

# Identity Theft Protection: Gauging Support among Adults 18+ in Delaware, Oklahoma, and South Carolina For Security Freeze Legislation

Presented By Jennifer H. Sauer, M.A., AARP

## Introduction

With an estimated annual cost of about \$50 billion to businesses and about \$5 billion to individuals, identity theft is becoming one of the fastest growing financial crimes.<sup>1</sup> In their latest report, the Federal Trade Commission estimated that approximately 10 million Americans are victims of this crime each year. While data from the Federal Trade Commission showed that the majority of complaints regarding identity theft were made by people younger than 50 years old, a national survey conducted by AARP found older persons to be disproportionately more vulnerable and susceptible to unfair or deceptive business practices.<sup>2,3</sup> In fact, adults age 75 and older were twice as vulnerable to identity theft than those ages 65 to 74, and three times more vulnerable to this type of crime than those younger than 65. The AARP survey also found that people aged 50 to 64 were more likely than either those younger or older to feel they have been a fraud victim.

At the time this survey was fielded, some states had implemented, and many more were considering Security Freeze legislation that would enable consumers to freeze or lock their credit files from view by a third party without their consent or authorization. This service would keep identity thieves from opening new credit lines in the name of a potential victim, even if the thief has the victim's full name or Social Security number.

## AARP and Information Privacy Policy

AARP supports states strengthening protections against identity theft in areas not clearly preempted by federal law including enabling *all* consumers to place a security freeze on their credit files. While offering a way to help consumers protect their personal financial information from identity thieves, security freeze legislation in the states would allow the three largest credit reporting agencies (CRA) to charge fees to sign up and/or to lift the freeze for credit review and approval for a new loan.

AARP is engaged in advocacy on the state level to require the CRAs to offer consumers a tool that empowers them to protect their most sensitive information from potential identity theft. **AARP believes that current laws do, and proposed security freeze legislation would, allow CRAs to charge fees that are excessive, thereby potentially discouraging consumers from taking personal action to protect themselves from a potential fraud crime.**

---

<sup>1</sup> Walters, N., *Identity Theft: An Update on the Experience of Older Complaints*. 2004 AARP Public Policy Institute, Data Digest number 12.

<sup>2</sup> Federal Trade Commission (FTC). *Identity Theft Survey Report* (September 2003). <http://www.ftc.gov/os/2003/09/synovatereport.pdf>

<sup>3</sup> AARP, *Consumer Behavior, Experiences and Attitudes: A Comparison by Age Groups*. March 1999.

## Survey design and methodology

In March 2006, AARP commissioned Woelfel Research, Inc. to conduct a tri-state survey. The three state-level surveys were conducted between March 17<sup>th</sup> through March 28<sup>th</sup> 2006 in Delaware, Oklahoma, and South Carolina where Security Freeze legislation was actively being considered. The total number of completed surveys is 1,203 with 402 completed surveys in Delaware, 400 completed surveys in South Carolina, and 401 completed surveys in Oklahoma. Residents ages 18 and older were surveyed in each state. The maximum statistical error for all 1,203 completed cases is +/-2.8 percent and the overall response rate is 16 percent and the overall cooperation rate is 77 percent. The response rate for this study measured using AAPOR's response rate 3 method.

The maximum statistical error for each of the three state surveys is +/- 4.9 percent. The response rate and cooperation rate for each of the three states is as follows:

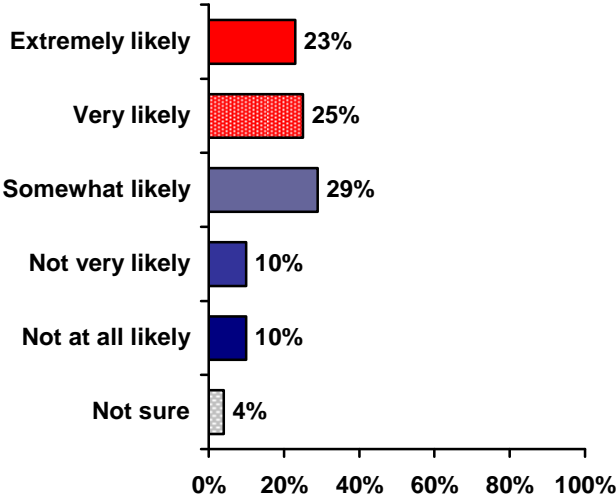
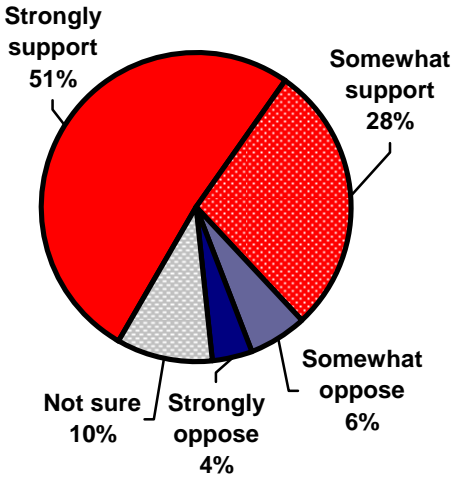
- Delaware RR3 = 13 percent and COOP3 = 79 percent
- Oklahoma RR3 = 19 percent COOP3 = 76 percent
- South Carolina RR3 = 16 percent COOP3 = 76 percent

Survey responses for each state were weighted to reflect the distribution of age and gender of adults 18 and older in those states. The total sample of 1,203 is also weighted by age and gender based on the three states combined.

The response rate is Response Rate 3 and the cooperation rate is Cooperation Rate 3 from the following publication: The American Association for Public Opinion Research. 2005. *Standard Definitions: Final Dispositions of Case Codes and Outcome Rates for Surveys*. Ann Arbor, Michigan: AAPOR

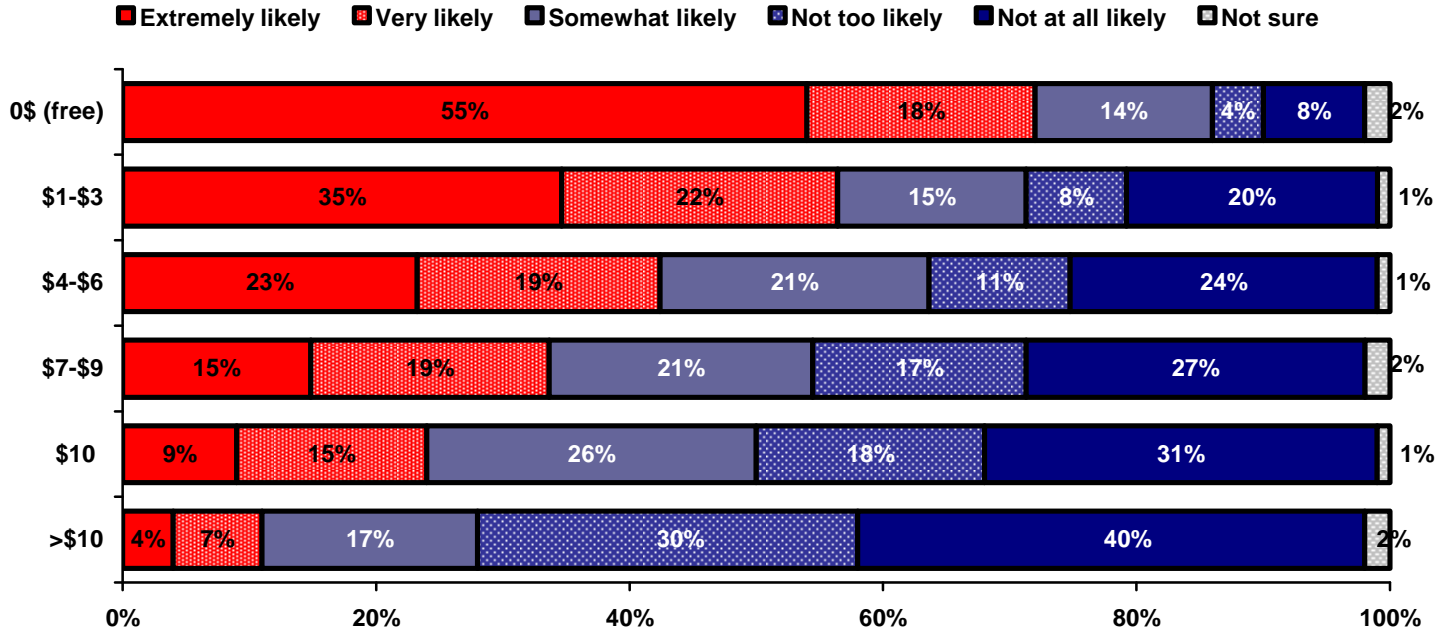
Consumers in all three states show high support for Security Freeze legislation in their state, and absent any mention of fees, many would be likely sign up to place a freeze on their credit files if this service were available in their state.

**Support for Security Freeze Legislation (N=1,203 DE,OK,SC Residents 18+)**      **Likelihood of Signing Up for Security Freeze (N=1,203 DE,OK,SC Residents 18+)**

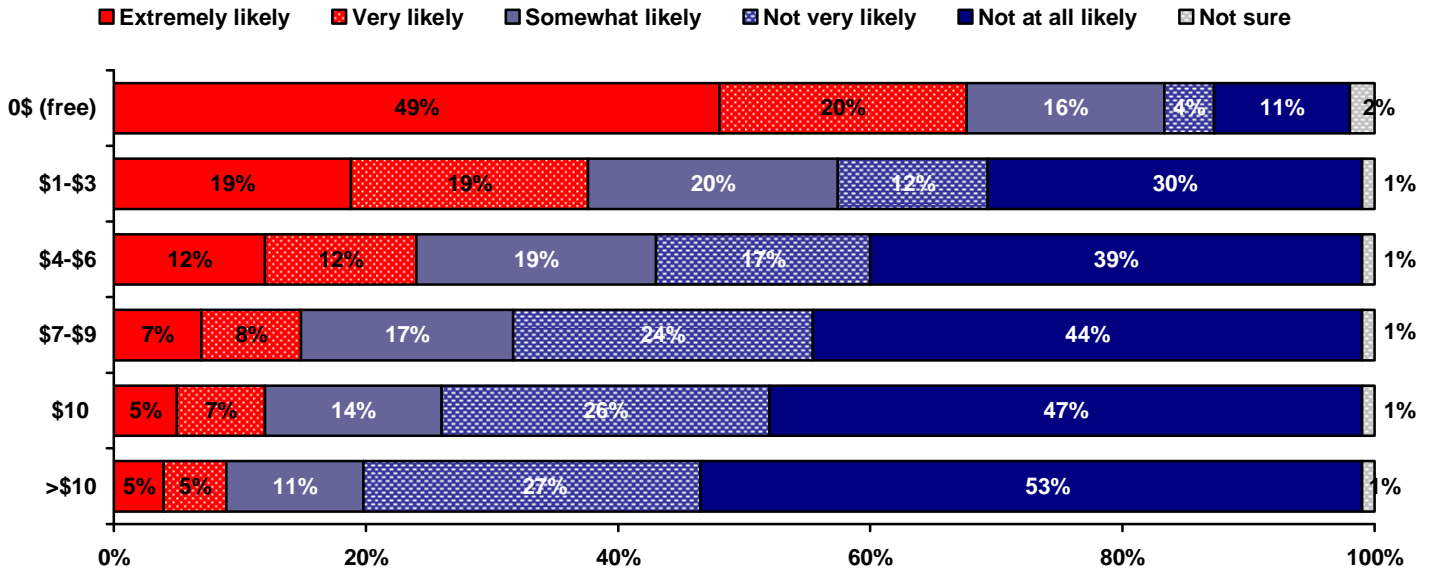


However, after considering the possibility of having to pay the three major credit bureaus a fee to place or lift a credit freeze, likelihood of signing up for the services noticeably decreases as the majority say they are extremely or very likely to participate in this service if they do not have to pay such fees.

**Likelihood of Signing up for Credit Freeze Based on Activation Fee Alone  
(weighted N=1,203 DE, OK, SC Residents 18+)**



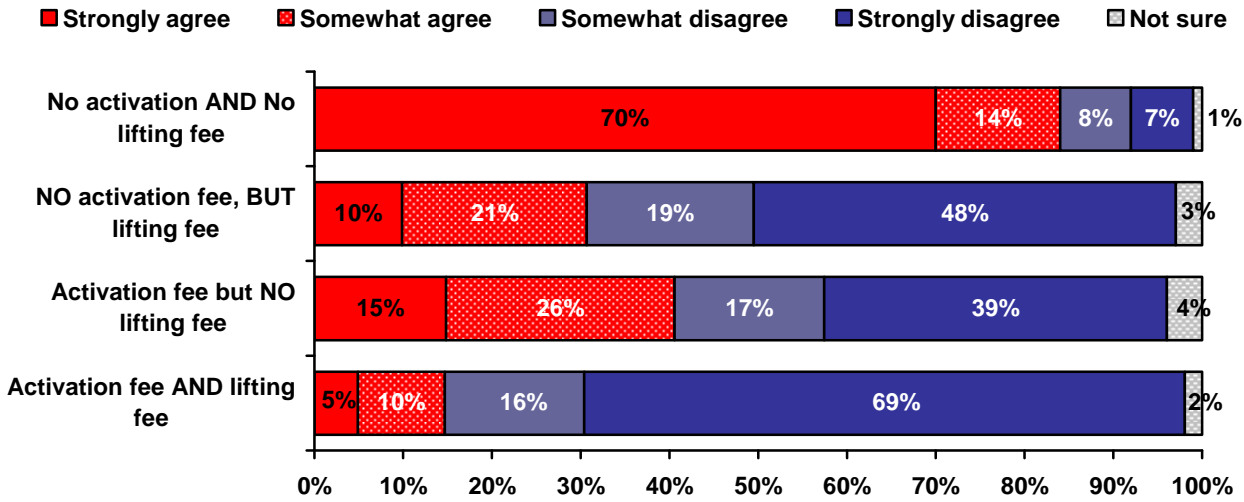
**Likelihood of Signing up for Credit Freeze Based on Lifting Fees But NO Activation Fee  
(weighted N=1,203 DE, OK, SC Residents 18+)**



The data indicate that a considerable number of consumers in the state will tolerate minimal fees (such as between \$1 and \$3 and between \$4 and \$6) to place a freeze on their credit files if there is no fee to lift it, but fewer will tolerate being charged similar fee amounts each time they need to lift the freeze regardless of an activation fee. Fewer still are likely sign up for this service if they face being charged a fee to both activate a freeze and to lift it.

The notion of paying fees to place a freeze on their credit files or lift it clearly determines whether consumers will sign up for this service if offered in their state. Moreover, most strongly agree that the state should not allow the credit bureaus to charge either an activation fee or a lifting fee.

**Level of Agreement That State Allow Credit Bureaus to Charge Consumers  
Activation and Lifting Fees  
(weighted N=1,203 DE, OK, SC Residents 18+)**



## Recommendations Based on Survey Findings

The data from this survey show that Security Freeze legislation would be well received by consumers and they would be eager to sign up with the major credit bureaus to place a freeze on their credit files to protect them from identity thieves or fraud *if* they do not have to pay a fee to activate the freeze or a fee anytime they want to lift it. If the state determines that credit reporting agencies may charge fees for this service, those agencies may help protect a greater number of consumers in the state if they keep those fees under \$7, but preferably under \$4, as well as consider charging a fee only to activate a freeze rather to lift it.

### Security Freeze Legislation – Then and Now

Since the results of the survey have been released, both Delaware and Oklahoma have passed security freeze laws and they are currently in effect. Security freeze legislation in South Carolina is still pending.

California was the first state to sign Security Freeze legislation into law in 2003. **By the time this report was published in April 2006, 14 states had passed security freeze laws, and only 7 had the law in effect.** The state laws varied as to who could place a freeze (all consumers versus only victims of identity theft), fees for placing, and fees for lifting. Today, 35 states plus the District of Columbia have security freeze laws signed. Most states enacted victim only laws have since either changed their law to allow all consumer the opportunity to place a security freeze or are moving in that direction. Currently only three states remain victim only laws. Several of the most recently passed state laws are requiring lower fees than other states have in the past.

Security Freeze Laws Signed by Published Date of Survey Findings	Security Freeze Laws Signed as of May 2007
[INSERT MAP]	[INSERT MAP]

Adapted from maps and data provided by AARP Public Policy Institute and ConsumersUnion.org/Financial PrivacyNow.org

*“This survey data helped AARP develop a national strategy for state level identity theft advocacy that included making the price of a security freeze a priority issue. To further our advocacy efforts, we used the data -- and the strength of the consumer attitudes it measured -- to educate both our state level advocates and legislators as they worked on security freeze legislation.”* **Adam Goldberg, J.D., Senior Legislative Representative, State & National Initiatives, AARP**

*“I cannot remember all of the detail of what I used from the survey, other than the statistic that [the majority] support security freeze legislation in Delaware. I used another survey result in my House Committee testimony, but I cannot remember the specifics. The survey definitely helped us demonstrate support.”* **Brian Posey, Associate State Director of Advocacy, AARP Delaware State Office**

### **Additional Resources and Information:**

**ConsumersUnion.org**, Nonprofit Publisher of Consumer Reports, FinancialPrivacy.org  
[http://www.consumersunion.org/campaigns/learn\\_more/003484indiv.html](http://www.consumersunion.org/campaigns/learn_more/003484indiv.html)

**AARP** (2006) Sauer, J. Freeze Legislation: Consumer Attitudes on Paying Activation and Lifting Fees

**AARP** (2006) Surveys of Age 18+ Residents in Delaware, Oklahoma and South Carolina  
[http://www.aarp.org/research/frauds-scams/fraud/credit\\_freeze.html](http://www.aarp.org/research/frauds-scams/fraud/credit_freeze.html)

**AARP** (2007) Sauer, J. Whose credit is it anyway? A survey of Washington state adults 18+ about security freeze legislation. [http://www.aarp.org/research/credit-debt/credit/wa\\_freeze\\_2007.html](http://www.aarp.org/research/credit-debt/credit/wa_freeze_2007.html)

**Eisenstein, E.M. (2006)** Marginal Cost to Provide a Security Freeze by a Credit Bureau  
*Analysis by Dr. Eric M. Eisenstein, Johnson Graduate School of Management, Cornell University*

**Eisenstein, E.M. (2006)** Marginal Cost to Provide Security Thaw by a Credit Bureau  
*Analysis by Dr. Eric M. Eisenstein, Johnson Graduate School of Management, Cornell University*