practices. Twenty-three of the 24 sites provided information about how to contact the site via telephone, email, and/or regular mail. Twenty of the 23 provided this contact information on the home page or directly from a "Contact Us" link on the home page. Of the remaining three sites, one provide contact information under "About Us," another provided it under "FAQ's," and the third provided it only after the ordering process commenced. The remaining site had a "Contact Us" link at the bottom of the home page, but it only provided the consumer with a form that could be used to send an email message. There was no email address per se, nor any other type of contact information.

With respect to privacy policies, 22 of the 24 sites had policies that were readily accessible, usually from the home page. One Web site had no policy (freebiecreditreport.com), and another site's policy was buried deep in the buying process (thefreecreditreportsources.com). Similarly, all but one of the sites (freebiecreditreport.com) addressed the security of transmitted data with security statements, https URLs, padlock icons, and/or security seals of approval from programs like Verisign and ScanAlert's Hacker Safe.

5. Purchase Experiences

To gain additional insights, a Consumers Union employee purchased credit reporting services from six of the 24 sites. (We had intended to make purchases from more of the sites, but we found that the same person cannot buy from a site if he or she has already purchased a service from another site within a larger "family.") The primary purposes of this purchase phase of the study were to: (1) test the cancellation procedures of the Web sites, including the crediting of any charges made to credit cards; and (2) compare the quality of the credit reports provided by the sites to those obtained from annualcreditreport.com.

Credit report services were purchased from the following Web sites during the last ten days of 2006:

- credit.com
- creditreporting.com
- identityguard.com
- myfico.com
- nationalcreditreport.com
- thefreecreditreportsources.com

Credit Scores

All six of these sites provided a credit report and at least one credit score. Five of the six (all except myfico.com) provided credit monitoring as well. Four of the six (all except identityguard.com and nationalcreditreport.com) started with a 30-day free trial of their services.

Upon examination, the credit reports delivered by these six Web sites do not differ substantially in content or format from those available at annualcreditreport.com. This is not surprising given that all the credit report data provided by these alternative sites comes from the same three major credit reporting companies that participate in annualcreditreport.com. Identityguard.com and nationalcreditreport.com provide the three credit reports in a side-by-side format, a style of presentation that may be useful to consumers.

The results with respect to credit scores were somewhat more surprising. Some sites (credit.com, creditreporting.com, myfico.com, thefreecreditreportsources.com) gave a single credit score. Others (identityguard.com, nationalcreditreport.com) provided all three scores. The total of 10 scores obtained from the six sites had a maximum value of 850, but there were slight variations among the scores, even for those associated with the same credit reporting agency. Identityguard.com showed an Experian score of 782, and creditreport.com provided an Experian PLUS score of 773. Nationalcreditreport.com and thefreecreditreportsources.com also provided Experian-based scores described as CreditXpert scores. (Both of the latter score were 791.) While the differences among these four Experian-based scores are not great, the typical consumer might be confused about whether there is an important difference and which should be sought in the future.

The slight variation in scores based on data from the same credit reporting bureau was not confined to Experian. In the case of scores based on Transunion data, nationalcreditreport.com offered a CreditXpert score of 805, while credit.com and identityguard.com yielded scores of 792 and 791, respectively. The two Equifax-based scores also differed slightly from one another (787 vs. 791). The single FICO score was 806. All told, the ten scores ranged from 773 to 806. While all of these scores are generally considered excellent, consumers would be justified in expressing bewilderment about the differences and wondering which is most worth purchasing.

Cancellation Procedures

The small-scale purchasing experiment also yielded information regarding cancellation procedures. These procedures can sometimes involve surprises. Conducting a similar test for the magazine *PC World* but for a broader range of services, reporter Tom Spring (2006) wrote that he was shocked to learn Equifax's credit monitoring service ("Credit Watch Gold") required a three-month minimum commitment. In other words, a consumer could not cancel after one month and walk away from the service. We did not come across this policy in the five Web sites from which we purchased credit monitoring services, and our cancellation experiences were generally positive. In the four cases of free 30-day trial periods, no charges were incurred. The other two services did not offer free trials; these sites charged the proper initial amounts and levied no further charges after cancellation.

While results of our cancellation efforts were positive, the process was not always easy. There are three parts to this process: finding the cancellation procedures, executing them, then confirming and documenting the cancellation is done. The same person who first ordered the services returned to the six Web sites to test the process. Her experiences varied widely.

Regarding discovery of cancellation procedures, nationalcreditreport.com was the only site to display an explicit reference to cancellation procedures on its home page, via a tab labeled “cancellation policy” at the bottom of the home page. In the other five cases, our buyer went to the “contact us” portion of the site. In three cases (creditreporting.com, identityguard.com, myfico.com, and thefreecreditreportsourcesource.com), there was an explicit reference to a phone number, and sometimes an email address as well, through which cancellations were processed. In the remaining case, there was no reference to cancelling, but there was a toll-free telephone number for contacting the company.

Myfico.com’s cancellation policy is unique, combining a consumer-friendly practice with one actually less friendly. The Web site requires consumers to wait until at least the 23rd day of the 30-day free trial period before cancelling. This narrows the window during which consumers may exercise their right to cancel. On the other hand, myfico.com sends a reminder on the 23rd day. No other sites sent a reminder.

The CU buyer attempted to cancel all six services via telephone, and her experiences varied. The cancellation procedures for thefreecreditreportsourcesource.com were quick, easy, and friendly. The CU caller’s experience with myfico.com represented the other end of the cancellation spectrum. Her first phone call was disconnected before reaching an operator. Her second call required waiting twelve minutes on hold before being answered by an operator. Then, our buyer was asked a number of questions that were perceived as an aggressive effort to dissuade her from cancelling the service. Another disquieting cancellation experience occurred with nationalcreditreport.com. The basic procedure is to ask the consumer to leave a voice mail message, including his or her name and social security number. Many consumers may rightly feel uncomfortable leaving such information on an answering machine.

Four of the companies (credit.com, creditreporting.com identityguard.com,, thefreecreditreportsourcesource.com) provided our buyer with a reference number at the time of the call. Creditreporting.com also sent an email message confirming the cancellation. Myfico.com and nationalcreditreport.com provided no record of cancellation.

In sum, the results of the purchase experience undertaken as part of this study are based on only six Web sites and therefore, not definitive. It is important to note that all six companies charged the proper amount for their service and promptly honored cancellation requests. Sites varied widely with respect to ease of cancellation procedures and how to find them. Sites also differed in the number of types of credit scores provided, and there was additional, though small, variation in the exact numerical score yielded by scoring regimes based on the same data.

CONCLUSIONS

Best Practices

One might question the practice of offering “free” credit reports as an inducement to sign up for a credit monitoring service or offering “free” credit scores as an incentive to purchase credit reports – especially when the offers are made by the same entities required by law to provide consumers with genuinely free credit reports. It is the consumer who decides whether these offers are worth accepting, but Web publishers have a responsibility, at minimum, to clearly and conspicuously describe the various features of their offers, including the exact nature of the credit scores and reports to be provided.

They should also refrain from disparaging credit reports available from annualcreditreport.com. It might also be argued that Web publishers – at least those owned by or closely connected to Equifax, Experian, and Transunion – have a responsibility to disclose a consumer’s right to obtain free credit reports at annualcreditreports.com.

Based on the 24 Web sites analyzed in this study, we identified a variety of good practices that, taken together, should constitute a standard that all sites in this category should strive to maintain. These practices include (but are not restricted to):

1. Alerting consumers on the home page to the existence and services of annualcreditreport.com (see Table 2).

2. Avoiding statements such as “not all free credit reports are the same” that suggest credit reports provided by annualcreditreport.com are inferior to those provided by an alternative site.
3. Avoiding naming Web sites that might be confused with annualcreditreport.com, especially regarding use of the word “free.”
4. Specifying clearly and conspicuously the nature of each service offered, especially the exact type of credit score(s) that will be provided, as well as the service’s price.
5. Stating clearly and conspicuously the terms of any free trial period, which should be no less than 30 days (some sites offer a trial period of 7 days).
6. Refraining from charging anything, even a \$1 processing fee, during any free trial period.
7. Providing clear and conspicuous information about cancellation procedures for any free trial periods and minimizing hassles if a consumer chooses to cancel.
8. Refraining from using media coverage of a Web site or advertisements paid for by these sites as media endorsements of the Web site (contrast Lending Tree’s careful practices with the vague “as seen on TV” statements of freecreditreport.com and privacymatters.com)
9. Using well-known, third-party seals of approval to instill consumer confidence in a site’s privacy and security practices, especially in light of the sensitive personal information requested by Web sites as part of the enrollment process.
10. Refraining from asking irrelevant questions such as whether a person intends to buy a house or car in the next six months, which likely will be used to collect marketing data for other products and services.

Although none of the 24 sites met all ten criteria, some are living up to the majority. Three of the better sites were creditreporting.com, eloan.com, and experian.com. Interestingly, the first two are members of the Experian “family,” but the other six members of the Experian family do not fare as well. For example, freebiecreditreport.com contains the word “free” in its name, uses the word “free” forty-eight times on its home page, discourages consumers from using annualcreditreport.com, is not clear on the type of credit score a consumer will receive, uses the vague endorsement of “as seen in” *Newsweek*, *USA Today*, and *The Wall Street Journal*, and provides neither an email address nor a geographic address. Similarly, Transunion.com fared well on these criteria, but several members of its family did not score as well, including free3bureaucreditreport.com, free-credit-reports.com, freecreditreportsinstantly.com, and privacymatters.com.

Recommendations to Consumers

Some sites offer consumers a better financial deal than others do. There are a variety of “best buys,” or combination of buys:

1. For the consumer who wants to obtain the most for free and is able to cancel before the end of a **seven-day** trial period before charges are incurred, the best deal was found at spendonlife.com (a member of the privacymatters.com branch of the Transunion family). This was the only Web site that claimed to give the consumer all three credit reports and all three credit scores during a free trial period. However, there were some possible drawbacks. In addition to the short trial period, consumers were assessed an immediate but refundable \$1 processing fee. For the duration of the credit monitoring service, the consumer also had no choice about being charged an additional \$1 per month for membership in *SavingSmart*, a program of shopping discounts.
2. Another strategy is to sign up for a thirty-day free trial of **both** experian.com and transunion.com credit monitoring services, then cancel before the end of thirty days. This will yield one free report and score from each of these two credit reporting companies. Equifax does not offer a similar free trial period for its

credit monitoring service, but a consumer can obtain a free copy of his or her Equifax credit report via annualcreditreport.com and purchase an Equifax score for \$7.95. By combining these three actions, a consumer can obtain all three credit scores and all three credit reports for \$7.95, with the additional advantage of being able to stagger access to the services over several months. But consumers must remember to cancel services before the end of free trial periods.

3. Consumers willing to pay for the convenience of getting three credit reports in conjunction with three credit scores from a single site at a single time could shop nationalcreditreport.com. For \$23.95, the site provided three reports, three scores, and a first month of credit monitoring. The service can be cancelled after one month. There is no free trial and the \$23.95 monthly charge is recurring until cancellation.

4. If credit monitoring beyond one month is important to a consumer, several sites offer a free trial followed by a \$9.95 monthly charge for one credit report, one credit score, and monitoring via one of the three credit bureaus. Similar services covering all three bureaus can be purchased for as little as \$19.95 (and as much as \$39.95) per month.

5. Consumers Union recommends that consumers unbundle the purchase of scores, reports, and credit monitoring, at least initially. Start exercising your right under the FACT Act to obtain free copies of credit reports from each of the three credit agencies using annualcreditreport.com. For consumers also curious about their credit scores, one or more can be purchased at low cost when consumers access annualcreditreport.com. At the time of this study, prices for these scores were: \$5.95 for Experian, and \$7.95 for Equifax and Transunion. The total for all three is \$21.85. Contrast this amount with the \$47.85 one would pay for three scores and three reports from myfico.com or the \$39.95 charged by several other sites. Plus, using the strategy of optimizing the value of using annualcreditreport.com, the consumer can stagger access to reports across several months. After a consumer has reviewed the contents of all three credit reports and perhaps examined all three credit scores, he or she should then decide whether credit monitoring is likely to be of value (for example, as a means of detecting identity theft) and whether it is important to have unlimited access to one or all three credit reports and scores. Security freezes on credit reports, provided by law in a majority of states, may be a less expensive and more effective alternative to credit monitoring services as a means of preventing identity theft. To see which states have the security freeze, see: <http://www.consumersunion.org/SecurityFreeze.htm>

Study Limitations and Remaining Questions

A common criticism of surveys – whether of individuals or organizations – is that a sample is not representative of the larger population. This criticism is not applicable to the current study. The 24 Web sites studied were drawn from both the sponsored and non-sponsored search results of the two largest search engines in the United States (Google and Yahoo!). The resulting list nearly exhausts the number of sites from which consumers might purchase credit reports, scores, and monitoring services. It includes the major credit reporting agencies (Equifax, Experian, and Transunion), Web sites owned by or closely affiliated with these three agencies, and the original creator of credit scores (FICO).

One potential limitation of this study is that the world of credit-related Web sites is rapidly changing. Three months after data were collected, all 24 sites studied remain in business and continue to offer a variety of credit-related services. Whereas most sites remain unchanged, some had already made modifications to their services, prices, or disclosures. It is therefore important for the reader to consider these possible changes.

There are additional questions this study was not designed to answer. First, and most basic: How many consumers, and which types, are patronizing the various kinds of alternative credit reporting sites? How satisfied are they with their purchases? Some of the sites themselves suggest that business is good. For example, freecreditreport.com encourages consumers to “join over 20 million consumers who have already checked their free Experian credit report.” (This vague claim has several possible meanings. It could be interpreted to mean 20 million people have purchased their report from freecreditreport.com; this particular site and other alternative sites; or this site, other alternative sites, plus annualcreditreport.com.)

A second set of questions concerns consumers' interpretation of the various claims presented on credit reporting Web sites. For example, when a site offers "free credit reports and scores" does the word "free" refer to the reports only, or to the reports and scores? How do consumers interpret a phrase like "not all free credit reports are the same"?

Third, several of the studied Web sites state explicitly that repeatedly checking a person's credit report does not negatively affect a person's credit scores or ratings, but we were not necessarily convinced. The CU buyer noted variation (though slight) between two supposedly identical scores at virtually the same time, at least raising the possibility credit scores can in fact be influenced by requests to view credit reports.

Fourth, given the large number of offers based on the purchase of credit monitoring services, it would be useful to know how effective these services are in reducing the incidence or severity of identity theft. If credit monitoring is not effective in alerting consumers in a timely fashion to unusual and unexpected changes in their credit reports and scores, then credit monitoring services may not be worth even \$9.95 per month, the lowest price for this service.

In the end, it is up to the individual consumer – after considering preferences and circumstances – to decide whether the various services offering access to credit reports, scores, and/or monitoring services are worth their price. It is certainly advantageous for consumers that many offers involve a free trial period. At the same time, many of these services could be seen to be taking advantage of consumer ignorance or the desire to get something for nothing. The majority of consumers would be wise, therefore, to start exercising their right to free credit reports from all three of the major credit reporting companies *before* paying for anything else.

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Appendix 1: Final Credit Report Sample and Search Engine Source

1. consumerinfo.com GO,YO
2. credit.com GO
3. creditreport.com GS,GO,YS,YO
4. creditreporting.com GS,YS
5. eloan.com GO
6. equifax.com GO,YO
7. experian.com GO,YS,YO
8. free3bureaucreditreport.com GS,YS
9. Freebiecreditreport.com GS
10. free-credit-reports.com YO
11. freecreditreport.com GO,GS,YO,YS
12. freecreditreportsinstantly GS,YS
13. identityguard.com YO
14. lendingtree.com GO,YO
15. lexingtonlaw.com GS
16. moving-links.com YS
17. myfico.com GS,GO,YS
18. nationalcreditreport.com GS
19. privacymatters.com GS,YS
20. speedycreditreports.com YS
21. spendonlife.com GO
22. thefreecreditreportsourcesource.com GS
23. transunion YO
24. truecredit.com YO

Search Engine Code:

GO = Google Organic/Non-Sponsored

GS = Google Sponsored

YO = Yahoo! Organic/Non-Sponsored

YS = Yahoo! Sponsored

Appendix 2: Questionnaire

Date of Site Visit:

Part 1: IDENTITY

1.1. Enter URL:

1.2. Name of site, if substantially different from URL

1.3. Is there an explicit statement of purpose, mission, or customer benefit?

- YES
- NO Go to Question 1.6

1.4. What is the stated mission? Use the site's words if possible.

1.5. Where is this statement?

- Home Page
- About Us
- Other (please specify)

1.6. Does Website disclose ownership?

- YES, explicitly
- YES, implicitly or indirectly
- NO Go to Question 1.9

1.7. Who is the owner?

1.8. Where is this information?

- Home Page
- About Us
- Other (please specify)

1.9. Other than ownership, does the Website have other special arrangements with other entities, such as being powered by or affiliated with other companies?

- YES, please describe
- NO

1.10. Does Website provide contact information?.

- YES from the homepage
- YES but not directly from the homepage
- NO. Go to Question 1.12

1.11 What types of contact information? Check all that apply.

- Postal address
- Telephone number
- Email address
- Other
- No contact information provided

1.12. Does the site disclose that consumers can obtain a free copy of their credit reports by going to annualcreditreport.com?

- YES.
- NO. Go to Question 2.1

1.13. Where?

- On home page.

- Other (Specify)

Part 2: SERVICE OFFERINGS

This section describes a site's main consumer offering(s) or service(s)? For example, does it provide credit reports, credit scores, credit monitoring, debt analysis, and/or identity theft protection, and in what combination? SEPARATE ANY DISTINCT OFFERINGS.

Offering #1:

2.1. What is the offer (e.g, which credit score)? Check all that apply.

- Credit report(s)
- Credit score(s)
- Credit monitoring service
- Identity theft insurance
- Educational tools/specialists
- Credit or debt analyzer
- Other (specify)

2.2. How is the offering described? Use site's own wording or print and highlight relevant descriptions.

2.3. Is a credit score included in the offer?

- Yes, and the exact type(s) is specified
- Yes, but the exact type(s) is not specified. Go to Question 2.5
- No, not included. Go to Question 2.5
- Unable to determine. Go to Question 2.5

2.4. What type of credit score will be provided. Check all that apply.

- FICO
- Vantage
- Equifax
- Experian
- Transunion

2.5. Is anything offered for "free"?

- Yes
- No. Go to question 2.13

2.6. Just referring to scores and reports, what is offered for free? (Check all that apply)

- Multiple reports
- Multiple scores
- One report only
- One score only
- Unclear because of placement of word "free"
- Unclear for other reasons
- Other (specify)

2.7. In addition to any scores or reports, is anything else offered for free? (Check all that apply.)

- Credit monitoring service
- Identity theft insurance/recovery kit
- Credit/debt analyzer
- Educational tools/specialists
- Toll-free number and other customer service
- Other
- No

2.8. Is there a free trial period?

- Yes
- No. Go to question 2.13

2.9. How long is it?

- 30 days
- Other (specify)

2.10. Will credit card be charged during the trial period?

- Yes
- No
- Unable to determine. Go to 2.12

2.11. Where is this information about credit card charges?

2.12. How can the offer be declined before the end of the trial period? Check all that apply.

- Telephone
- Letter
- Unclear
- Email
- Website

2.13. What is the exact financial cost (one time or per month)?

2.14. After any trial period, is access one-time or unlimited?

- Unlimited
- Unlimited for some aspects, one-time for others
- One-Time
- Unclear

2.15. How many times, if any, does the word "free" appear on the home page?

- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10+ (Enter number)

2.16. Are there any other explicit or implicit claims that might be problematic anywhere on the Website?

2.17. Any other noteworthy features of or problems with the site?

Part 3: SECOND OFFER (if applicable)

3.1. What is the offer (e.g, which credit score)? Check all that apply.

- Credit report(s)
- Credit score(s)
- Credit monitoring service
- Identity theft insurance
- Educational tools/specialists
- Credit or debt analyzer
- Other (specify)

3.2. How is the offering described? Use site's own wording or print and highlight relevant descriptions.

3.3. Is a credit score included in the offer?

- Yes, and the exact type(s) is specified
- Yes, but the exact type(s) is not specified. Go to Question 3.5
- No, not included. Go to Question 3.5
- Unable to determine. Go to Question 3.5

3.4. What type of credit score will be provided. Check all that apply.

- FICO
- Vantage
- Equifax
- Experian
- Transunion

3.5. Is anything offered for "free"?

- Yes

No. Go to question 3.13

3.6. Just referring to scores and reports, what is offered for free? (Check all that apply)

- Multiple reports
- Multiple scores
- One report only
- One score only
- Unclear because of placement of word "free"
- Unclear for other reasons
- Other (specify)

3.7. In addition to any scores or reports, is anything else offered for free? (Check all that apply.)

- Credit monitoring service
- Identity theft insurance/recovery kit
- Credit/debt analyzer
- Educational tools/specialists
- Toll-free number and other customer service
- Other
- No

3.8. Is there a free trial period?

- Yes
- No. Go to question 3.13

3.9. How long is it?

- 30 days
- Other (specify)

3.10. Will credit card be charged during the trial period?

- Yes
- No
- Unable to determine. Go to 3.13

3.11. Where is this information about credit card charges?

3.12. How can the offer be declined after a trial period? Check all that apply.

- Telephone
- Email
- Website
- Letter
- Unclear

3.13. What is the exact financial cost (one time or per month)?

3.14. After any trial period, is access one-time or unlimited?

- Unlimited
- Unlimited for some aspects, one-time for others
- One-Time
- Unclear

Part 4: THIRD OFFER (if applicable)

4.1. What is the offer (e.g, which credit score)? Check all that apply.

- Credit report(s)
- Credit score(s)
- Credit monitoring service
- Identity theft insurance
- Educational tools/specialists
- Credit or debt analyzer
- Other (specify)

4.2. How is the offering described? Use site's own wording or print and highlight relevant descriptions.

4.3. Is a credit score included in the offer?

- Yes, and the exact type(s) is specified
- Yes, but the exact type(s) is not specified. Go to Question 4.5
- No, not included. Go to Question 4.5
- Unable to determine. Go to Question 4.5

4.4. What type of credit score will be provided. Check all that apply.

- FICO
- Vantage
- Equifax
- Experian
- Transunion

4.5. Is anything offered for "free"?

- Yes
- No. Go to question 4.13

4.6. Just referring to scores and reports, what is offered for free? (Check all that apply)

- Multiple reports
- Multiple scores
- One report only
- One score only
- Unclear because of placement of word "free"
- Unclear for other reasons
- Other (specify)

4.7. In addition to any scores or reports, is anything else offered for free? (Check all that apply.)

- Credit monitoring service
- Identity theft insurance/recovery kit
- Credit/debt analyzer
- Educational tools/specialists
- Toll-free number and other customer service
- Other
- No

4.8. Is there a free trial period?

- Yes
- No. Go to question 4.13

4.9. How long is it?

- 30 days
- Other (specify)

4.10. Will credit card be charged during the trial period?

- Yes
- No
- Unable to determine. Go to 4.13

4.11. Where is this information about credit card charges?

4.12. How can the offer be declined after a trial period? Check all that apply.

- Telephone
- Email
- Website
- Letter
- Unclear

4.13. What is the exact financial cost (one time or per month)?

4.14. After any trial period, is access one-time or unlimited?

- Unlimited

- Unlimited for some aspects, one-time for others
- One-Time
- Unclear

Part 5: ENDORSEMENTS

5.1. Does site contain any third-party endorsements (e.g., seals of approval; authoritative quotes)?

- YES
- NO. Go to Question 6.1

5.2. Does the site contain any seals of approval?

- YES
- NO. Go to Question 5.4

5.3. Which ones?

- Verisign
- BBB Online
- Other 1
- Other 2

5.4. Does it contain any other authoritative endorsements?

- YES. Please specify
- NO

Part 6: ADVERTISING AND SPONSORSHIPS

6.1. Does the site carry third-party advertising or sponsored links? Please describe them.

- YES. Please describe.
- NO

6.2. Does the site carry educational content about credit or other financial topics?

- YES. Please describe
- NO. Go to Question 7.1

6.3. Is there a clear division between educational content and services for sale?

- YES
- NO. Please comment. Then go to Question 7.1

6.4. How is this accomplished?

Part 7: INFORMATION REQUIRED

7.1. What specific information is required to sign up for service?

- Name
- Physical Address
- Telephone Number(s)
- Email Address
- Credit Card Information
- Social Security Number
- Date of Birth
- Other 1
- Other 2

7.2. Does any of this information seem unnecessary or unreasonable? Please describe.

Part 8: PRIVACY

8.1. Does the Website disclose its privacy policy?

- Yes, clearly
- Yes, but unclear and/or complicated
- No. Go to Question 8.4

8.2. If yes, is the privacy policy easily accessible from the home page?

- Yes
- No. Go to Question 8.4

8.3. If yes to 8.1, is the privacy policy easily accessible from every page?

- Yes
- No

8.4. Does the Website disclose how it uses any personal information it collects beyond the process of providing credit services? (Personal = personally identifying, such as name, address, phone number, email, and SSN)

- Yes
- No

8.5. Does the privacy policy or Website disclose whether and how the consumer can control future contacts from **the site** (as opposed to affiliates and third parties)?

- Yes, OPT-IN
- Yes, OPT-OUT
- Yes, you get no control
- No, it makes no mention of this

8.6. Does the privacy policy or Website disclose whether it shares personal information with **third parties**?

- Yes, OPT-IN
- Yes, OPT-OUT
- Yes, you get no control
- No because it does NOT share it with affiliates and/or third parties
- No, it makes no mention of this

8.7 How does the Website assure internet security. Check all that apply.

- SSL
- Firewall
- Padlock
- HTTPS
- Security Seals of Approval (see Question 5.3)
- Special Employee Training
- Other
- No Statement or Indication
- Says There is No Secure Connection

Appendix 3: Inter-rater Reliability

The research methods used in this study may be viewed as a form of content analysis, a technique most commonly used to analyze the content of written material. In content analysis, it is important that the judgments made about the written material be reliable, that is, consistent across different raters. (Reliability does not insure validity, that is, that the measure is being correctly interpreted, but a lack of reliability insures a lack of validity.)

Several steps were taken in this study to promote reliability. First, each of the 24 sites was rated separately by two researchers. Second, the researchers worked in advance of the actual data collection to promote consistency in their ratings. Specifically, the researchers applied the questionnaire to three Web sites that fell outside of the official sample of 24 Web sites. After independently recording data for first two sites, the two researchers compared their judgments and resolved any discrepancies. After collecting data from the third site, intercoder agreement was measured more formally. The percentage of inter-rater agreement was 93%.

Later in the study, after each researcher had collected data from eleven unique Web sites (i.e., 22 different sites), intercoder agreement was again measured formally by comparing judgments regarding the two remaining uncoded sites. The percentage of inter-rater agreements was 94% and 95% for these two sites. (The most common source of disagreement was with the respect to the exact number of times the word “free” appeared on Web site home pages.) After a discussion of the few discrepancies, each rater coded the eleven sites he had not yet examined. Through this procedure, each of the 24 sites was coded twice.

Researchers using content analysis typically employ measures of intercoder agreement that are more sophisticated than percentage of inter-rater agreement. These more complicated measures adjust for the fact that two or more raters can agree just by accident. The use of sophisticated measures of reliability is especially important when a study focuses primarily on a single overall quality, for example, whether a piece of text is positive or negative with respect to a particular political issue or whether an anonymous piece of text is likely to have been written by a particular author.

The use of sophisticated measures of reliability was not feasible in this study. There are 75 potential questions in the questionnaire, some of which are actually more than one question. For example, question 7.1 asks the researcher to check a box for each item in a list of specific information a consumer is asked to provide when signing up for an offer or service. Typical answers involved various combinations of a person’s name, physical address, telephone number(s), email address, credit card information, social security number, data of birth, and any other bits of personal information. Hence, this question can be viewed as eight questions. Applied to the entire survey, there were therefore more than a hundred opportunities for the two researchers to agree or disagree in their ratings. The large number of questions, as well as variety in the number of answer categories per question, obviated all but the simplest measures of inter-rater reliability. Hence, the percentage of rater agreements was used, even though it tends to overstate the extent to reliability.