



Senator Jerry Hill, 13th Senate District

SB 823 – Free Credit Security Freezes – Factsheet

IN BRIEF

SB 823 will allow consumers to place a freeze on their credit free of charge.

THE PROBLEM

In today's digital world, data breaches and hacks are an unfortunate common occurrence, resulting in the release of sensitive personal information, such as social security numbers, credit card information, and log-in names and passwords.

With the seemingly continual exposure of their personal information, Californians may want to freeze their credit with the three major credit reporting agencies – Equifax, Transunion, and Experian. A security freeze is one of the best measures to prevent against identity theft. A security freeze prevents access to a person's credit, thereby prohibiting new accounts and financial transactions, such as car loans and mortgages, from being opened in that person's name.

However, for most people security freezes aren't free in California. Current law, with a few exceptions, allows credit reporting agencies to charge individuals as much as \$10 to lock down their credit by placing a freeze – and charge up to \$10 to lift the freeze. Since there are three credit reporting agencies, each time credit information is compromised, a person would have to spend \$30 to freeze credit access and another \$30 to unfreeze it.

Californians don't have a choice to interact with the three credit reporting agencies – it's a fact of life. The three credit reporting agencies maintain credit history data to determine a person's credit-worthiness. Businesses such as banks rely on the credit reports produced by the reporting agencies to determine whether to loan money to an individual. An individual's credit is checked when borrowing money to buy a car or purchase a home, or to simply enter into a cell phone contract. Given the prominent role that credit reporting agencies play in Californian's lives, they should be able to control access to their credit, free of charge.

BACKGROUND

The hacking of credit reporting agency Equifax, made public in September, months after incursion, exposed the personal data and credit information of more than 145 million American consumers. The hackers gained

access to names, social security numbers, birth dates and driver's license numbers. Other massive data breaches involved:

- **Yahoo:** At least 3 billion accounts were compromised in 2013, exposing names, email address, birth dates, telephone numbers and passwords.
- **Ebay:** 145 million users' names, addresses, birth dates and passwords were comprised when the firm was hacked in 2014.
- **Target:** 70 million customers were affected by the exposure at the height of the December 2013 holiday season of personal information that included street addresses, email addresses and telephone numbers.
- **Federal Office of Personnel Management:** The personal information of 22 million federal workers, including sensitive data such as security clearances and social security numbers, was compromised in 2015.
- **Anthem:** At least 78 million Anthem customers' names, social security numbers and birth dates and other personal information related to their medical records were exposed in a 2015 data breach.
- **Experian/T-Mobile:** 15 million T-Mobile customers' names, social security numbers, dates of birth, addresses and driver's license numbers were stolen by hackers who breached the data system of Experian, which processed T-Mobile credit applications.

California Civil Code §1785.11.2 allows a person to place a freeze on their credit. The law also allows credit reporting agencies to charge a fee up to \$10 for placing and removing a freeze and waive the fee under the following conditions:

- If the person seeking or lifting the freeze was the victim of identity theft and has a police report to prove it (CIV §1785.11.2 (m)(1)).
- If the person is 65 or older, placing a freeze is free but removing a freeze can result in as much as a \$5 fee (CIV §1785.11.2 (m)(2)).

- If the person is under 16 years old or in foster care (CIV §1785.11.11 (i)(3)(B)-(C)).

According to the [U.S. Public Interest Research Group](#) (U.S. PIRG), there are only four states that allow free credit freezes and thaws – Indiana, Maine, and North and South Carolina. U.S. PIRG further reports that 158 million consumers between ages 18-65 live in states that allow for freeze fees. If all 158 million people needed to pay for a freeze it would cost consumers a combined \$4.1 billion.

The three credit reporting agencies maintain credit history information to determine a person's credit-worthiness. Businesses rely on the credit reports produced by the reporting agencies to determine whether or not they want to loan money or do business with someone.

THE SOLUTION

SB 823 will eliminate the fees for placing or lifting a freeze on a person's credit. The bill will also clarify that Californians can request a credit freeze online, as opposed to just through the mail. Additionally the measure will allow consumers to place a freeze with one agency and then requires that agency to notify the other reporting agencies; thus saving the consumer valuable time and resources. Additionally with this approach, consumers will only have to keep track of one pin/password instead of three when they want to unfreeze their credit.

SUPPORT

FOR MORE INFORMATION

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