

## Barriers to the Use of Security Freezes by Older Consumers

*Most states have passed “security freeze” laws allowing consumers to shield their credit reports from identity thieves. A new AARP survey shows older consumers are largely unaware of the existence of this important protection, and would be more likely to take advantage of security freezes if the process of placing and using the freeze was easier and less costly.*

### Introduction

Identity theft–related fraud continues to dominate the Federal Trade Commission’s (FTC) list of top frauds.<sup>1</sup> One recent national study estimated that 15 million Americans were victimized by identity theft–related fraud in the 12 months ending in mid-2006.<sup>2</sup> As a result, preventing identity theft and related frauds has been a top priority for consumer advocates, lawmakers, and regulators.

State legislators in particular have been passing laws designed to help protect consumers from these crimes. These laws have focused primarily on two areas of consumer protection. One group of laws mandates notifying consumers when an information security breach at a business or other covered entity places consumers’ sensitive personal information at risk of use by identity thieves. As of the writing of this report, 34 states have passed laws related to security breach notification.<sup>3</sup>

A second group of laws provides security freezes that allow consumers to block access to their credit reports to prevent identity thieves from using stolen personal

information<sup>4</sup> to establish new credit in the victim’s name. This is achieved by issuing a unique passcode to a consumer who requests a security freeze. Because most businesses do not open new credit accounts without first examining a consumer’s credit report, the security freeze will block any identity thief who has acquired a victim’s personally identifiable information, but does not know this passcode. For the security freeze to be as effective as possible, consumers should freeze their credit report at each of the three national credit bureaus.

As of the writing of this report, 39 states and the District of Columbia have passed laws allowing consumers to place a security freeze on their credit reports.<sup>5</sup> While three of these state laws limit availability of security freezes to identity theft victims only, the other states allow any consumer to proactively place a security freeze on their credit reports.

The number of states with security freeze laws has expanded greatly in the past two years, but it is unclear how many consumers in states with such laws are aware of their right to use a security freeze. Consumers also face a number of other potential barriers to using security freezes. This report gauges awareness of security freezes among consumers age 50 and older and identifies potential barriers to the use of such freezes.

<sup>1</sup> Federal Trade Commission. (2007, February). *Consumer Fraud and Identity Theft Complaint Data–January– December 2006*.

<http://www.consumer.gov/sentinel/pubs/Top10Fraud2006.pdf>

<sup>2</sup> Gartner Research press release. (2007, March 6). *Gartner Says Number of Identity Theft Victims Has Increased More Than 50 Percent Since 2003*.

<http://www.gartner.com/it/page.jsp?id=501912>

<sup>3</sup> A list of states that have security breach notification laws is available at:

<http://www.pirg.org/consumer/credit/statelaws.htm#breach>.

<sup>4</sup> This could include information such as Social Security number, date of birth, mother’s maiden name.

<sup>5</sup> A list of states that allow consumers to place security freezes on their credit reports is available at:

[http://www.consumersunion.org/campaigns/learn\\_more/003484indiv.html](http://www.consumersunion.org/campaigns/learn_more/003484indiv.html).

## Methodology

AARP selected a number of states in which to conduct a survey to measure consumers' awareness of the availability of security freezes and to identify potential barriers to placing and using a security freeze.

The states were selected based on two criteria:

1. The state allowed all consumers to proactively place a security freeze on their credit report.
2. The security freeze law had been in effect for at least one year before the date of the survey.

The seven states that met these criteria are listed in Table 1.

**Table 1: States Surveyed**

State	Fees*	Effective Date
California	ID theft victims: none; Others: \$10 to place freeze, \$10 for temporary global thaw of freeze, \$12 for temporary thaw of freeze for one creditor	January 2003
Connecticut	\$10 to place, lift, or thaw; \$12 to thaw for one creditor	January 2006
Louisiana	ID theft victims and residents age 62 or older: none; Others: \$10 to place, \$8 to thaw	July 2005
Maine	ID theft victims: none; Others: up to \$10 to place, remove, thaw, have PIN reissued, \$12 for thaw for a specific creditor	February 2006
Nevada	ID theft victims: none; Others: up to \$15 to place, \$18 to thaw, \$20 to thaw for one creditor	October 2005
New Jersey	None for initial freeze, \$5 to remove, thaw, or have PIN reissued	January 2006
North Carolina	ID theft victims: none; Others: \$10 to place, remove, or thaw	December 2005

\*As of the survey date

A random digit dialing process was used to create a representative sample of adults age 18

and older. The survey was conducted during April and May 2007 and had a total sample of 8,412 respondents.<sup>6</sup> Each of the seven states had at least 1,200 completed interviews. The resulting data were weighted to reflect the actual distribution of age and gender for the population. While survey responses were generally similar across age groups, this report discusses only the responses of older consumers (age 50 and older).

## Findings

### Older Consumers Are Concerned about Becoming an Identity Theft Victim

The survey found that most older consumers are concerned about identity theft. Overall, 81 percent of older consumers indicated they were concerned about becoming a victim of identity theft, with over half of all respondents (55%) saying they were either “extremely” or “very concerned” about becoming a victim.

### Most Older Consumers Are Not Aware of Security Freezes

The survey found that less than one-third of respondents (31%) indicated they had read or heard that they could block creditors or lenders from using their credit report without the respondents' permission to establish new credit in their name. Of the respondents indicating they were aware of this fact, 88 percent said they do not know the name of this service. Only 2 percent could provide the term “security freeze,” and an additional 2 percent provided an answer that had the word “freeze” in it. Without knowing the specific name of the security freeze, consumers would likely find it more difficult to locate information about placing a security freeze on their credit reports.

Respondents who indicated they were not aware that they could block their credit report from being used to establish new credit without their permission were read a series of names of identity theft protection services. Based on this list, 3 percent of these respondents identified the term “security

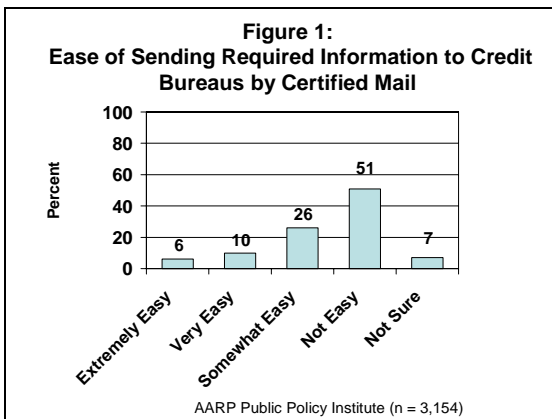
<sup>6</sup> The sample yields a maximum statistical error of  $\pm 1.07$  percent at the 95 percent level of confidence.

freeze” as being familiar to them. This suggests that, although these respondents may have heard the term “security freeze,” they did not understand how the security freeze works and why it would protect them from identity theft–related fraud.

Older Consumers Face a Number of Other Barriers to Using a Security Freeze

Respondents were asked where, besides the credit bureaus, they would turn for more information about security freezes. More than half (57%) responded that they did not know where they could turn for further information about such freezes. For those who could think of a place they would consult for more information, 30 percent said they would turn to their bank or credit union.

In addition, most respondents indicated that it would not be easy for them to provide the information credit bureaus require to place a security freeze<sup>7</sup> and send it to each of the three national bureaus by certified mail as required by most state laws (Figure 1).

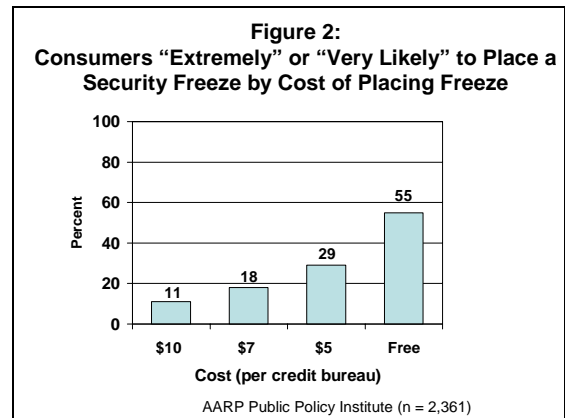


<sup>7</sup> Credit bureaus typically require consumers to provide the following information when requesting a security freeze: full name and address; Social Security number; date of birth; a copy of a government-issued identification card (such as a driver’s license); a copy of a utility bill, bank statement, or other proof of address; and payment information (when a fee is associated). Identity theft victims must also include a copy of a police report or an identity theft affidavit to verify their claim.

Another barrier identified was the time it takes consumers to thaw (temporarily lift) the security freeze when they want to unfreeze their credit report to establish new credit. When respondents were asked how important it was to them that they be able to lift the security freeze within 15 minutes of their request, two-thirds (66%) said it was important to be able to do this. As of the time of the survey, none of the states surveyed required these “rapid thaws”; rather, they required consumers to wait several days before a thaw would take effect and they could establish new credit.<sup>8</sup>

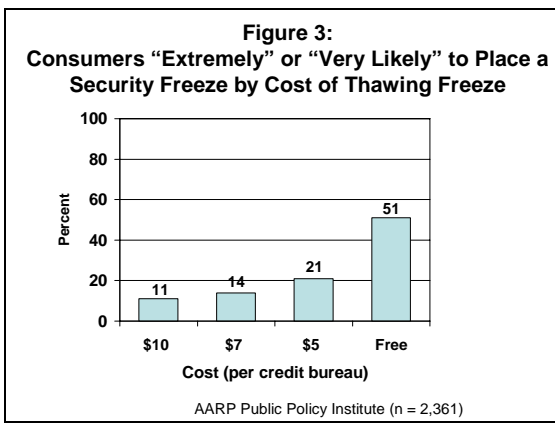
Cost of Placing and Thawing a Security Freeze is Important to Older Consumers

Respondents were asked about the likelihood of their placing a security freeze based on the cost of placing the freeze. As the cost of placing the security freeze declined, the number of consumers indicating they would be likely to place a security freeze increased (Figure 2).



Similarly, respondents indicated they were more likely to place a freeze as the cost of thawing the freeze to obtain new credit declined (Figure 3).

<sup>8</sup> A rapid thaw of a security freeze (within 15 minutes of the consumer request) could be accomplished by using a toll-free phone number or secure Internet connection that uses appropriate security measures. Currently, consumers nationwide are able to use these methods to request a copy of their credit report.



**Summary**

The results of this survey indicate that older consumers’ primary barrier to using security freezes is that they are largely unaware of the security freeze as a tool to protect themselves against identity theft–related frauds. Few older consumers readily recognize the term “security freeze,” which makes it much less likely that they will be able to determine how to block their credit reports. In addition, most respondents do not know where to turn for more information about security freezes, which further reduces the likelihood that they will be able to access this important protection against fraud.

Older consumers find the procedures required to place a security freeze at the national credit bureaus to be difficult, and they want to be able to thaw the security freeze quickly so they can establish new credit quickly. Further, older consumers are sensitive to the cost of placing and thawing a security freeze and are less likely to use a freeze when either of these is expensive.

**Recommendations**

Legislators and regulators can take a number of actions to make security freezes easier for consumers to use. These include:

- Provide resources for educational campaigns to increase awareness and understanding of security freeze use and provide resources for consumers seeking additional information on security freezes.

- Keep the cost of placing and thawing security freezes low to encourage more consumers to use the important protections such freezes provide.
- Make it easier for consumers to place a security freeze on their credit reports by using a secure electronic or phone application process.<sup>9</sup> Requiring them to send financial and personal documentation to each of the three national bureaus by certified mail is difficult for many consumers and makes them more likely not to use security freezes.
- Allow consumers to thaw the security freeze on their credit reports rapidly so they can obtain credit in a timely manner.

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<sup>9</sup> For example, Minnesota and North Dakota allow consumers to place a security freeze by using a toll-free number.