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Good Morning Madam Chairman and committee members and thank you for holding a hearing on Assembly Bill 565.

Identity theft related to security breaches has become a common and growing problem, with many large companies affected in recent years. This fall every one of the three major consumer credit reporting agencies was affected, with a breach at Equifax possibly exposing the social security and driver's license numbers of as many a 145 million Americans to hackers. Anyone who has any type of a credit history may have been affected, because the major consumer credit reporting agencies compile credit data.

Consumers are advised to place a credit freeze on their credit reports if they suspect any of their personal data may have been compromised. Since the reporting agencies don't share requests for credit freezes a consumer must request a freeze from each of the three main agencies. Wisconsin is one of the states that allows the agencies to charge for this service, with a maximum fee of ten dollars for each request. Our state also allows the agencies to charge ten dollars to remove the freeze, which would be necessary at the time the consumer desired to open any new credit card accounts.

So in the case of a security breach, a consumer who suspects their data may have been affected would have to pay as much as \$60-ten dollars to each of the three major reporting agencies to place the credit freeze, and another ten dollars to each agency to eventually remove the freeze. This in spite fact that the breach was no fault of the consumer.

AB 565 corrects this situation by prohibiting a credit reporting agency from charging a consumer to place or remove a credit freeze, or for a request to release a credit report if a freeze is in place, or to charge those who are requesting to place or remove a freeze on behalf of a person under the age of 16 or for someone who has a guardian or conservator acting on their behalf.

It's bad enough to have your personal data compromised through no fault of your own. It compounds the injustice when you have to pay for someone else's failure to properly secure the data they have been entrusted with.

Again thank you for holding this hearing and I would be glad to answer any questions.



PATRICK TESTIN

STATE SENATOR

DATE: December 19th, 2017

RE: **Testimony on 2017 Assembly Bill 565**

TO: The Assembly Committee on Consumer Protection

FROM: Senator Patrick Testin

I want to begin my testimony by thanking Chairperson Duchow and the members of the committee for taking the time to hold this hearing on Assembly Bill 565 (AB 565), which would eliminate fees related to security freezes on consumer credit reports.

The idea for this legislation was brought to me by a constituent named Tim from Junction City in the wake of the news about the massive Equifax security breach. Tim was upset that he had to pay ten dollars each to the three credit reporting agencies to freeze his credit, and then pay those three installments again to unfreeze his credit. Considering the fact that our credit data belongs to us, it seems unfair that we should have to pay to limit or grant access to it.

These payments are relatively new. The State of Wisconsin has only allowed the credit reporting agencies to charge these fees since the passage of 2005 Wisconsin Act 140, a larger bill that dealt broadly with credit reports. Across the country, states differ on what they allow the agencies to charge. Illinois allows ten dollars, Minnesota allows five, and in Indiana it's free. AB 565 would bring us in line with Indiana by not allowing credit reporting agencies to charge a consumer for freezing or unfreezing their credit. In order to curb any attempts to abuse this, Rep. Ott and I are in the process of drafting an amendment that limits a consumer to twelve free changes in credit status per year.

I hope you will join me in supporting this consumer friendly, constituent driven piece of legislation. In an age where data breaches and hacking have become an all too common occurrence, and names and identities are being sold on the dark web, it's not right to have a fee associated with the control of one's own credit. Thank you for your consideration of Assembly Bill 565.



State of Wisconsin
Governor Scott Walker

Department of Agriculture, Trade and Consumer Protection
Sheila E. Harsdorf, Secretary

December 19, 2017

To: The Honorable Cindi Duchow, Chair
Members of the Committee on Consumer Protection

From: Michelle Reinen, Director
Bureau of Consumer Protection

Re: AB 565 - fees related to security freezes on consumer credit reports.

Thank you for allowing the Department of Agriculture, Trade & Consumer Protection the opportunity to provide information on AB 565.

Many consumers have expressed concerns about identity theft. This bill provides them with a tool they can use to protect their personal information. Under current law, unless a person was the victim of identity theft, a credit reporting service may charge up to \$10 to place or remove a security freeze. A \$10 fee may also apply to persons who authorize release of a credit report. This bill prohibits charging anyone a fee for these services.

We reviewed 132 consumer complaints that were filed following the Equifax data breach. Of those, 33 consumers complained about being required to pay a fee. Some mistakenly believed the State of Wisconsin was collecting the fee, rather than the credit reporting agency. Others felt that the fee was too high to utilize some or all of these tools to protect themselves from identity theft and the effect of data breaches.

All fifty states and the District of Columbia have enacted legislation allowing consumers to place security freezes on their credit reports. Wisconsin is one of 28 states, including Michigan, Iowa, and Illinois, to permit companies to charge \$10 for this service. This \$10 fee is the most any state allows. If this bill becomes law, Wisconsin would be one of 8 states to prohibit charging a fee. The following chart summarizes fees charged nationwide and by the surrounding states.

Fee Amount	Number of States
\$10.00	28
\$7.50	1
\$6.00	1
\$5.00	12
\$3.00	3
\$0	7

Fee Amount	Surrounding State
\$10.00	Illinois
\$0	Indiana
\$10.00	Iowa
\$10.00	Michigan
\$5.00	Minnesota
\$5.00	Ohio

Thank you for the opportunity to provide information on AB 565. I would be happy to answer any questions.

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December 19, 2017

TO: Members of the Assembly Committee on Consumer Protection

FROM: Jay Handy, CEO, SignalPoint Asset Management; managing partner, Walnut Capital Management

RE: Assembly Bill 565

Dear Chairman Duchow and members of the committee:

Thank you for the opportunity to speak today. I have been involved in the financial management industry since the 1980s, the first decade or so in Massachusetts and for the last two decades primarily in Wisconsin.

I have worked in national firms as well as smaller operations, most recently being one of the founders of SignalPoint Asset Management and Walnut Capital Management, which have offices in Wisconsin as well as other states.

No matter the setting, I have always believed that an open, transparent and well-functioning credit system is essential to our economy. That's why I support Assembly Bill 565 today.

This bill would prohibit a credit reporting agency from charging fees on security freezes, either placing or removing them. Current law generally permits a credit reporting agency to charge a fee of up to \$10 for:

- Each request to place a security freeze on a consumer credit report;
- Each authorization to release a consumer credit report despite a security freeze, and;
- Each request to remove a security freeze from a consumer credit report.

In the past, many states let credit bureaus charge customers a fee to freeze and unfreeze access to their credit report. When a freeze is "on," no company other than existing creditors can gain access to a consumer's report at that credit bureau. That's good, so far as it goes.

However, consumers must often freeze or unfreeze credit at three bureaus to be protected in this age of cybersecurity breaches. If a freeze is not "on" at one bureau, thieves with a consumer's personal data might be able to open a credit account in that person's name. In other words, if one barn door is open, they all are.

I have a personal story that brings me here today: Many of you are aware that within the past six months, a major credit agency had a breach of about 143 million files. I was on the list of people whose records were at risk. I devoted an hour to freezing each account when the problem was caused by the agency itself. I had the \$10 to pay for freezing each account, but the fee process added insult to injury. What about the people who don't have the \$10, who don't know the system as well as I do, and who may be most vulnerable to such attacks?

Faith in the credit system is necessary for commerce – and it's necessary for consumers who seek protection for those who might seek to take advantage of their personal information. Removing fees that might burden certain people is a good step for Wisconsin.

Thank you for the opportunity to come before the committee today.

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December 18, 2017

The Honorable Cindi Duchaw
The Honorable Paul Tittl
Committee on Consumer Protection
2 East Main Street
Madison, WI 53703

Re: Opposition to A.B. 565 fees related to security freezes on consumer credit reports.

Dear Chairwoman Duchaw & Chairman Tittl:

I write on behalf of the Consumer Data Industry Association (CDIA) to urge your committee to oppose A.B. 565, because it fails to recognize existing federal consumer laws and consumer identity protections that should be used as a first line of defense against credit fraud and identity theft.

CDIA is an international trade association, founded in 1906, of more than 130 corporate members. Our mission is to enable consumers, media, legislators and regulators to understand the benefits of the responsible use of consumer data which creates opportunities for consumers and the economy. CDIA members provide businesses with the data and analytical tools necessary to manage risk. This includes criminal background checks. Our members help ensure fair and safe transactions for consumers, facilitate competition and expand consumers' access to a market which is innovative and focused on their needs. CDIA member products are used in more than nine billion transactions each year.

A credit report is often a critical component to a lender's decision when trying to access financial products. The information contained in a credit report is held by a consumer reporting agency. As defined by the FCRA (15 U.S.C. §1681 et seq.) all of the members of CDIA are considered to be consumer reporting agencies. Under the FCRA consumer reports may only be made available for permissible purposes. All customers

of our members have to be vetted before being given access to databases and data must be secured in order to avoid impermissible access to the FCRA-regulated database. The Consumer Financial Protection Bureau supervises and examines our members for compliance with this law and brings enforcement action where necessary. In addition, state attorneys general and the Federal Trade Commission also have the power to enforce the FCRA.

A.B. 565, proposes to remove the fees to place a freeze on an individual's credit file. The fees associated with placing and removing a credit freeze are there to offset the administrative costs the bureaus incur to place a freeze. The credit bureaus do not profit from these fees and they are intentionally low so consumers can afford to place and remove them. In Wisconsin, the cost to freeze a credit report is capped at \$10. While this fee is low, it exists to cover the costs of providing the service and the development of, as well as maintenance of the technology, to place and remove a freeze. State laws permit a small fee for the placement and removal of a freeze, as well as require that consumers contact each nationwide credit bureau to place a freeze and obtain a PIN to manage the freeze. Where policy makers have determined that certain populations are vulnerable to identity theft these fees have been waived in some cases.

However, freezing a credit file should not be used as a consumer's first line of defense in identity protection. Freezing a credit file is cumbersome and it is an inflexible tool intended to assist victims of identity theft. It should be used as a last resort in the process of protecting one's identity. If a consumer is concerned that identity theft or fraud has occurred, under the federal Fair Credit Reporting Act consumers can place for free, a fraud alert on their credit file.¹ This alert is shared across all of the national credit bureaus once it has been placed by the consumer. It is a quick and easy process that tells a creditor to not issue credit to the consumer until the creditor has either contacted the consumer directly to verify the line of credit, or taken reasonable steps to verify the identity of the consumer. Once the initial fraud alert is placed on the consumer's file, the consumer is entitled to a free credit report from each of the national bureaus. The fraud alert lasts 90 days after which a consumer may choose to extend the time period for free and receive an additional free credit report.

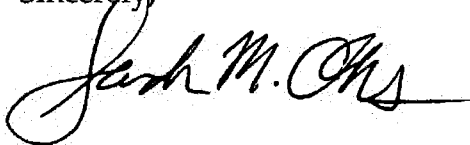
A credit freeze was created to assist those chronic victims of identity theft and should not be considered the first line of defense in identity protection. A freeze is best used when a consumer has evidence that they are a victim of identity theft, as it will block the consumers' ability to access credit of any kind including a loan, apartment or even a job. Consumers who are "credit active" find that freezing and unfreezing their credit file is inconvenient and significantly slows credit transactions. In fact, we have

¹ 15 U.S. Code § 1681c-1

found from our experience, when consumers understand the options in protecting their credit, from fraud alerts to a freeze, most choose to start with a 90-day fraud alert. It's a protection that is free, requires only contacting one credit bureau, allows consumers a free credit report, and it doesn't interrupt their lives. We believe that fraud alerts are better options for those who want to be cautious and monitor their credit without limiting or cutting off access to their credit report. The Consumer Financial Protection Bureau (CFPB) which oversees the credit bureaus agrees and has put that recommendation on their website for consumers. However, if a consumer is a victim of identity theft, current federal law under the FCRA allows them to obtain a free credit freeze, a free lift and a free removal of the freeze.

In conclusion, we respectfully ask your committee to oppose A.B. 565. We believe that this legislation is not in the consumer's best interest, as it creates incentives for the consumer to choose a credit freeze as the first line of defense in protecting one's identity. Instead, credit freezes are designed for victims of identity theft to protect themselves from further victimization. We believe, as well as the CFPB, that an initial fraud alert should be the first step in protecting your personal information. It is a protection that is free, requires only contacting one credit bureau, allows consumers a free credit report, and it doesn't interrupt a consumer's access to credit.

Sincerely,

A handwritten signature in black ink that reads "Sarah M. Ohs". The signature is written in a cursive style with a long, sweeping underline.

Sarah M. Ohs
Manager of Government Relations